

OZ MINERALS ANNUAL REPORT

ABN 40 005 482 824



2008

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

IN ACCORDANCE WITH ASX LISTING RULE 4.3A AND APPENDIX 4E

The key information for the consolidated entity is set out below:

Consolidated entity results	12 months ended 31 December 2008	12 months ended 31 December 2007	Movement A\$m	Movement %
Revenue from ordinary activities from continuing operations – A\$m	879.2	602.6	276.6	46%
Revenue from ordinary activities from discontinued operations – A\$m	339.2	523.8	(184.6)	(35%)
Consolidated revenue – A\$m	1,218.4	1,126.4	92.0	8%
(Loss)/profit after tax attributable to equity holders of OZ Minerals Limited – A\$m	(2,501.7)	305.8	(2,807.5)	(918%)
Net tangible assets per share – cents	103.3	98.3		
Dividends paid on:			Cents per share	Record date
29 September 2008	156.1	–	5.0	3 September 2008
9 April 2008	61.8	–	4.0	19 March 2008
4 October 2007	–	61.5	4.0	20 September 2007
30 April 2007	–	76.3	5.0	17 April 2007

Highlights

- Revenue of A\$1,218.4 million and net loss after tax and before asset write-downs and other one-off items of A\$66.4 million.
- Revenues from operations were lower due mainly to significant falls in commodity prices.
- Results were impacted by a number of one-off costs associated with the merger of Oxiana and Zinifex and significant impairment and other write-downs.
- After these post-tax write-downs of A\$2,537.8 million and one-off post-tax costs of A\$37.5 million, the net loss after tax was A\$2,484.9 million.
- 2008 production performance remained strong at all operations.
- Operating cash costs of all operations remain competitive.
- Significant reduction in forecast capital and operating costs for 2009.
- Refinancing solutions advancing with announcement of recommended offer of acquisition by China Minmetals.
- Agreement reached to extend facilities due on 27 February 2009 to 31 March 2009 subject to finalization of documents.
- No dividend declared as a result of lower earnings.

COMMENTARY ON RESULTS AND OUTLOOK

Dear Shareholders

Reviewing the results

2008 has been an extraordinary year for the global economy, the base metals industry and for OZ Minerals. On 1 July 2008, the merger of Oxiana Limited and Zinifex Limited to form OZ Minerals Limited was implemented, creating Australia's third largest diversified mining company and the world's second largest producer of zinc as well as a substantial producer of copper, lead, gold and silver.

During the first half of 2008, the LME copper price rose by 31.4 per cent to US\$8,776 per tonne – a record level. Zinc weakened in the first half of the year by 19.1 per cent to US\$1,903 per tonne, but was still at historically high levels.

During the second half of the year, the zinc price fell by a further 38 per cent, and closed the year at US\$1,180 per tonne – almost 50 per cent below the level at the end of December 2007. The copper price collapsed by 67 per cent in the second half of 2008, and closed the year at US\$2,902 per tonne, some 56.5 per cent lower than 12 months earlier and the lowest monthly closing level since late 2004.

Throughout this challenging period OZ Minerals maintained its focus on operational excellence, and a number of its sites generated record or near-record production results. The Company also successfully completed the integration of the Oxiana and Zinifex operations and, in this process, identified approximately A\$50 million of permanent annual synergy benefits.

Revenue from continuing and discontinuing operations of A\$1,218.4 million, generated a net loss after tax of A\$66.4 million, before asset write-downs and one-off items of A\$2,575.3 million. This performance was overwhelmingly determined by the collapse in commodity prices and further exacerbated by the severe downturn in global credit markets that manifested itself from September 2008.

Immediately following implementation of the merger in July, OZ Minerals was actively negotiating the restructure of its banking facilities but had not been able to complete that process when the commodity price collapse and the global financial crisis occurred almost simultaneously. This combination of factors led directly to the situation of OZ Minerals seeking a voluntary suspension of trading in the Company's shares on the ASX from early December.

The Company reacted quickly to the rapid deterioration of market conditions, implementing a number of cash saving measures to immediately reduce costs and suspend or defer a number of projects. The consolidated entity has also been actively pursuing an asset sale program as part of its overall refinancing process. However, because of its importance to the future growth and viability of OZ Minerals, significant resources were directed to completion of the Prominent Hill copper-gold project in South Australia, which came into production in February 2009.

The consolidated entity has also initiated an ongoing Business Improvement Challenge to identify and implement further maintainable savings and efficiencies. This initiative is aimed at maximising cash flow while positioning OZ Minerals as a sustainable, lean business for the longer term.

On 16 February 2009, OZ Minerals announced that it had entered into a Scheme Implementation Agreement for the proposed acquisition through a scheme of arrangement of all outstanding shares in OZ Minerals by China Minmetals at a cash price of 82.5 cents per share.

