

09 FEBRUARY 2011

ASX Release

OZ Minerals 2010 Full-Year Financial Results



Highlights

- An excellent year of operations at Prominent Hill, with 112,171t of copper and 196,400oz of gold produced seeing revenue of \$1,128.4million generated.
- Underlying net profit after tax (NPAT) of \$398.2 million, (**excluding** the reversal of impairment and discontinued operations) recorded by the Company.
- Overall, OZ Minerals' NPAT was \$586.9 million (**including** the reversal of 2008 asset impairment of Prominent Hill of \$141.1 million after tax and discontinued operations of \$47.6 million).
- Cash balance of \$1.334.2 billion at 31 December 2010.
- Company debt free following redemption/conversion of convertible bonds.
- Dividend of 4 cents per share, unfranked, (\$129.5 million) bringing total dividend in respect of 2010 earnings to 7 cents per share (\$223.1 million).
- Capital management program announced including a proposed capital return of 12 cents per share (almost \$390 million) and a proposed ten for one share consolidation (subject to shareholder approval), followed by an on-market share buyback of up to \$200 million.
- Development of the Ankata underground mine at Prominent Hill commenced in July.
- Exploration expenditure of \$43.4 million increasing to \$70 million for 2011, at Prominent Hill, with some encouraging results from the Munda and Kalaya zones.

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A\$M	2010
Prominent Hill revenue	1,128.4
Prominent Hill EBITDA	729.2
Underlying net profit (excl, impairment reversal and discontinued operations)	398.2
Reversal of impairment (net of tax)	141.1
Discontinued operations after tax	47.6
Group NPAT	586.9
Dividend (unfranked)	7 cps total for 2010 earnings

Commentary

OZ Minerals has recorded a pleasing set of financial results for 2010 with a successful year of operations at Prominent Hill, coupled with record prices for its commodities; copper and gold.

The Company has finished the year with a cash balance of \$1,334.2 million after a dividend payment in September 2010, capital expenditure on the new Ankata underground mine at Prominent Hill, significant exploration around Prominent Hill and expenditure on a stake in Sandfire Resources.

With this sound financial position, the Board has resolved that, subject to shareholder approval, surplus capital be returned to shareholders by way of a proposed capital return of 12 cents per share (equivalent to around \$388 million) and a share buyback of up to \$200 million. It is also proposed to undertake a 10 for 1 share consolidation.

In line with its dividend policy, the Board has resolved to pay a dividend of 4 cents per share, unfranked, bringing the total dividend in respect of 2010 earnings to 7 cents per share, representing 56% of NPAT from normal operations.

"Prominent Hill is proving to be an excellent operation. The plant is capable of treating all ore types efficiently, costs are well constrained and we have seen strong cash flows result," said OZ Minerals Managing Director and CEO Terry Burgess.

"Our sound financial position, along with a positive outlook for our continued ability to generate cash flow, places the Company in the position of being able to return funds to shareholders while at the same time having sufficient funds available to allow flexibility in our continued pursuit of our copper acquisition strategy and other capital requirements.

"Through the payment of the two dividends and the execution of the proposed capital return we will have returned over \$600 million to shareholders in the 12 month period to June 2011.

"We think there are significant opportunities for acquisitions, despite high commodity prices, and we continue to believe that the risk profile of the Company would be improved by adding another operation or asset with good potential to become an operation.

"We have a healthy balance sheet which provides us with important leverage with corporates or banks when considering acquisitions. Of course, cash is not the only option for funding potential M&A activity with scrip and debt also being available to us."

OZ Minerals' Chairman Neil Hamilton said, "I am pleased to be able to propose this capital management plan which has regard to the varying interests of shareholders and which we consider to be the right balance between returning funds to shareholders and having the balance sheet strength to continue to grow value in the business. The directors intend to vote their shares in favour of the capital return and consolidation of shares and I also urge all shareholders to vote in favour of this important proposal."

Review of activities

Prominent Hill

2010 was the first full year of steady state operations at Prominent Hill following the commissioning and ramp up during 2009.

The operation performed very well with production of 112,171t of copper and 196,400oz of gold produced, exceeding the targets set for the year.

Mining operations saw 53Mt of waste and 10Mt of ore mined (including 6.2 million tonnes of waste mined for the cutback for the underground portal), giving an average strip ratio of 4.7:1 for the year. An additional excavator and associated trucks were added to the fleet allowing greater waste mining to be brought forward in the mining plan to enable greater flexibility in the future.

In 2010 the plant performed extremely well with good recoveries from all ore types and throughput of 9.5Mt of ore, 19% above the plant's nameplate capacity.

