



**OZ MINERALS LIMITED**

**ABN 40 005 482 824**

**HALF-YEAR FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

# OZ MINERALS LIMITED

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Stock Exchange ('ASX') Listing Rule 4.2A and Appendix 4D for the consolidated entity comprising OZ Minerals Limited ('OZ Minerals Limited' or the 'Company') and its controlled entities ('OZ Minerals' or the 'consolidated entity') for the half-year ended 30 June 2011 (the 'financial period').

### Highlights

- Revenue of \$632.7 million and net profit after tax of \$113.9 million
- Net cash inflows from operating activities of \$388.3 million
- Cash balance of \$905.6 million at end of June 2011
- Unfranked dividend of 30 cents per share to be paid in September 2011
- Prominent Hill copper production on track to meet annual guidance
- Development of Ankata underground mine at Prominent Hill on schedule
- Major exploration program continues
- Acquisition of Carrapateena and commencement of exploration and development studies
- Returned capital of \$388.6 million to shareholders in June 2011
- Announced on-market share buy-back program of up to \$200.0 million commencing 17 August 2011

### Consolidated results

	6 months ended 30 June 2011 \$m	6 months ended 30 June 2010 \$m	Movement \$m	Movement percent
Revenue from continuing operations	632.7	589.9	42.8	7.3
Profit after tax attributable to equity holders of OZ Minerals Limited	113.9	405.7	(291.8)	(71.9)
Net tangible assets per share – refer Note 8 to the half-year Financial Report	\$8.02	\$9.51		

Note that the profit after tax for 30 June 2011 of \$113.9 million includes the impact of the litigation settlement expense of \$60.0 million, an impairment loss in relation to the investment in Toro of \$15.2 million, and net foreign exchange losses of \$32.7 million.

The profit after tax for 30 June 2010 of \$405.7 million includes the impact of reversal of asset impairment of \$141.1 million tax effected, gain from discontinued operations of \$34.1 million, and net foreign exchange gains of \$40.8 million.

### Dividends

Since the end of the financial period, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 16 September 2011. The record date for entitlement to this dividend is 29 August 2011. The financial impact of this dividend amounting to \$97.2 million has not been recognised in the financial statements for the half-year ended 30 June 2011 and will be recognised in subsequent financial statements. This dividend has been declared to be conduit foreign income.

### Commentary on results and outlook

The commentary on results and outlook is set out in the Directors' Report.

### Independent review report

The financial statements upon which this Appendix 4D is based have been reviewed and the Independent Auditor's Review Report to the members of OZ Minerals Limited is included in the attached half-year Financial Report.

## DIRECTORS' REPORT

Your directors present their report for OZ Minerals for the half-year ended 30 June 2011. OZ Minerals Limited is a company limited by shares that is incorporated and domiciled in Australia.

### Directors

The directors of the Company during the half-year ended 30 June 2011 and up to the date of this report were:

Neil Hamilton (Chairman)  
Terry Burgess (Managing Director and Chief Executive Officer)  
Paul Dowd  
Brian Jamieson  
Barry Lavin (appointed as Non-Executive Director on 1 July 2011)  
Charles Lenegan  
Rebecca McGrath  
Dean Pritchard

### Principal activities

The principal activities of the consolidated entity during the financial period were the mining of copper, gold and silver, carrying out exploration activities and development of projects.

### Consolidated results

	6 months ended 30 June 2011 \$m	6 months ended 30 June 2010 \$m
Consolidated entity profit attributable to equity holders of OZ Minerals Limited	113.9	405.7

Note that the profit after tax for 30 June 2011 of \$113.9 million includes the impact of the litigation settlement expense of \$60.0 million, an impairment loss in relation to the investment in Toro of \$15.2 million, and net foreign exchange losses of \$32.7 million.

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### Dividends

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The details in relation to dividends are set out below:

Record date	Date of payment	Cents per share	Total dividends \$m
29 August 2011	16 September 2011	30	97.2
23 February 2011	9 March 2011	40	129.5
7 September 2010	21 September 2010	30	93.6

The 'cents per share' amounts in the above table reflect the dividend amounts per share after the one for ten share consolidation. Refer to Note 10 to the Financial Report for further details in respect of the share consolidation.

# DIRECTORS' REPORT

## Review of results and operations, change in state of affairs and likely developments

OZ Minerals recorded a strong performance for the half-year ended 30 June 2011 at Prominent Hill. Net profit after tax for the consolidated entity was \$113.9 million, as detailed below.

	Prominent Hill operations \$m	Other operations \$m	Total \$m
Revenue	632.7	–	632.7
Cost of goods sold, including employee expenses	(208.8)	(2.0)	(210.8)
Net foreign exchange losses	(7.5)	(25.2)	(32.7)
Exploration and evaluation expenses	(20.9)	(12.7)	(33.6)
Litigation settlement expense	–	(60.0)	(60.0)
Impairment losses (Toro)	–	(15.2)	(15.2)
Other expenses (net)	(11.3)	(13.2)	(24.5)
<b>Earnings before interest, income tax, depreciation and amortisation (EBITDA)</b>	<b>384.2</b>	<b>(128.3)</b>	<b>255.9</b>
Depreciation and amortisation expenses	(82.9)	(0.4)	(83.3)
<b>Earnings before interest and income tax (EBIT)</b>	<b>301.3</b>	<b>(128.7)</b>	<b>172.6</b>
Net financing (expense)/income	(0.5)	21.2	20.7
<b>Profit before income tax (PBT)</b>	<b>300.8</b>	<b>(107.5)</b>	<b>193.3</b>
Income tax expense			(79.4)
<b>Profit after income tax (PAT)</b>			<b>113.9</b>

### Operations – Prominent Hill

Revenue from concentrate sales of \$632.7 million for the half-year was represented by payable copper, gold and silver of \$475.6 million, \$149.7 million and \$7.4 million respectively.

Copper production for the half-year was 53,725 tonnes of metal contained in concentrate, and is on track to meet annual guidance of 100,000 to 110,000 tonnes. Gold production in concentrate was 86,129 ounces. The focus remains on maximising copper production levels as revenue generated from treatment of copper ore is approximately four times that generated from the treatment of gold ore at current commodity prices. As a result, on occasions during the period, copper ore was treated in preference to gold ore.