The transaction is unanimously recommended by OZ Minerals' Board of Directors who believe that it is the best outcome for shareholders given the options available to the company.

Strategy

2008 was an extraordinary year for the world economy, characterised by the rapid deterioration in global economic conditions and the flow-on effects of this on the resources sector. While OZ Minerals' broad objectives remains unchanged, the events of the past 12 months have significantly guided the short to mid term direction of our strategy.

Accordingly, OZ Minerals' strategy can be viewed as four distinct pillars:

1. *Completion of the Merger of the two companies*

Generating significant operational and cost synergies from the integration of Zinifex and Oxiana. Integration formally completed in November 2008 with an annual synergy saving of approximately A\$50 million.

2. *Platform for growth – projects, cash, exploration*

Creating a strong platform for growth from the development projects of Oxiana, the cash from Zinifex and the combined exploration portfolios.

3. *Responding to the changing financial and market conditions*

Responding to the rapidly deteriorating market conditions, reprioritising capital and operational expenditure whilst ensuring that key strategic investment still occurs.

4. *Pursue all options for resolving refinancing of our debt facilitation*

Extensive efforts directed towards refinancing the company's debt facilities including ongoing negotiations with our banking syndicate partners, the undertaking of a comprehensive asset sales program and an examination of all equity raising opportunities.

COMMENTARY ON RESULTS AND OUTLOOK

Safety and environment

During 2008 despite continuing emphasis and initiatives to improve safety, our safety and health performance was not satisfactory. We suffered two fatalities and one serious permanent disabling injury. In July 2008, an employee at Sepon was killed when a lightning strike occurred during installation of a radio tower. In September 2008, a contractor at Prominent Hill was killed in a light vehicle rollover and a contractor at Century sustained a serious permanent disabling injury while conducting drill rig maintenance. Thorough investigations of these incidents were conducted by the consolidated entity and external agencies. The consolidated entity is in the process of implementing all recommendations that came out of these investigations. Additional focus has been placed on safety management at all of our operations.

In August 2008 the consolidated entity adopted the OZ Minerals Sustainability Standards, a comprehensive set of standards for management of the safety and health, environmental and social aspects of the consolidated entity's business. These standards apply to all phases of mine life and will be subject to periodic review to ensure they continue to meet the needs of the consolidated entity and are aligned with industry best practice standards such as the International Council on Mining and Metals ("ICMM") Sustainable Development Framework and the Minerals Council of Australia's ("MCA") Enduring Value. The consolidated entity also adopted a new Sustainability Policy in 2008.

The number of environmental non-compliances in 2008 was 61 and included exceedences of specified water discharge limits at the Averbury and Golden Grove mines and at the Karumba Port Facility, and two chemical spills at the Golden Grove mine. These events were reported to the relevant authorities and none were judged to have had a major environmental impact. Actions were implemented to address each of these events.

The consolidated entity continues to participate in the Australian government's Energy Efficiency Opportunities and Greenhouse Challenge programs, and is well advanced in its preparations for reporting under National Greenhouse and Energy Reporting Act 2007 ("NGERS").

Independent audit report

The accounts upon which this Appendix 4E is based, have been audited and the Independent Audit Report to the members of OZ Minerals Limited is included in the attached financial report.



B L Cusack
Chairman
Melbourne
27 February 2009



A G Michelmore
Managing Director and Chief Executive Officer
Melbourne
27 February 2009

CORPORATE GOVERNANCE

The Board is committed to following the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (ASX Recommendations) and the Board and Management regularly reviews the Company's policies and practices to ensure that the Company continues to maintain and improve its governance standards.

The specific aspects that support the implementation of this approach are described below in accordance with the ASX Recommendations.

Details of the main policies of corporate governance adopted by the Company and referred to in this statement are available on the Company's website www.ozminerals.com.

Principle 1

Lay Solid Foundations for Management and Oversight

The Board operates in accordance with the broad principles set out in its charter which can be downloaded from the corporate governance section of the Company's website.

Role

The Board is responsible for the overall operation and stewardship of the Company. The Board's specific responsibilities include:

- Input into and approval of the strategic direction of the Company
- Approving and monitoring capital expenditure
- Monitoring of financial performance including the review and approval of significant financial and other reporting
- Reviewing and ratifying the systems in place that manage the material risks to the Company
- Appointing, removing and setting succession policies for the CEO, Directors and Senior Executives
- Establishing and monitoring the achievement of management's goals
- Encouraging ethical behaviour throughout the organisation

Delegation

Clause 6 of the Board Charter sets out the Boards' delegation of responsibility to allow the CEO and executive management team to carry on the day-to-day operation and administration of the Company. In carrying out this delegation the CEO reports routinely to the Board on the Company's progress on achieving the short, medium and long term plans of the Company. The CEO is accountable to the Board for the authority that is delegated by the Board.