Production for 2011 is expected to remain within the ranges of 100,000t to 110,000t for copper and 185,000oz to 205,000oz for gold.

'C1' cash costs of production of US46.4c/lb for 2010 were highly competitive, placing Prominent Hill in the lowest quartile of producers globally. While this was in part due to favourable by-product credits from gold production, good cost control also saw operating costs steady.

It is expected that C1 cash costs of production for 2011 will remain under US60c/lb but this will be dependant on the the gold price and the relative strength of the Australian dollar.

The development of the Ankata underground mine commenced in July with the decline developed to 361 metres by the time of this report. The decline is expected to reach the Ankata orebody by the end of 2011 with the full production rate expected to be reached in the second half of 2012. Pre-production capital expenditure for the mine is expected to be \$135 million of which \$27.1 million was spent in 2010. The underground mine will add annual production of approximately 25,000 tonnes of copper and 12,000 ounces of gold for a period of five years, seeing the operation maintain its current production levels.

Total expenditure on near mine and regional exploration at Prominent Hill for 2010 was \$43.4 million of which \$3.9 million was capitalised as resource development expenditure related to the Ankata deposit. In 2011 the exploration budget at Prominent Hill has increased to \$70 million.

Exploration in the close vicinity of the existing open pit was focused on the Munda and Kalaya zones and results were encouraging. Drilling is continuing with a view to commence modelling to ascertain the size of an Inferred Resource in mid-2011.

During the year, an increase to copper and gold in Reserves saw the life of the mine maintained despite depletion from mining.

Regional exploration to discover a new copper-gold deposit, outside the immediate vicinity of the pit remains a very high priority for the group with the majority of the \$70 million budget allocated for this work.

Beyond Prominent Hill

In early 2010, the Company announced an initial Resource at the Okvau gold project in Cambodia of 605,000oz of gold. Although results received during the year appeared unlikely to add to this Resource, exploration of prospective untested and new areas continues.

The Company signed exploration joint ventures with IMX Resources Limited for exploration around Prominent Hill, with Azure Minerals Limited for exploration in Mexico, and with a private group for exploration over the Pichasca project in Mexico. Drilling is due to commence on all these joint ventures early in 2011. OZ Minerals was also granted exploration licences in the Cobar region of NSW where drilling of geophysical targets has commenced.

In July, the Company acquired a 19.9% strategic stake in Sandfire Resources NL for \$99.5 million and spent a further \$14.2 million in November 2010 for a placement of shares. The Company's holding was diluted to 18.9% by year end.

Further details on operational performance and exploration results were provided in OZ Minerals fourth quarter production report released on 21 January 2011.

Income Statement Summary

Financial Year ended 31 December 2010

A\$M	Prominent Hill Mine	Other Continuing Operations	Group
Revenue	1,128.9	0.3	1,129.2
Cost of goods sold	(338.3)	-	(338.3)
Net foreign exchange losses	(12.3)	(77.3)	(89.6)
Exploration expense	(31.3)	(18.9)	(50.2)
Other expenses	(38.3)	(16.6)	(54.9)
EBITDA	729.2	(133.0)	596.2
Depreciation and amortisation	(152.0)	(0.6)	(152.6)
Reversal of impairment	201.1	-	201.1
Impairment of assets	(10.7)	-	(10.7)
EBIT	767.6	(133.6)	634.0
Net financing income / (expense)	(0.8)	28.4	27.6
Income tax expense	(161.3)	99.0	(62.3)
Tax impact of impairment reversal	(60.0)	-	(60.0)
NPAT (before gain on discontinued operations)	545.5	(6.2)	539.3
Gain on discontinued operations after income tax	-	-	47.6
NPAT	545.5	(6.2)	586.9

Income statement

In reviewing these results, it should be noted that the current year financial results represent a full 12 months of operation at Prominent Hill as compared to eight months of financial results for the comparative year, since the Prominent Hill operation was commissioned in February 2009, with costs capitalised until 1 May 2009. References to discontinued operations pertain to operations sold in 2009 for which some adjustments were made in 2010.

Revenue from Prominent Hill concentrate sales for the year was \$1,128 million with 77.8% from copper sold, 21.1% from gold sold and 1.1% from silver sold. Other income was \$28.4 million, including interest income of \$36.3 million earned on cash deposits, partly offset by interest expense of \$8.7 million, related to the convertible bond.