Prominent Hill Mine's C1 cash cost of production, including by-product credits was US62.9 cents per pound for the half-year.

Development of the Ankata underground mine is on schedule for first production in the first quarter of 2012. Expenditure capitalised for development of Ankata is \$53.7 million as at 30 June 2011, of which \$26.6 million was spent during the half-year. Total pre production capital and operating expenditure for the project is expected to be approximately \$135 million. In May 2011, the Board of Directors approved continuation of the underground decline after the Ankata ore body has been accessed to veer back towards the east to facilitate further exploration drilling which could allow timely access to potential underground mining areas. This further decline is estimated to cost \$25-30 million and is expected to be completed by mid 2012. Funding for the further decline will be met from the existing exploration budget.

## **DIRECTORS' REPORT**

The revised pit design for the Malu open pit has been completed following recent geotechnical studies, which were initiated after movement of the north wall of the pit on two occasions during 2010. The revised pit design with wall slopes flatter than the original will result in mining an additional 30 million bank cubic metres of waste over approximately five years to extract the mineable reserves, which will increase the life of mine strip ratio from 4.6 to 5.5. The additional mining will commence later in 2011 and will result in an increase in mining costs of approximately \$3.0 per tonne milled.

Further details in relation to Prominent Hill operations are provided in OZ Minerals' 30 June 2011 Quarterly Report.

The property, plant and equipment balance at 30 June 2011 was \$1,245.1 million, a reduction of \$43.0 million from 31 December 2010. The movement of \$43.0 million was due to expenditure capitalised in relation to the Ankata project of \$26.6 million, sustaining capital expenditure of \$15.3 million, capitalised exploration and evaluation expenditure of \$2.3 million, offset by depreciation expense of \$83.3 million, and net reduction in capitalised deferred mining of \$3.9 million.

### ***Capital management and dividends***

In February 2011 OZ Minerals announced a capital management plan which included:

- Return of capital to its shareholders of twelve cents per share (prior to the one for ten share consolidation) amounting to \$388.6 million in June 2011. The Australian Tax Office ('ATO') confirmed by a class ruling in March 2011 that the return of capital does not constitute a dividend for Australian income tax purposes;
- One for ten share consolidation in June 2011, which involved the conversion of every ten fully paid ordinary shares on issue into one fully paid share. Consequently, the number of shares OZ Minerals Limited has on issue reduced from 3,238,546,504 shares to 323,877,514 shares; and
- On-market share buy-back program to commence from 17 August 2011 of up to \$200 million over the following twelve months.

In line with its dividend policy of paying between 30 to 60 per cent of net profit after tax from normal operations on an annual basis as dividends, the Board of Directors also paid a dividend of \$129.5 million in March 2011.

Since the end of the financial period, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 16 September 2011. The record date for entitlement to this dividend is 29 August 2011. The financial impact of this dividend amounting to \$97.2 million has not been recognised in the financial statements for the half-year ended 30 June 2011 and will be recognised in subsequent financial statements. This dividend has been declared to be conduit foreign income.

### ***Exploration and acquisition***

OZ Minerals continued to pursue exploration activities near the Prominent Hill Mine, in the wider Prominent Hill region, Cobar in New South Wales, Cambodia, and in the Americas. The total exploration expenditure for the half-year was \$35.9 million, of which \$33.6 million mainly relating to the Prominent Hill region was expensed in the income statement and \$2.3 million relating to Ankata underground mine was capitalised as part of property, plant and equipment. Exploration at Prominent Hill included near mine exploration which was mainly focussed on the Munda and Kalaya zones during the half year. An initial resource for Munda and Kalaya zones is expected in the second half of 2011. A significant regional exploration program also continued at Prominent Hill with testing of targets within the tenements held by OZ Minerals and through the joint venture with IMX Resources NL. As completion of drilling in Sonora, Mexico and the Pichasca Project located in central Chile, discovered no significant intersections, OZ Minerals withdrew from these projects.

## DIRECTORS' REPORT

OZ Minerals acquired the Carrapateena copper-gold project in South Australia in May 2011. The consideration for the purchase was \$254.3 million, made up of payments to vendors of \$236.4 million (US\$250.0 million), stamp duty paid of \$8.5 million, and stamp duty payable of \$9.4 million. The terms of the acquisition provide for further payment of US\$50.0 million on first commercial production of copper, uranium, gold or silver, and another US\$25.0 million on first production of rare earths, iron or any other commodity. The further payments amounting to US\$75.0 million do not constitute a liability in accordance with the accounting standards and hence were not required to be recognised in the financial statements for the half-year ended 30 June 2011. The Carrapateena project is an advanced exploration project which will be further explored before making any decision to progress to mine development. A budget of \$20 million is planned for exploration at Carrapateena for 2011. The exploration drilling is planned to commence during the third quarter of 2011 once the relevant approvals have been obtained.

### **Other matters**

OZ Minerals held a cash balance of \$905.6 million at the end of June 2011 compared to \$1,334.2 million as at 31 December 2010. The movement in the cash balance during the period of \$428.6 million is set out in the Statement of Cash Flows in the Financial Statements. The key items contributing to this movement were payment of dividends of \$129.5 million, return of capital to shareholders of \$388.6 million, payment for acquisition of Carrapateena assets of \$244.9 million, payments for acquisition of property, plant and equipment of \$44.2 million, and net cash inflows from operating activities of \$388.3 million.

In August 2011, a subsidiary of OZ Minerals has agreed terms with four relationship banks (ANZ, HSBC, NAB and Westpac) for a US\$180.0 million committed, unsecured revolving three year bank debt facility and a US\$20.0 million one year working capital facility with ANZ, subject to execution of documentation satisfactory to the parties.

Income tax expense for the half-year was \$79.4 million. After recoupment of tax losses against the taxable income during the period, the carry forward tax losses recognised in the balance sheet as at 30 June 2011 were unrestricted carry forward tax losses of \$49.3 million and restricted carry forward tax losses of \$183.3 million (tax effected \$14.8 million and \$55.0 million respectively). Further details in relation to taxation are set out in Note 3 to the half-year Financial Report.