The Board Charter supports all delegations of responsibility by formally defining the specific functions reserved for the Board and its Committees, and those matters delegated to management.

Performance Review of Senior Executives

In accordance with clause 5.5 of its Charter, each year the Board approves the criteria for assessing the performance of the CEO and Senior Executives.

The performance of the Chief Executive Officer (CEO) is evaluated and assessed by the Board. The last review of the performance of the CEO was conducted in October 2008.

After the merger between Oxiana and Zinifex on 1 July 2008 the Board established new key performance indicators for the CEO to reflect the new challenges of the merged organisation. The Board will review the CEO's performance against these performance criteria later on in the year.

In addition, performance reviews of Senior Executives are conducted regularly during the year by the CEO. The performance of Senior Executives is reviewed by comparing performance against agreed measures, examining the effectiveness and quality of the individual, assessing key contributions, identifying areas of potential improvement and assessing whether various expectations of shareholders have been met.

The Company is in the process of conducting these reviews with the direct reports to the CEO and their direct reports.

Further details of how the Company assesses the performance of the CEO and Senior Executives are set out in the Remuneration Report on page 26.

Principle 2

Structure the Board to Add Value

Board Composition

The Board strives to ensure that it is comprised of strongly performing individuals of utmost integrity whose complementary skills, experience, qualifications and personal characteristics are suited to the Company's needs.

The Company's Constitution provides for a minimum of three, and a maximum of fifteen Directors.

At the commencement of the 2008 financial year, the Board comprised five Directors. As part of the terms of the merger of Oxiana Limited (renamed OZ Minerals Limited) and Zinifex Limited (renamed OZ Minerals Holdings Limited), the size of the Board was increased to eleven Directors to include all former Zinifex Directors on the Board.

This number has reduced to eight Directors in line with the stated objective of the Board to reduce the number of Directors, once the key elements of the integration had been established and implemented. The Board has determined that currently the appropriate number of Directors is eight – comprising the CEO, who is also Managing Director, and seven independent non-executive Directors. In selecting the Directors for retirement, the Board and Nomination & Remuneration Committee had regard to the optimal composition of the Board having regard to the on-going needs of the Company, the skills and experience of the Directors, their potential conflicts of interests, and the length of time the Directors have held office.

A profile of each Director, including their skills, experience, relevant expertise, special responsibilities and the date each Director was appointed to the Board of the Company is set out on page 13.

Independence

In accordance with the Board Charter and the ASX Recommendations the Board is comprised of a majority of independent Non-Executive Directors. The Board has determined that all Non-Executive Directors including the Chairman are independent and free of any relationship which may conflict with the interests of the Company. The Board defines 'independence' in accordance with the ASX Recommendations.

CORPORATE GOVERNANCE

In order to ensure that any 'interests' of a Director in a matter to be considered by the Board are known by each Director, each Director has contracted with the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest. Each Director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

The Chair

Our Chairman Mr. Barry Cusack is an independent Non-Executive Director. The Chair is responsible for the leadership of the Board and to ensure that the Board functions effectively. The Chair's role is separate to the duties and responsibilities carried out by the Company's CEO, Mr Andrew Michelmore.

The Nomination and Remuneration Committee

The Board has a Nomination and Remuneration Committee. The duties and membership details of the Committee are set out in this section on page 6.

Selection and Appointment of Directors

The Nomination and Remuneration Committee assists the Board in identifying candidates who may be qualified to become Directors. The nomination of all new Directors including the CEO recommended by the Nomination and Remuneration Committee are considered by the full Board. The Board assesses the nominees against a range of specific criteria including their experience, professional skills, potential conflicts of interest and the requirement for independence. All new appointments to the Board are subject to shareholder approval.

Retirement and Re-election of Directors

The Company's constitution requires one-third of the Directors (rounded down to the next lowest number) to retire by rotation at each annual general meeting (AGM). In selecting the Directors to retire the Board has regard to a number of factors including the optimal composition of the Board having regard to the on-going needs of the Company, the skills and experience of the Directors, their potential conflicts of interests, and the length of time the Directors have held office.

A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

The CEO is not subject to retirement by rotation and is not to be taken into account in determining the number of Directors required to retire by rotation.

Director Induction and Education

The Company has a process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning the performance of Directors. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

It has been the practice of Directors to visit the Company's mining operations and meet with management to gain a better understanding of the business on a regular basis. During 2008, the members of the Board's Sustainability Committee (previously known as the Compliance Committee) visited the Prominent Hill site.