Prices received for OZ Minerals' products are based on spot prices of the commodities traded. Copper and gold prices strengthened during 2010. Copper traded at new record levels of US\$4.42 per pound by the year end and gold prices reached a record of US\$1,423 per ounce in early December 2010. In Australian dollar terms, the copper price rose by 14.6% over the year to reach A\$4.34 per pound and the gold price increased by 9.3% to close the year at A\$1,359 per ounce.

These prices, coupled with controlled costs, saw Prominent Hill generate earnings before interest, tax, depreciation and amortisation of \$729.2 million, excluding the reversal of impairment announced at the time of the half year results of \$201.1 million*.

Net Profit After Tax from normal operations was \$398.2 million for 2010. After inclusion of profit from discontinued operations (\$47.6 million) and the after-tax impact of the reversal of asset impairment (\$141.1 million after tax), NPAT for the year to 31 December 2010 for the consolidated entity was \$586.9 million.

Global (expensed) exploration expenditure for the period was \$50.2 million, with \$34.1 million spent at Prominent Hill, \$8.4 million in Cambodia and \$6.8 million on other projects globally. There was also a further \$3.9 million of resource development and evaluation expenditure in relation to the Ankata underground which was capitalised. Total global expenditure on exploration for 2011 is expected to be in the order of \$90 million, with \$70 million at Prominent Hill of which the proportion relating to drilling on known resources is expected to be capitalised.

Corporate costs, which included group expenses for insurance, projects and technical services, legal costs and one-off termination payment.

The depreciation charge of \$152.6 million for the continuing operations primarily reflects the depreciation of mine property and mine development on a unit of production of ore mined basis, fixed processing plant on a unit ore processed basis, and infrastructure type assets on a life of mine basis. It is impacted by an increase in the carrying value of the assets as a result of the reversal of asset impairment and the approval of the Ankata underground mine. Depreciation in 2011 is expected to be in a range between \$150 million and \$170 million.

While a foreign exchange gain was recorded in the first half of 2010, a sharp increase in the Australian/US dollar exchange rate in the second half saw a foreign exchange loss of \$89.6 million recorded, which included an unrealised loss of \$68.0 million and was largely due to the revaluation of US dollar denominated cash balances.

Income tax expense of \$100.1 million includes a \$122.3 million expense for continuing operations and a \$22.2 million benefit for discontinued operations. However, due to existing carry forward tax losses no tax is payable in respect of the 2010 period. The Company concluded 2010 with recognised tax losses of \$357.0 million gross (tax effected \$107.1 million), comprising \$240.0 million gross losses available for recoupment in 2011 and \$117.0 million of gross fractional losses** which will be recouped in subsequent years. Based on consensus outlook for commodity prices and exchange rates, it is anticipated that taxable income in 2011 will exceed tax losses available for recoupment in the 2011 year and so some tax will be payable in 2012 in respect of the 2011 year.

Cash flow statement

OZ Minerals had a cash balance of \$1,334.2 million at 31 December 2010, an increase of \$258 million since 31 December 2009.

* OZ Minerals recognised a reversal of asset impairment of \$201.1 million (\$141.1 million after tax) at 30 June 2010 in relation to the asset impairment of Prominent Hill that was originally recognised in December 2008. Further details can be found in Note 4 to the Financial Statements for the year ended 31 December 2010.

In addition to this, an impairment of \$10.7 million was recorded with regard to certain resource evaluation expenditure capitalised in prior periods and now expensed in the first half in accordance with the Company's accounting policy.

** Fractional losses retained by OZ Minerals are losses which are available for use at a low available percentage over time.

Net cash inflows from operating activities for the full year were \$616.1 million. This includes \$30.9 million in net interest received and cash outflow of \$50.2 million for exploration activities.

Capital expenditure of \$65.3 million comprised \$29.7 million of sustaining capital at Prominent Hill, \$27.1 million in relation to the Ankata underground development and \$8.5 million for resource development drilling of which \$4.5 million was impaired in the first half.

Sustaining capital is expected to remain at similar levels in 2011.

Remaining pre-production capital expenditure for the Ankata underground mine, to be spent in 2011, is expected to be in the order of \$105 million, with sustaining capital thereafter relatively low.

Balance sheet

The balance sheet position is robust, with no debt and cash assets of \$1,334.2 million at year end. Cash flow from operating activities was \$616.1 million and after cash outflow on investing activities of \$196.4 million and on dividends of \$93.6 million, net cash generation for the year was \$326.0 million.

OZ Minerals' strategy is to hold cash in a mix of Australian dollars and US dollars, that is, in a range between 40/60 Australian dollars and 60/40 US dollars. The closing cash position was US\$630.8 million (A\$620.1 million equivalent) and A\$714.1 million. This gave a US\$:A\$ currency ratio of 46:54 at 31 December 2010.