The strengthening of the Australian dollar during 2011 to levels above parity against the US dollar impacted the carrying value of assets and liabilities denominated in US dollars, resulting in a net foreign exchange loss for the half-year of \$32.7 million. Of this amount, \$8.8 million constitutes unrealised foreign exchange losses.

Net financing income for the period was \$20.7 million, comprising interest income of \$21.2 million earned on cash, offset by the unwind of net present value discount on the provision for mine rehabilitation of \$0.5 million.

The carrying value of investments in equity securities of \$228.4 million as at 30 June 2011 was made up of investments in Sandfire Resources NL of \$197.6 million, in IMX Resources Limited of \$14.2 million and other minor investments of \$16.6 million. The movement in the consolidated entity's investment in equity securities since December 2010 mainly reflects marked to market adjustments.

An impairment loss of \$15.2 million was recognised in relation to the consolidated entity's investment in Toro Energy Limited ('Toro') at 30 June 2011 following an impairment assessment performed on a value in use basis. In assessing the impairment, the consolidated entity makes a number of assumptions, including short and long term commodity prices, foreign exchange rates, reserves and resources, exploration potential, future operating performance and discount rates. These assumptions can change significantly over short periods of time which can have a significant impact on the carrying amount of the investment.

## **DIRECTORS' REPORT**

OZ Minerals reached an agreement in May 2011 to settle for an amount of \$55.1 million plus costs of \$4.9 million for the two class actions brought against it by Maurice Blackburn and Slater & Gordon on behalf of certain shareholders who had acquired shares in OZ Minerals Limited in 2008. The settlement was conditional upon court approval, which was received on 1 July 2011. OZ Minerals paid \$60.3 million on 25 July 2011, which included interest of \$0.3 million, in accordance with terms of the settlement. As at 30 June 2011, the consolidated entity had recognised a liability of \$60.0 million which was included in trade and other payables.

### **Matters subsequent to the end of the financial period**

In respect of the liability of \$60.0 million recognised for the two class actions at 30 June 2011, the consolidated entity paid this amount, together with interest of \$0.3 million on 25 July 2011 in accordance with terms of the settlement.

Since the end of the financial period, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 16 September 2011. The record date for entitlement to this dividend is 29 August 2011. The financial impact of this dividend amounting to \$97.2 million has not been recognised in the financial statements for the half-year ended 30 June 2011 and will be recognised in subsequent financial statements. This dividend has been declared to be conduit foreign income.

On 1 July 2011, Barry Lavin was appointed as a non-executive director of OZ Minerals. Barry is an accomplished senior mining executive who spent 18 years with Rio Tinto Group until 2009. Barry is a mining engineer, and while at Rio Tinto, was the managing director of the Northparkes Mines Joint Venture where he helped position the operation as a centre of excellence for highly productive mechanised block caving.

In July 2011, a proposed carbon pricing mechanism was announced by the Australian Government. While uncertainties continue in terms of understanding the impact of this mechanism on the consolidated entity and whether it will be passed by both Houses of Parliament, the costs for OZ Minerals associated with the proposal are estimated to be between \$7-10 million per year based on 2010 energy use.

### **Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the Class Order to the nearest million dollars to one decimal place, or in certain cases, to the nearest thousand dollars. All amounts are in Australian dollars only, unless otherwise stated.

### **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on the following page and forms part of the Directors' Report for the half-year ended 30 June 2011.

This report is made in accordance with a resolution of the directors.



*Neil Hamilton  
Chairman  
Melbourne  
16 August 2011*



*Terry Burgess  
Managing Director and Chief Executive Officer  
Melbourne  
16 August 2011*

# AUDITOR'S INDEPENDENCE DECLARATION



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of OZ Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten version of the KPMG logo in black ink.

KPMG

A handwritten signature in black ink, appearing to read 'P Stragalinos'.

Penny Stragalinos

**Partner**

Melbourne

16 August 2011

## CONSOLIDATED INTERIM INCOME STATEMENT

For the half-year ended 30 June 2011	Note	6 months to 30 June 2011 \$m	6 months to 30 June 2010 \$m
Revenue from continuing operations		632.7	589.9
Other income		0.9	0.4
Net foreign exchange (losses)/gains		(32.7)	40.8
Changes in inventories of ore and concentrate		(2.2)	(19.0)
Consumables and other direct costs		(151.3)	(118.6)
Employee benefit expenses		(30.7)	(23.1)
Exploration and evaluation expenses		(33.6)	(18.2)
Freight expenses		(17.1)	(21.5)
Royalties expense		(9.5)	(8.5)
Share of net loss of investment accounted for using the equity method	6	(0.1)	–
Litigation settlement expense	13	(60.0)	–
Depreciation and amortisation expenses		(83.3)	(66.8)
Impairment losses	14	(15.2)	(10.7)
Reversal of impairment	14	–	201.1
Other expenses		(25.3)	(24.0)
<b>Profit before net financing income and income tax from continuing operations</b>		<b>172.6</b>	<b>521.8</b>
Financing income		21.2	15.6
Financing expenses		(0.5)	(5.4)
<b>Net financing income</b>		<b>20.7</b>	<b>10.2</b>
<b>Profit before income tax from continuing operations</b>		<b>193.3</b>	<b>532.0</b>
Income tax expense	3	(79.4)	(160.4)
<b>Profit from continuing operations</b>		<b>113.9</b>	<b>371.6</b>
Profit from discontinued operations – net of income tax	15	–	34.1
<b>Profit for the financial period attributable to equity holders of OZ Minerals Limited</b>		<b>113.9</b>	<b>405.7</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
<b>Basic earnings per share</b>			
From continuing operations		35.2	119.3
From discontinued operations		–	10.9
		35.2	130.2
<b>Diluted earnings per share</b>			
From continuing operations		35.2	117.1
From discontinued operations		–	10.5
		35.2	127.6
<b>Weighted average number of ordinary shares on issue used in the calculation of</b>		<b>Number</b>	<b>Number</b>
Basic earnings per share		323,376,120	311,572,262
Diluted earnings per share		323,376,120	323,873,684

The comparative earnings per share information has been restated in accordance with accounting standard requirements following the share consolidation during the period. Refer to Note 10 to the half-year Financial Report for further details.