New Directors also receive a letter of appointment which outlines their main responsibilities together with an Induction Pack that provides new Directors with a broad range of information about the Company.

Independent Professional Advice and Access to Company information

Directors have right of access to all relevant Company information and to the Company's Executives and, subject to prior consultation with the Chairperson, may seek independent advice from a suitably qualified advisor at the Company's expense.

Evaluating Board Performance

As the new Board was only formed in late June 2008 and there have been changes to the composition of the Board since then, the Board determined that a formal review of their performance should only be conducted after the new Board had been operating for at least 12 months.

It has however, reviewed the performance of each Director, including those standing for re-election in order for the Board to make a recommendation as to the re-election of the relevant Director or Directors.

The criterion for the evaluation of each Director is their contribution to specific Board objectives, including the following:

- Setting corporate strategies
- Identification, analysis and responses to risks and issues
- Monitoring of the Company's progress against its business objectives
- Understanding and analysis of the Board papers presented by management
- Use of industry, financial and broad knowledge to add value to the deliberations of the Board

Board Committees

To facilitate the execution of its responsibilities, the Board's Committees provide a forum for a more detailed analysis of key issues.

Each Committee is entitled to the resources and information it requires to carry out its duties, including direct access to advisers and employees.

The Charter of each of the Company's Board Committees requires the Committee and subsequently the Board to review the performance of the Committee annually. In light of recent events and the fact that the composition of the Committees changed during the year, each of the Committees resolved to defer review of their performance until July 2009.

Details of the number of meetings of the Board and each Committee held during the year, and each Director's attendance at those meetings are set out on page 17 of this Report.

Each Committee reports its deliberations to the following month's Board Meeting. The current Committees of the Board are the Audit Committee, Sustainability Committee and Nomination and Remuneration Committee. Their membership and functions are set out as follows:

CORPORATE GOVERNANCE

Nomination and Remuneration Committee

Current Members: Peter Mansell (Chairman), Ronald Beevor and Anthony Larkin.

Changes during 2008: The membership of the Committee changed during the year in accordance with the terms of the merger between the Company and Zinifex. The changes to the composition of the Committee during the year ended 2008 were as follows:

- Peter Mansell was appointed to the Committee and succeeded Ronald Beevor as Chairman of the Committee on 20 June 2008
- Anthony Larkin was appointed as a member on 20 June 2008
- Barry Cusack and Brian Jamieson were members until 20 June 2008

Function: The Committee assists the Board in discharging its responsibilities in relation to remuneration of executives and non-executive Directors and determining the composition and performance of the Board. Committee duties include:

- regularly reviewing the size and composition of the Board and making recommendations to the Board for the appointment and removal of Directors
- ensuring that an effective and up-to-date induction and education program is implemented
- reviewing Board and Senior Executive Succession Plans on a regular basis to ensure an appropriate balance of skill and experience is maintained
- reviewing all aspects of the remuneration (including base pay, incentive payments and equity awards) and any proposed change to the terms of employment of the Directors, the CEO and Senior Executives
- regularly reviewing the Company's remuneration framework to ensure it is linked to the Company's performance and that it motivates Directors and Senior Executives to pursue the long term growth of the Company.

Audit Committee

Current Members: Anthony Larkin (Chairman), Ronald Beevor and Brian Jamieson

Changes during 2008: The membership of the Committee changed during the year in accordance with the terms of the merger between the Company and Zinifex. The changes to the composition of the Committee during the year ended 2008 were as follows:

- Anthony Larkin was appointed to the Committee and succeeded Brian Jamieson as Chairman of the Committee on 20 June 2008
- Ronald Beevor remains a member
- Michael Eager was a member until 20 June 2008

Function: The Audit Committee assists the Board in the effective discharge of its responsibilities in relation to financial reporting and disclosure processes, internal financial controls, funding, financial risk management and the internal and external audit functions.

The Audit Committee reviews the financial statements, accounting policies (including conformance to relevant reporting standards), adequacy of Group policies relating to financial reporting and controls (including compliance with laws, regulations and ethical guidelines) and the annual audit arrangements, both internal and external. It monitors the ability of the Company to fund its activities and reviews all funding strategies of the Group.

The Committee also liaises with the Company's internal and external auditors, reviews the scope of their activities, reviews their performance and independence and advises the Board on their remuneration, appointment and removal.

The Audit Committee comprises three independent Non-Executive Directors. The Board has determined that all Committee members have appropriate experience and financial expertise to discharge the responsibilities of the Committee.