This cash was only held with counterparties with ratings of S&P A-1+ or the equivalent, and was invested over a range of maturities to mitigate exposure to interest rate movements.

The company is now debt free following the conversion/redemption of convertible bonds in November 2010.

Capital management

The Board proposes to return cash and capital surplus to the Company's needs to shareholders in light of the Company's pleasing financial performance and strong balance sheet.

In line with its dividend policy to distribute dividends equivalent to 30-60% of NPAT from normal operations, OZ Minerals has resolved to pay a dividend of 4 cents per share today, which, in addition to the dividend of 3 cents per share paid in September 2010, is a total of \$223.1 million in dividends, representing 56% of 2010 NPAT from normal operations.

OZ Minerals' strategy remains to grow through identifying value adding opportunities in the copper sector. Following execution of the proposed capital management plans a cash balance of around \$1 billion, together with unused debt capacity is expected to be available to allow flexibility and nimbleness in the pursuit of such growth opportunities.

Considering this and in view of the Company's expected cash generation ability, the OZ Minerals' Directors will propose to shareholders at the next Annual General Meeting a capital return of 12 cents per ordinary share, together with a consolidation of OZ Minerals shares through the conversion of ten fully paid ordinary shares into one OZ Minerals share. The intention is to follow this with an on-market share buyback program of up to the equivalent of \$200 million over the subsequent 12 months.

The proposed capital return and share consolidation require shareholder approval and will be put forward as resolutions at OZ Minerals' AGM on 18 May 2011.

Further details will be provided in the Notice of Annual General Meeting.

Capital Return

The Company proposes to return funds to shareholders via a capital return of 12 cents per ordinary share representing almost \$390 million.

Should the proposal be approved by shareholders the record date for the proposed return would be 26 May 2011.

The Company has sought a class ruling from the Australian Tax Office as to the proportion of the capital return which will be treated as capital for shareholders. Further information will be provided in OZ Minerals' Notice of Annual General Meeting.

Share consolidation

The Company proposes to consolidate the Company's share capital through the conversion of every ten OZ Minerals ordinary shares into one OZ Minerals ordinary share.

OZ Minerals has a very large number of shares on issue (over 3.2 billion), due to historical equity-based capital raisings and corporate transactions. The number of shares is disproportionate to OZ Minerals' peers.

If the proposed share consolidation is approved by shareholders the number of OZ Minerals shares on issue will be reduced from approximately 3.2 billion to approximately 324 million.

Dividend

The Board has resolved to pay an ordinary dividend of 4 cents per share (\$129.5 million) in respect of second half earnings, bringing the total dividends paid for 2010 to 7 cents per share (\$223.1 million). The record date for the payment of the 4 cents per share dividend is 23 February 2011 and payment is 9 March 2011, (please note that as previously advised payments will only be made by bank transfer*). All dividends are unfranked. The dividends have been declared by the Board to be conduit foreign income.

The financial impact of this dividend has not been recognised in the financial statements for the year ended 31 December 2010 and will be recognised in subsequent financial statements.

With the reinstatement of the payment of dividends at the half year results in 2010 the Board adopted a policy of paying a dividend equivalent to 30-60% of underlying profits from normal operations on an annual basis, taking into account the cash available for payment of a dividend and the competing capital and growth requirements of the business. As a mining company, profits and therefore dividends will vary with commodity prices, exchange rates, production and cost variations.

Key dates

Dividend	
Record date	23 February 2011
Payment date*	9 March 2011
Annual General Meeting	
	18 May 2011
Capital return	
OZ Minerals shares commence trading on an 'ex return of capital' basis	20 May 2011
Record date for determining entitlement to return of capital (on a pre-consolidation basis)	26 May 2011
Payment date for capital return*	10 June 2011
Share consolidation	
Trading post share consolidation commences on a deferred settlement basis	30 May 2011
Record date for consolidation of shares	3 June 2011
Normal trading commences following share consolidation	14 June 2011

* Please note that as previously advised payment will be made in the form of cash via bank transfer only. Shareholders who have not provided their bank account details are reminded to contact OZ Minerals' share registry Link Market Services by visiting www.linkmarketservices.com.au to ensure that payments can be made to your account.

Annual General Meeting

Wednesday 18 May 2011 at 2.30pm (AEST).
Melbourne Exhibition Centre Auditorium,
Level 2, 2 Clarendon Street, Southbank, Melbourne

For further information please contact:

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