The above consolidated interim income statement should be read in conjunction with the accompanying notes.

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

<b>For the half-year ended 30 June 2011</b>	<b>6 months to 30 June 2011 \$m</b>	<b>6 months to 30 June 2010 \$m</b>
<b>Profit for the financial period</b>	<b>113.9</b>	<b>405.7</b>
<b>Other comprehensive income</b>		
Net change in fair value of investments in equity securities, net of income tax	(38.2)	(3.1)
Total comprehensive income for the financial period attributable to equity holders of OZ Minerals Limited	75.7	402.6

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2011 All amounts are in \$ millions	Issued capital	Foreign currency translation reserve	Treasury shares	Accumulated losses	Total
Balance as at 1 January 2011	5,208.8	116.5	(9.9)	(2,024.4)	3,291.0
Profit for the financial period	–	–	–	113.9	113.9
<i>Other comprehensive income</i>					
Net change in fair value of investments in equity securities, net of income tax	–	–	–	(38.2)	(38.2)
<b>Total comprehensive income for the financial period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>75.7</b>	<b>75.7</b>
<i>Transactions with owners, recorded directly in equity</i>					
Dividends	–	–	–	(129.5)	(129.5)
Return of capital	(388.6)	–	–	–	(388.6)
Share-based payment transactions, net of income tax	–	–	–	2.0	2.0
Exercise of share options and rights	–	–	3.3	(3.3)	–
<b>Total transactions with owners</b>	<b>(388.6)</b>	<b>–</b>	<b>3.3</b>	<b>(130.8)</b>	<b>(516.1)</b>
Balance as at 30 June 2011	4,820.2	116.5	(6.6)	(2,079.5)	2,850.6

For the half-year ended 30 June 2010 All amounts are in \$ millions	Equity compensation reserve	Available for sale asset reserve	Issued capital	Foreign currency translation reserve	Treasury shares	Accumulated losses	Total
Balance as at 1 January 2010	13.8	1.0	5,107.1	116.0	(10.4)	(2,662.8)	2,564.7
Profit for the financial period	–	–	–	–	–	405.7	405.7
<i>Other comprehensive income</i>							
Net change in fair value of investments in equity securities, net of income tax	–	–	–	–	–	(3.1)	(3.1)
<b>Total comprehensive income for the financial period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>402.6</b>	<b>402.6</b>
<i>Transactions with owners, recorded directly in equity</i>							
Share-based payment transactions, net income of tax	–	–	–	–	–	1.0	1.0
Exercise of share options and rights	–	–	–	–	0.4	(0.4)	–
Reclassification pursuant to change in presentation	(13.8)	(1.0)	–	–	–	14.8	–
<b>Total transactions with owners</b>	<b>(13.8)</b>	<b>(1.0)</b>	<b>–</b>	<b>–</b>	<b>0.4</b>	<b>15.4</b>	<b>1.0</b>
Balance as at 30 June 2010	–	–	5,107.1	116.0	(10.0)	(2,244.8)	2,968.3

During the comparative period, a change in presentation was adopted to recognise adjustments for share-based payment transactions in the accumulated losses section of equity, rather than in the equity compensation reserve. Accordingly the balance in the equity compensation reserve of \$13.8 million as at 31 December 2009 was transferred to accumulated losses.

During the comparative period, the cumulative net change in the fair value of investments in equity securities was recognised in the accumulated losses section of equity, rather than in the available for sale asset reserve. Accordingly, the balance in the available for sale asset reserve of \$1.0 million as at 31 December 2009 was transferred to accumulated losses.

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2011	Notes	30 June 2011 \$m	31 December 2010 \$m
<b>Current assets</b>			
Cash and cash equivalents		905.6	1,334.2
Trade and other receivables		172.7	180.9
Inventories	5	150.2	154.7
Current tax assets		3.5	2.7
Prepayments		10.9	5.3
<b>Total current assets</b>		<b>1,242.9</b>	<b>1,677.8</b>
<b>Non-current assets</b>			
Inventories	5	109.5	104.8
Investment accounted for using the equity method	6	30.6	45.9
Investments in equity securities	7	228.4	270.3
Exploration and evaluation assets	4	254.3	–
Property, plant and equipment		1,245.1	1,288.1
<b>Total non-current assets</b>		<b>1,867.9</b>	<b>1,709.1</b>
<b>Total assets</b>		<b>3,110.8</b>	<b>3,386.9</b>
<b>Current liabilities</b>			
Trade and other payables		147.4	64.6
Provisions		4.6	3.2
<b>Total current liabilities</b>		<b>152.0</b>	<b>67.8</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	3	94.2	14.8
Provisions		14.0	13.3
<b>Total non-current liabilities</b>		<b>108.2</b>	<b>28.1</b>
<b>Total liabilities</b>		<b>260.2</b>	<b>95.9</b>
<b>Net assets</b>		<b>2,850.6</b>	<b>3,291.0</b>
<b>Equity</b>			
Issued capital	10	4,820.2	5,208.8
Reserves		109.9	106.6
Accumulated losses		(2,079.5)	(2,024.4)
<b>Total equity attributable to equity holders of OZ Minerals Limited</b>		<b>2,850.6</b>	<b>3,291.0</b>

The above consolidated interim balance sheet should be read in conjunction with the accompanying notes.

## CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the half-year ended 30 June 2011	Note	6 months to 30 June 2011 \$m	6 months to 30 June 2010 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		669.3	568.1
Payments to suppliers and employees		(267.2)	(194.4)
Payments for exploration and evaluation		(33.6)	(18.2)
Income taxes paid		(0.8)	(2.7)
Financing costs and interest paid		–	(3.0)
Interest received		20.6	13.0
<b>Net cash inflows from operating activities</b>		<b>388.3</b>	<b>362.8</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(44.2)	(29.7)
Payments for acquired exploration and evaluation assets - Carrapateena	4	(244.9)	–
Payments of GST on acquisition of Carrapateena assets		(6.0)	–
Proceeds from disposal of investments	7	3.7	0.1
Payments for disposal of assets to Minmetals		–	(15.6)
Payments for equity investments		–	(0.4)
<b>Net cash outflows from investing activities</b>		<b>(291.4)</b>	<b>(45.6)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	9	(129.5)	–
Return of capital to shareholders	10	(388.6)	–
<b>Net cash outflows from financing activities</b>		<b>(518.1)</b>	<b>–</b>
Net (decrease)/increase in cash held		(421.2)	317.2
Cash and cash equivalents at 1 January		1,334.2	1,076.2
Effects of exchange rate changes on foreign currency denominated cash balances		(7.4)	39.1
<b>Cash and cash equivalents at the end of the financial period</b>		<b>905.6</b>	<b>1,432.5</b>

Goods and Services Tax ('GST') of \$6.0 million was paid on acquisition of Carrapateena during the half-year ended 30 June 2011, and refund of this payment was received from the ATO in July 2011.