Sustainability Committee (previously known as the Compliance Committee)

Current Members: Dean Pritchard (Chairman), Michael Eager and Brian Jamieson

Changes during 2008: The membership of the Committee changed during the year in accordance with the terms of the merger between the Company and Zinifex. The changes to the composition of the Committee during the year ended 2008 were as follows:

- Dean Pritchard was appointed to the Committee and succeeded Michael Eager as Chairman of the Committee on 20 June 2008
- Owen Hegarty was a member until 20 June 2008
- Peter Cassidy was appointed to the Committee on 20 June 2008 and remained a member until his resignation from the Board on 30 January 2009
- Richard Knight was appointed a member of the Committee on 20 June 2008 until his resignation from the Board on 31 December 2008.

Function: The Sustainability Committee's role is to assist the Board in the effective discharge of its responsibilities in relation to safety, health, environmental and community issues for the OZ Minerals Group, and the oversight of risks relating to these issues and other non-financial risks.

Integration Committee

Current Members: There are no current members as this Committee was formed in July 2008 following the merger and disbanded in late November 2008. The Chairman of the Committee was Owen Hegarty and the other members of the Committee were Brian Jamieson and Ronald Beevor.

Function: The function of the Integration Committee was to assist the Board in overseeing the overall integration of Oxiana and Zinifex as a merger of equals and to facilitate the smooth transition to a merged entity.

Monitoring of the Integration Plan to ensure that the key deadlines and milestones of the integration plan and framework are met and achieved.

Assess whether appropriate short term management plans are in place to ensure smooth continuation of the business (i.e. whilst synergies and improvements are being identified and acted upon).

CORPORATE GOVERNANCE

Ensure synergy opportunities are included in the Integration Plan and implemented.

Advise the Board of the development and implementation of the communication plan.

Principle 3

Promote Ethical and Responsible Decision Making

The Board and the Company's employees are expected to uphold the highest levels of integrity and professional behaviour in their relationships with all of the Company's stakeholders. Below is a summary of the Company's core codes and policies which apply to Directors and employees. The policies were updated and reviewed during 2008 following the merger with Zinifex. All policies are available on the Company's website.

Code of Conduct

The Code describes standards for appropriate ethical and professional behavior for all Directors, employees and contractors working for the Company. The Code of Conduct requires all Directors, employees and contractors to conduct business with the highest ethical standards including compliance with the law and to report any interest that may give rise to a conflict of interest. Breaches of the Code of Conduct are taken seriously by the Company and may be reported using the Company's Whistleblower Program. The Code of Conduct is made available to all employees.

Values

The Company has also implemented a set of values designed to guide the Directors and all employees in their day-to-day dealings with each other, competitors, customers and the community. The values established are summarised under the headings Respect, Integrity, Action and Results.

Whistleblower Policy

The Company is committed to ensuring the Company's employees and contractors can raise concerns regarding illegal conduct or malpractice in good faith without being subject to victimisation, harassment or discriminatory treatment, and to have such concerns properly investigated. The Whistleblower Policy provides a mechanism by which all employees can confidentially report improper or illegal conduct without fear of discrimination.

Trading in the Company's Shares

To safeguard against insider trading the Company's Securities Trading policy prohibits Directors and employees from trading the Company's securities if they are aware of any information that would be expected to have a material effect on the price of Company securities.

The policy also establishes 'black out periods' during which Directors and employees must not trade in the Company's securities:

- 14 days immediately before the release of each quarterly activities report i.e. during the months of January, April, July and October; and
- 31 days immediately before release of half yearly and annual results.

Further it is recognised that Directors and Senior Executives are more likely to be in possession of price sensitive information. As a result Directors must notify the Chairman and Company Secretary of any intended trade and confirm that he or she is not in possession of any price sensitive information. The same notification process applies to Senior Executives; however, Senior Executives must notify the Company Secretary and the Chief Executive Officer.

The policy also prohibits Directors, Executives and Employees from entering into any hedging arrangement over unvested securities issued pursuant to any share scheme, performance rights plan or option plan.

In addition, the Company has processes in place to determine whether Directors have entered into any margin loans in relation to their holdings in the Company's securities, and to determine whether these arrangements are material pursuant to the Company's disclosure obligations. Each Director is required to advise the Chairman of any fact or circumstance about himself, or affecting him, which, if known may have a material impact on the Company, which includes the possibility of margin loans to materially affect the price of the Company's securities. Directors have been asked by the Company from time to time to provide relevant information and confirmations to assist the Company to verify that it complies with its disclosure requirements.

The Company discloses to ASX any transaction conducted by the Directors in the Company's securities in accordance with the ASX Listing Rules.

Principle 4

Safeguard Integrity in Financial Reporting

Audit Committee

The Board has an Audit Committee to assist the Board to safeguard integrity in the Company's financial reporting. The duties and membership details of the Committee are set out in this section on page 6.

Principle 5

Make Timely and Balanced Disclosure

The Company is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act.

Following the merger with Zinifex the Board updated its Continuous Disclosure Policy and introduced some new measures (as explained below) to ensure that information considered material by the Company is immediately disclosed.

The Board has authorised the Company Secretary and the Executive General Manager of Business Support as the Disclosure Officers, to ensure that information is released by the Company in a timely and accurate fashion.

To supplement the Continuous Disclosure Policy the Board has also approved Disclosure Protocols and Procedures to provide further guidance to staff on understanding and complying with the Company's continuous disclosure obligations.

CORPORATE GOVERNANCE

Principle 6

Respect the Rights of Shareholders

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the Company. To achieve this during 2008 the Board adopted a Shareholder Communication Policy which outlines the process through which the Company will endeavour to ensure timely and accurate information is provided equally to all shareholders.

Information is communicated to Shareholders through:

- the annual report which is available to all shareholders (in both hardcopy and electronic form)
- the release to the ASX and on the Company's website, of the half yearly financial report, quarterly production and activities report and other information, including ASX releases in accordance with the Company's continuous disclosure obligations
- providing information on the Company's website about the Company, including the Charters that govern the Board and Board Committees, the Company's key policies, statutory reports of the last 2 years and releases to the ASX from 2008 onwards
- the release to ASX and the Company's website of all Company presentations made during briefings conducted with analysts and institutions from time to time.

Shareholders are also encouraged to attend the AGM and use the opportunity to ask questions. Shareholders can also view the AGM via a webcast available on the Company's website. Questions can be lodged prior to the meeting by completing the relevant form accompanying the notice of meeting. The Company makes every endeavor to respond to the most commonly asked questions. The external auditor attends the meeting and is available to answer questions in relation to the conduct of the audit.

Principle 7

Recognise and Manage Risk

The Company is exposed to numerous risks across its business, most of which are common to the mining industry. The Company's commitment and approach to managing these risks is outlined in the Company's Risk Management Policy and is available on the Company's website.

Both the Sustainability Committee and Audit Committee assist the Board in monitoring the Company's risks.

The Sustainability Committee monitors the Company's non-financial risks. The Committee receives reporting on the control mechanisms which are designed and implemented by management to ensure that the safety, environmental, legal and reputation risks faced by the Company are identified, assessed and managed.

The Audit Committee monitors the Company's financial risks. The Audit Committee reviews and assesses the adequacy of the Company's internal control and financial management systems and accounting and business policies. The Audit Committee is given further assurance on the Company's financial management systems through the Company's independent internal audit function.

During 2008 the Company managed the additional risks associated with its merger with Zinifex. The Integration Committee, which is mentioned earlier in this report on page 6 reviewed and monitored the key integration risks that arose as a result of the merger. The Integration Committee was assisted and given further assurance by the special purpose steering integration committee, which provided assistance on a day to day basis to the business and reported on steps undertaken to mitigate and treat the key integration risks identified.

The Company has an internal audit function that assists with the identification and control of financial risks of the Company. The internal audit function for 2008 was outsourced to two external firms. Prior to the merger between the Company and Zinifex, the internal audit function of the Company was outsourced to Deloitte and the internal audit function of Zinifex was conducted by Protiviti. After the merger both firms continued to conduct the internal audit functions of the respective Oxiana and Zinifex operations. The internal audit function has independent status within the Company and conducts regular audits and reviews in accordance with an audit plan approved by the Audit Committee. The Audit Committee reviews the mission and charter of the internal audit function and ensures that its scope of work is appropriate in relation to the key financial risks facing the Company. The main areas of focus of internal audit include; assessing the design and operating effectiveness of financial controls, reviewing compliance with statutory regulations and Company policies as appropriate, and fraud awareness and prevention. Internal Audit also recommends improvements in management and control practices to assist in risk mitigation. Internal audit recommendations and key findings are reported to the Audit Committee.

Senior management are responsible for risk management in their respective areas of accountability. They ensure that procedures exist to monitor risks and, through observation and audit, gain assurance that effective controls are implemented and consistently applied.

The heritage risk management frameworks that operated for Zinifex and Oxiana continued in operation for 2008. Both frameworks apply enterprise wide, thereby considering risks from all sources. They are supported by risk management systems that record the risks identified, their rating, associated controls and follow up actions.

The Board has recognised the need to implement a common risk management framework across the group. The Company is in the process of developing this framework and it will be rolled out during 2009. This process includes the implementation at all sites of the Company's Sustainability Standards. These are a comprehensive set of standards that provide a systematic approach to the management of Safety, Health, Environmental and Community related risks.

Management Reporting and Certifications

Management reports to the Board and its Committees on the material business risks faced by the Company, the effectiveness of the Company's risk management and internal control system, and the Company's management of its material business risks.