Total payments for exploration and evaluation expenditure for the period were \$35.9 million, of which \$33.6 million was expensed and \$2.3 million was capitalised as property, plant and equipment.

The consolidated entity's closing cash position of A\$905.6 million was made up of amounts denominated in US\$ of 491.8 million (A\$ equivalent of 460.4 million at 30 June 2011 spot rate), and amounts denominated in A\$ of 445.2 million.

Included in the cash and cash equivalents balance of \$905.6 million at 30 June 2010 is \$60.0 million of cash that was set aside for litigation settlement payments.

The above consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

# CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 1 Basis of preparation

### Reporting entity

OZ Minerals Limited is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the half-year ended 30 June 2011 comprises the Company and its controlled entities.

The consolidated annual financial report of the consolidated entity for the year ended 31 December 2010 is available upon request from the Company's registered office at Level 10, 31 Queen Street, Melbourne, 3000, Victoria, Australia or from the Company's website at [www.ozminerals.com](http://www.ozminerals.com).

### Statement of compliance

The consolidated interim financial report is prepared on a going concern basis in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reports* and the *Corporations Act 2001*. The consolidated interim financial report is presented in Australian dollars.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity for the year ended 31 December 2010 and any public announcements made by OZ Minerals Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the consolidated interim financial report have been rounded off in accordance with the Class Order to the nearest million dollars to one decimal place, or in certain cases, to the nearest thousand dollars. All amounts are in Australian dollars only, unless otherwise stated.

This consolidated interim financial report was approved by the Board of Directors on 16 August 2011.

### Significant accounting policies

The accounting policies applied by the consolidated entity in this condensed consolidated interim financial report are consistent with those applied by the consolidated entity in its annual financial report for the year ended 31 December 2010.

### Critical accounting estimates and judgements

Estimates and judgements used in developing and applying the consolidated entity's accounting policies are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances. The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical estimates and judgements are consistent with those applied by the consolidated entity in its consolidated annual financial report for the year ended 31 December 2010, with the addition of a new item set out below:

#### ***Australian Government's proposed carbon pricing mechanism***

The Australian Government announced the 'Securing a Clean Energy Future – the Australian Government's Climate Change Plan' on 10 July 2011. Uncertainties continue in terms of understanding the impact of the carbon pricing mechanism on the consolidated entity and whether the proposed mechanism will be passed by both Houses of Parliament. The introduction of the carbon pricing mechanism has the potential to impact the assumptions used for the purpose of the value in use calculations in asset impairment testing in relation to Prominent Hill assets and the consolidated entity's investment in Toro. The consolidated entity has not incorporated the potential impact of any carbon price mechanism in its impairment testing at 30 June 2011.

# CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

## Comparatives

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

During the comparative period, a change in presentation was adopted to recognise adjustments for share-based payment transactions in the accumulated losses section of equity, rather than in the equity compensation reserve. Accordingly the balance in the equity compensation reserve of \$13.8 million as at 31 December 2009 was transferred to accumulated losses.

During the comparative period, the cumulative net change in the fair value of investments in equity securities was recognised in the accumulated losses section of equity, rather than in the available for sale asset reserve. Accordingly, the balance in the available for sale asset reserve of \$1.0 million as at 31 December 2009 was transferred to accumulated losses.

## 2 Operating segments

### Segments

The consolidated entity operates the Prominent Hill Mine, a copper-gold project located in the Gawler Craton of South Australia, approximately 650 kilometres north-west of Adelaide and 130 kilometres south-east of Coober Pedy. The principal activities of the project are mining of copper, gold and silver, carrying out exploration activities and development of projects.

Other operations include the consolidated entity's Group Office, investment in Toro and exploration entities.

Further information relating to discontinued operations is set out in Note 15 to the Financial Report.

### Geographical areas

The consolidated entity operates the Prominent Hill Mine, which is located in Australia, and also carries out exploration activities, which are mainly in South Australia, Cambodia and the Americas.

# CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

All amounts are in \$ millions	Prominent Hill Mine	Other operations	Total
<b>6 months to 30 June 2011</b>			
Revenue	632.7	–	632.7
Other income	0.7	0.2	0.9
Net foreign exchange losses	(7.5)	(25.2)	(32.7)
Changes in inventories of concentrate and ore	(2.2)	–	(2.2)
Consumables and other direct costs	(151.3)	–	(151.3)
Employee benefit expenses	(21.7)	(9.0)	(30.7)
Exploration and evaluation expenses	(20.9)	(12.7)	(33.6)
Freight expenses	(17.1)	–	(17.1)
Royalties expense	(9.5)	–	(9.5)
Share of net loss of investment in Toro	–	(0.1)	(0.1)
Litigation settlement expense	–	(60.0)	(60.0)
Inter-segment (expense)/income	(7.0)	7.0	–
Depreciation and amortisation expenses	(82.9)	(0.4)	(83.3)
Impairment losses (Toro)	–	(15.2)	(15.2)
Other expenses	(12.0)	(13.3)	(25.3)
<b>Profit/(loss) before net financing income/(expense) and income tax</b>	<b>301.3</b>	<b>(128.7)</b>	<b>172.6</b>
Financing income	–	21.2	21.2
Financing expenses	(0.5)	–	(0.5)
<b>Net financing income/(expense)</b>	<b>(0.5)</b>	<b>21.2</b>	<b>20.7</b>
<b>Profit/(loss) before income tax</b>	<b>300.8</b>	<b>(107.5)</b>	<b>193.3</b>
Income tax expense			(79.4)
<b>Profit for the financial period</b>			<b>113.9</b>

## 6 months to 30 June 2010

Revenue	589.9	–	589.9
Other income	0.3	0.1	0.4
Net foreign exchange gains/(losses)	9.8	31.0	40.8
Changes in inventories of finished goods and work in progress	(19.0)	–	(19.0)
Raw materials, consumables and other direct costs	(118.6)	–	(118.6)
Employee benefit expenses	(14.5)	(8.6)	(23.1)
Exploration expenses	(9.0)	(9.2)	(18.2)
Freight expenses	(21.5)	–	(21.5)
Royalties expense	(8.5)	–	(8.5)
Inter-segment (expense)/income	(5.7)	5.7	–
Depreciation and amortisation expenses	(66.6)	(0.2)	(66.8)
Reversal of impairment	201.1	–	201.1
Impairment of assets	(10.7)	–	(10.7)
Other expenses	(12.0)	(12.0)	(24.0)
<b>Profit before net financing income/(expense) and income tax from continuing operations</b>	<b>515.0</b>	<b>6.8</b>	<b>521.8</b>
Financing income	–	15.6	15.6
Financing expenses	(0.5)	(4.9)	(5.4)
<b>Net financing (expense)/income</b>	<b>(0.5)</b>	<b>10.7</b>	<b>10.2</b>
<b>Profit before income tax from continuing operations</b>	<b>514.5</b>	<b>17.5</b>	<b>532.0</b>
Income tax expense			(160.4)
<b>Profit from continuing operations</b>			<b>371.6</b>
Profit from discontinued operations net of income tax			34.1
<b>Profit for the financial period</b>			<b>405.7</b>

## CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 3 Taxation

#### Numerical reconciliation of income tax expense to pre-tax profit

	6 months to 30 June 2011 \$m	6 months to 30 June 2010 \$m
Profit from continuing operations before income tax	193.3	532.0
Profit from discontinued operations before income tax	–	33.1
Total profit before income tax	193.3	565.1
Income tax expense at the Australian tax rate of 30 percent	(58.0)	(169.5)
Litigation settlement expense	(18.0)	–
Impairment losses	(4.6)	–
Revision for prior periods	1.7	11.8
Other	(0.5)	(1.7)
Income tax expense	(79.4)	(159.4)
<i>Income tax (expense)/benefit is attributable to:</i>		
Continuing operations	(79.4)	(160.4)
Discontinued operations	–	1.0
Income tax expense	(79.4)	(159.4)

A ruling request has been lodged with the ATO regarding deductibility of the litigation settlement expense.

#### Net recognised deferred tax assets/(liabilities)

	31 Dec 2010 \$m	Recognised in income statement \$m	30 June 2011 \$m
<b>Net deferred tax assets/(liabilities) tax effected at 30 percent</b>			
Capital raising costs	5.8	(1.5)	4.3
Unrealised foreign exchange	24.7	(22.1)	2.6
Tax losses unrestricted	52.1	(37.3)	14.8
Tax losses restricted	55.0	–	55.0
Depreciation and amortisation	(156.7)	(18.9)	(175.6)
Other	4.3	0.4	4.7
Net deferred tax assets/(liabilities)	(14.8)	(79.4)	(94.2)

Tax losses referred to as 'restricted' were transferred into the OZ Minerals Australian tax consolidated group upon acquisition of the Zinifex Limited group of entities in July 2008 and are subject to an available fraction of current year taxable income which restricts the amount of these losses that can be utilised each year. These restricted tax losses will not be available for utilisation until all other tax losses which are not subject to an available fraction, narrated 'unrestricted' have been recouped.

#### Unrecognised deferred tax assets

Restricted revenue tax losses for which no deferred tax assets have been recognised as at 30 June 2011 were \$191.4 million tax effected (31 December 2010: \$191.4 million tax effected).

Additionally capital losses on disposal of assets during 2009 of approximately \$2.0 billion (gross) have not been recognised.

## CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 4 Exploration and evaluation assets

OZ Minerals acquired the Carrapateena copper-gold project in South Australia in May 2011. The consideration for the purchase was \$254.3 million, made up of payments to vendors of \$236.4 million (US\$250.0 million), stamp duty paid of \$8.5 million, and stamp duty payable of \$9.4 million. The cost of the acquisition including directly related transaction costs have been capitalised as Exploration and Evaluation assets.

The Carrapateena project is an advanced exploration project which will be further explored before making any decision to progress to mine development.

The terms of the acquisition provide for two further payments to vendors upon commercial production being reached. The first payment of US\$50.0 million is payable on first commercial production of copper, uranium, gold or silver. The second payment of US\$25.0 million is payable on first production of rare earths, iron or any other commodity. The further payments amounting to US\$75.0 million do not constitute a liability in accordance with the accounting standards and hence were not required to be recognised in the financial statements for the half-year ended 30 June 2011.

### 5 Inventories

	30 June 2011	31 Dec 2010
	\$m	\$m
Concentrate	29.3	58.3
Ore stockpile	101.3	79.2
Stores and consumables	19.6	17.2
Inventories – current	150.2	154.7
Ore stockpile – non current	109.5	104.8
Total inventories	259.7	259.5

All inventories at 30 June 2011 are valued at cost. There was no write down of inventories or any reversal of inventory write down during the period. Non-current inventories represent those ore stockpiles expected to be milled in the period greater than twelve months from 30 June 2011.

### 6 Investment accounted for using the equity method

	30 June 2011	31 Dec 2010
	\$m	\$m
Carrying amount – opening	45.9	47.0
Impairment loss	(15.2)	–
Share of net loss	(0.1)	(1.1)
Carrying amount – closing	30.6	45.9

The consolidated entity accounts for its investment in Toro using the equity method. Toro is a uranium exploration company listed on the Australian Securities Exchange. The consolidated entity holds 410,259,378 shares in Toro, which equates to an interest of 42.5 percent at 30 June 2011.

The share price of Toro as at 30 June 2011 was seven cents per share (31 December 2010: 16 cents per share). Refer to Note 14 to the Financial Report for further details on the impairment loss recognised during the period.

# CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 7 Investments in equity securities

	\$m
Investments in equity securities	228.4
Movement in carrying value of investments in equity securities	
Carrying amount as at 1 January 2011	270.3
Net change in fair value recognised in other comprehensive income	(38.2)
Disposals	(3.7)
Carrying amount as at 30 June 2011	228.4

The carrying value of the investments in equity securities of \$228.4 million was made up of investments in Sandfire Resources NL of \$197.6 million, in IMX Resources Limited of \$14.2 million and other minor investments amounting to \$16.6 million. The consolidated entity disposed of its investment in Royalco Resources Limited during the half-year ended 30 June 2011.

## 8 Net tangible assets per share

	30 June 2011	31 Dec 2010	30 June 2010
Net tangible assets per share	\$8.02	\$10.16	\$9.51
Number of ordinary shares on issue used in the calculation of net tangible assets per share – number	323,877,514	323,877,514	312,156,844

The net tangible assets per share for 31 December 2010 and 30 June 2010 have been restated for the one for ten share consolidation. Refer to Note 10 to the half-year Financial Report for further details regarding the share consolidation undertaken by the consolidated entity during the financial period.

In accordance with Chapter 19 of the ASX listing rules, net tangible assets per share represent total assets less intangible assets less liabilities ranking ahead of, or equally with, ordinary share capital, divided by the number of ordinary shares on issue at the financial period end. The net tangible assets as at 30 June 2011 were \$2,596.3 million, calculated as total assets of \$3,110.8 million, less intangible assets of \$254.3 million, less liabilities ranking ahead of, or equally with, ordinary share capital of \$260.2 million.

## 9 Dividends

Since the end of the financial period, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 16 September 2011. The record date for entitlement to this dividend is 29 August 2011. The financial impact of this dividend amounting to \$97.2 million has not been recognised in the financial statements for the half-year ended 30 June 2011 and will be recognised in subsequent financial statements. This dividend has been declared to be conduit foreign income.

The details in relation to dividends are set out below:

Record date	Date of payment	Cents per share	Total dividends \$m
29 August 2011	16 September 2011	30	97.2
23 February 2011	9 March 2011	40	129.5
7 September 2010	21 September 2010	30	93.6

The 'cents per share' amounts in the above table reflect per share amount after the one for ten share consolidation. Refer to Note 10 to the Financial Report for further details in respect of the share consolidation.

## CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 10 Issued capital

#### **Capital management strategy**

The primary objective of the consolidated entity's capital management strategy is to maintain healthy liquidity in order to support its business and to achieve superior returns for its shareholders. The consolidated entity manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the consolidated entity may adjust the dividend payment to shareholders and through other suitable capital management initiatives. As part of its ongoing capital management policy, OZ Minerals paid a dividend of \$129.5 million in March 2011, made a return of capital to its shareholders amounting to \$388.6 million in June 2011, completed a one for ten share consolidation in June 2011, and will conduct an on-market share buy-back program of up to \$200.0 million commencing on 17 August 2011 and ending no later than 16 August 2012. Further details in relation to the capital return, share consolidation and share buy-back program are set out below. Refer to Note 9 to the half-year Financial Report for information on dividends.

#### **Return of capital**

The consolidated entity made a return of capital to its shareholders of twelve cents per share (prior to the one for ten share consolidation) amounting to \$388.6 million in June 2011, following approval by shareholders in May 2011. The ATO confirmed by a class ruling in March 2011 that the return of capital does not constitute a dividend for Australian income tax purposes.

#### **Share consolidation**

OZ Minerals Limited completed its one for ten share consolidation in June 2011 following approval by shareholders in May 2011. The share consolidation involved the conversion of every ten fully paid ordinary shares on issue into one fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fractional entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation, the number of OZ Minerals Limited shares on issue reduced from 3,238,546,504 shares to 323,877,514 shares.

#### **Share buy-back**

OZ Minerals announced in February 2011 that it intended to conduct an on-market share buy-back program of up to \$200.0 million following the capital return and share consolidation. In June 2011, the consolidated entity announced that the share buy-back period will commence on 17 August 2011 and end no later than 16 August 2012. The consolidated entity reserves the right to suspend or terminate the buy-back program at any time.

#### **Movement in issued capital**

The movement in issued capital is reconciled below:

	\$m
Balance as at 1 January 2011	5,208.8
Return of capital	(388.6)
Balance as at 30 June 2011	4,820.2

## CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 11 Contingent liabilities

#### **Bank guarantees**

The consolidated entity has provided certain bank guarantees associated with the conditions of mining leases and other arrangements, in respect of which OZ Minerals is obliged to indemnify the bank. As at 30 June 2011, no claims had been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority. These guarantees are backed by collateral deposits and amounted to \$38.8 million as at 30 June 2011 (\$29.9 million as at 31 December 2010). Provision is made in the financial statements for the anticipated costs of mine rehabilitation obligations under the mining leases.

#### **Deeds of indemnity**

The consolidated entity has granted indemnities under Deeds of Indemnity with each of its current and former non-executive directors and members of the Executive Committee, the Company Secretary, the Group Treasurer, each employee who is a director of a controlled entity of the consolidated entity and certain other senior executives of the Company.

Where applicable each Deed of Indemnity indemnifies the relevant director, officer or employee to the fullest extent permitted by law for liabilities incurred whilst acting as an officer or employee of OZ Minerals, any of its related bodies corporate and any outside entity, where such an office is held at the request of the Company.

#### **Employees**

The consolidated entity has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the consolidated entity.

#### **Auditor**

No indemnity has been granted to an auditor of the consolidated entity in their capacity as auditors of the consolidated entity.

#### **Warranties and indemnities**

The consolidated entity has given certain warranties and indemnities to the purchasers of assets and businesses that have been sold. Warranties have been given in relation to matters including the sale of assets, taxes and information. Indemnities have also been given by the consolidated entity in relation to matters including compliance with law, environmental claims, and failure to transfer or deliver all assets and tax.

#### **Other**

OZ Minerals Limited and its controlled entities are defendants from time to time in other legal proceedings or disputes, arising from the conduct of their business. OZ Minerals does not consider that the outcome of any of these proceedings or disputes is likely to have a material effect on its financial position. Where appropriate, provisions would be made.