During the financial year, the Audit Committee was provided with independent reports from the Company's internal financial auditors. The reports provided the Audit Committee with an appraisal of the internal controls, and a summary of recommendations made to management for the audits conducted.

CORPORATE GOVERNANCE

The CEO and Chief Financial Officer have each declared in writing to the Board that the financial records of the Company for 2008 have been properly maintained and present a true and fair view of the Company's financial position and financial results, in accordance with the Corporations Act and the relevant accounting standards. Their reports were supported by underlying certification from the General Managers at sites, and employees responsible for key functional areas.

The reporting and control mechanisms together with the assurances of the Sustainability and Audit Committees support the written certifications given by the CEO and the Chief Financial Officer to the Board annually, that the Company's financial reports are based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8

Remunerate Fairly and Responsibly

The Nomination and Remuneration Committee provides recommendations and direction for the Company's remuneration practices. The Committee ensures that a significant proportion of each Senior Manager's Remuneration is linked to his or her performance and the Company's performance. Performance reviews are conducted regularly to assess the performance of Senior Managers and to determine the proportion of remuneration that will be 'at risk' for the upcoming year. The Company's executives participate in a long term incentive program that is linked to the Company's performance against the Company's peers in the resources industry. For further details on this see the Remuneration Report.

Board Remuneration

The total annual remuneration paid to Non-Executive Directors may not exceed the limit set by the shareholders at an Annual General Meeting (currently \$2.7 million). The remuneration of the Non-Executive Directors is fixed rather variable.

Further details in relation to Director and executive remuneration are set out in the Remuneration Report.

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity comprising OZ Minerals Limited ('the Company') and its controlled entities for the year ended 31 December 2008 (the 'financial year'). OZ Minerals Limited is a company limited by shares that is incorporated and domiciled in Australia.

Directors

The Directors of the Company during the year ended 31 December 2008 and up to the date of this report were:

Barry L Cusack (Chairman)

Andrew G Michelmore (appointed as Managing Director and Chief Executive Officer on 20 June 2008)

Ronald H Beevor

Peter W Cassidy (appointed as Non-Executive Director on 20 June 2008 – resigned on 30 January 2009)

Michael A Eager

Owen L Hegarty (retired as Managing Director and Chief Executive Officer and appointed as Non-Executive Director on 20 June 2008 – resigned on 19 December 2008)

Brian Jamieson

Richard Knight (appointed as Non-Executive Director on 20 June 2008 – resigned on 31 December 2008)

Anthony C Larkin (appointed as Non-Executive Director on 20 June 2008)

Peter J Mansell (appointed as Non-Executive Director on 20 June 2008)

Dean A Pritchard (appointed as Non-Executive Director on 20 June 2008)

Principal activities

The principal activities of the consolidated entity during the financial year were mining of zinc, copper, lead, gold, silver and nickel and various exploration and development projects.

The consolidated entity acquired Zinifex Limited, a zinc and lead mining, exploration and development company, by way of a Scheme of Arrangement completed on 1 July 2008. Information relating to the acquisition is set out in Note 4 to the financial statements.

The consolidated entity also classified certain operations as held for sale and as discontinued operations as set out in Note 5 to the financial statements.

Consolidated results	2008 A\$m	2007 A\$m
Consolidated entity (loss)/profit attributable to equity holders of OZ Minerals Limited	(2,501.7)	305.8

Dividends	Cents per share	Consolidated A\$m
Dividends on ordinary shares provided for or paid on:		
29 September 2008 – unfranked	5.0	156.1
9 April 2008 – unfranked	4.0	61.8
4 October 2007 – fully franked	4.0	61.5
30 April 2007 – 46 per cent franked	5.0	76.3

Significant changes in the state of affairs

On 3 March 2008, the Directors of Oxiana Limited (which was renamed OZ Minerals Limited) and Zinifex Limited (which was renamed OZ Minerals Holdings Limited), announced that they had reached an agreement for the merger of Oxiana Limited and Zinifex Limited ("the merger"). Following approval of the merger by the Zinifex Limited shareholders and the Court on 16 June 2008 and 20 June 2008 respectively, the merger was implemented on 1 July 2008 by way of scheme of arrangement between Zinifex Limited and its shareholders. Under the terms of the merger, Zinifex Limited shareholders received 3.1931 Oxiana Limited ordinary shares for each Zinifex Limited ordinary share held, resulting in Zinifex Limited shareholders receiving ordinary shares in Oxiana Limited equivalent to approximately a 50 per cent interest in the merged company called OZ Minerals Limited. Accordingly, since 1 July 2008 OZ Minerals Limited and Zinifex Limited have operated as one consolidated group and transactions between these entities treated as related party transactions. Zinifex Limited became a wholly owned subsidiary of OZ Minerals Limited on 1 July 2008 and was delisted from the Australian Securities Exchange ("ASX") on 2 July 2008. Information relating to the acquisition is set out in Note 4 to the financial statements.