### 12 Capital commitments

In accordance with OZ Minerals' accounting policy, the commitments for capital expenditure represent the minimum expected payments where the contracts are not cancellable, otherwise the cancellation fee.

OZ Minerals has entered into contracts for supply of mining and related services in relation to the development of its Ankata mine. While these contracts are cancellable, termination payments are not reliably measurable as they are dependent on various factors such as redundancy costs and cost of goods and materials purchased by contractors attributable to the contract. The minimum expected payments in relation to these contracts which were not required to be recognised as liabilities at 30 June 2011 amount to approximately \$45.0 million.

## CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 13 Litigation settlement expense

OZ Minerals reached an agreement in May 2011 to settle the two class actions brought against it by Maurice Blackburn and Slater & Gordon on behalf of certain shareholders who had acquired shares in OZ Minerals Limited in 2008, for an amount of \$55.1 million plus costs of \$4.9 million. The settlement was conditional upon court approval, which was received on 1 July 2011. OZ Minerals paid \$60.3 million on 25 July 2011, which includes interest of \$0.3 million, in accordance with the terms of settlement. As at 30 June 2011, the consolidated entity had recognised a liability of \$60.0 million which was included in trade and other payables, and had also set aside \$60.0 million of cash for settlement payments.

### 14 Impairment

	30 June 2011 \$m	30 June 2010 \$m
Reversal of impairment – pre tax	–	201.1
Tax impact	–	(60.0)
Reversal of impairment – after tax	–	141.1
Impairment of investment in Toro – pre tax	(15.2)	–
Impairment of capitalised exploration expenditure – pre tax	–	(10.7)
Tax impact	–	–
Impairment of assets – after tax	(15.2)	(10.7)

#### ***Impairment of investment in Toro***

An impairment loss of \$15.2 million was recognised in relation to the consolidated entity's investment in Toro at 30 June 2011 following an impairment assessment. The impairment assessment was performed based on an internal valuation using a discount rate of ten percent (real after-tax) on a value in use basis. In assessing the impairment, the consolidated entity considered information available from industry analysts, commentators, announcements released by Toro, and the share price of Toro. The consolidated entity makes a number of important assumptions, including short and long term commodity prices, foreign exchange rates, reserves and resources, exploration potential, future operating performance and discount rates, in assessing the recoverable amount of the investment in Toro. These assumptions can change significantly over short periods of time which can have a significant impact on the carrying amount of the investment. The consolidated entity holds 410,259,378 shares in Toro, which equates to an interest of 42.5 percent at 30 June 2011. Toro is a uranium exploration company listed on the Australian Securities Exchange.

#### ***Reversal of impairment in prior period***

During the prior period the consolidated entity recognised an impairment reversal of \$201.1 million in relation to Prominent Hill property, plant and equipment pursuant to an impairment assessment performed at 30 June 2010. The impairment assessment at 30 June 2010 was performed based on an internal valuation using a discount rate of 10.1 percent (real after-tax) on a value in use basis. In assessing the recoverable amount of its assets, OZ Minerals makes a number of important assumptions, including short and long term commodity prices, foreign exchange rates, reserves and resources, future operating performance and discount rates. These assumptions can change over short periods of time which can have a significant impact on the carrying value of assets.

#### ***Impairment of capitalised exploration expenditure in prior period***

Certain capitalised exploration and evaluation expenditure amounting to \$10.7 million was impaired during the comparative period.

## CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 15 Discontinued operations

During the prior period the consolidated entity recognised a gain of \$34.1 million after tax in relation to discontinued operations sold to China Minmetals Non-ferrous Metals Co., Ltd ('Minmetals'). The \$34.1 million gain in the prior period resulted from the reassessment of the estimated liability in relation to the settlement of working capital and taxation amounts under the sale agreement with Minmetals.

### 16 Entities over which control was gained during the period

The entities which were incorporated or over which control was gained during the period are set out below:

Name of entity	Date incorporated/control gained
OZ Minerals Carrapateena Pty Ltd	Incorporated on 2 March 2011
OZ Exploration Chile Limitada	Incorporated on 12 May 2011
OZ Exploration (USA), L.L.C.	Incorporated on 22 March 2011
R.M.G. Services Pty. Ltd.	Control gained on 9 May 2011

### 17 Events occurring after reporting date

In respect of the liability of \$60.0 million recognised for the two class actions at 30 June 2011, the consolidated entity paid this amount, together with interest of \$0.3 million on 25 July 2011 in accordance with the terms of settlement.

Since the end of the financial period, the Board of Directors has resolved to pay an unfranked dividend of 30 cents per share, to be paid on 16 September 2011. The record date for entitlement to this dividend is 29 August 2011. The financial impact of this dividend amounting to \$97.2 million has not been recognised in the financial statements for the half-year ended 30 June 2011 and will be recognised in subsequent financial statements. This dividend has been declared to be conduit foreign income.

On 1 July 2011, Barry Lavin was appointed as a non-executive director of OZ Minerals.

In July 2011, a proposed carbon pricing mechanism was announced by the Australian Government. Refer to Note 1 to the half-year Financial Report.

# DIRECTORS' DECLARATION


## Directors' declaration

- 1 In the opinion of the directors of OZ Minerals Limited ('the Company'):
  - (a) the financial statements and notes set out on pages 8 to 22 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2011 and of its performance for the half-year ended on that date; and
    - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.

Signed in accordance with a resolution of the directors.



*Neil Hamilton  
Chairman  
Melbourne  
16 August 2011*



*Terry Burgess  
Managing Director and Chief Executive Officer  
Melbourne  
16 August 2011*

# INDEPENDENT AUDITOR'S REVIEW REPORT



## **Independent auditor's review report to the members of OZ Minerals Limited**

We have reviewed the accompanying half-year financial report of OZ Minerals Limited, which comprises the consolidated balance sheet as at 30 June 2011, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

## **Directors' responsibility for the half-year financial report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410), in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of OZ Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# INDEPENDENT AUDITOR'S REVIEW REPORT

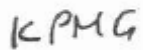
## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of OZ Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Penny Stragalinos

**Partner**

Melbourne

16 August 2011