The review of operations (see below) sets out a number of other matters that have had an effect on the state of affairs of the consolidated entity. Other than these matters, there were no other significant changes in the state of affairs of the Company during the financial year.

DIRECTORS' REPORT

Review of operations

2008 has been an extraordinary year for the global economy, the base metals industry and for OZ Minerals. On 1 July 2008, the merger of Oxiana and Zinifex to form OZ Minerals was implemented, creating Australia's third largest diversified mining company and the world's second largest producer of zinc as well as a substantial producer of copper, lead, gold and silver. OZ Minerals was formed with a substantial pipeline of development and exploration projects and the financial capacity, based on conditions applying at that time, to bring those projects into production.

But 2008 was a year of two very distinct halves, as demonstrated by the price performance of copper and zinc, OZ Minerals' two most important minerals. During the first half of 2008, the LME copper price rose by 31.4 per cent to US\$8,776 per tonne – a record level. Zinc weakened in the first half of the year by 19.1 per cent to US\$1,903 per tonne, but was still at historically high levels.

During the second half of the year, the zinc price fell by a further 38 per cent, and closed the year at US\$1,180 per tonne – almost 50 per cent below the level at the end of December 2007. The copper price collapsed by 67 per cent in the second half of 2008, and closed the year at US\$2,902 per tonne, some 56.5 per cent lower than 12 months earlier and the lowest monthly closing level since late 2004.

Throughout this challenging period OZ Minerals maintained its focus on operational excellence, and a number of its sites generated record or near-record production results. The Company also successfully completed the integration of the Oxiana and Zinifex operations and, in this process, identified approximately A\$50 million of permanent annual synergy benefits.

Revenue from continuing and discontinuing operations of A\$1,218.4 million, generated a net loss after tax of A\$66.4 million, before asset write-downs and one-off items of A\$2,575.3 million. This performance was overwhelmingly determined by the collapse in commodity prices and further exacerbated by the severe downturn in global credit markets that manifested itself from September 2008.

OZ Minerals financial performance in 2008 was overwhelmingly determined by the collapse in commodity prices in the second half of the year – the major component of which occurred in the fourth quarter – and was exacerbated by the severe downturn in global credit markets that manifested itself from September 2008.

Immediately following implementation of the merger in July, OZ Minerals was actively negotiating the restructure of the banking facilities it inherited from Oxiana and Zinifex, but had not been able to complete that process when the commodity price collapse and the global financial crisis occurred almost simultaneously. This combination of factors led directly to the situation of OZ Minerals seeking a voluntary suspension of trading in the Company's shares on the ASX from early December.

The consolidated entity reacted quickly to the rapid deterioration of market conditions, implementing a number of cash saving measures to immediately reduce costs and suspend or defer a number of projects (see Review of Results and Operations below). The consolidated entity has also been actively pursuing an asset sale program as part of its overall refinancing process. However, because of its importance to the future growth and viability of OZ Minerals, significant resources were directed to completion of the Prominent Hill copper-gold project in South Australia, which came into production in February 2009.

The consolidated entity has also initiated an ongoing Business Improvement Challenge to identify and implement further maintainable savings and efficiencies. This initiative is aimed at maximising cash flow while positioning OZ Minerals as a sustainable, lean business for the longer term.

On 16 February 2009, OZ Minerals announced that it had entered into a Scheme Implementation Agreement for the proposed acquisition through a scheme of arrangement of all outstanding shares in OZ Minerals by China Minmetals at a cash price of 82.5 cents per share.

The transaction is unanimously recommended by OZ Minerals' Board of Directors who believe that it is the best outcome for shareholders given the options available to the company. It provides shareholders with a significant premium to the last price the company's shares traded. It is also significantly higher than the price at which the Board believes OZ Minerals shares would trade in the absence of the offer.

Completion of the transaction is subject to a number of conditions including the approval of regulatory authorities in Australia and China as well as the approval of OZ Minerals' current banking syndicates. Furthermore, an independent expert will be appointed to confirm whether the transaction is in the best interests of OZ Minerals' shareholders.

OZ Minerals shares resumed trading on the ASX on 17 February 2009 following the announcement of the proposed transaction with Minmetals.

DIRECTORS' REPORT

Review of results

Cost reduction measures

In response to current market conditions, OZ Minerals instigated a number of initiatives designed to significantly reduce the company's cost base. On 25 November 2008 OZ Minerals announced that it would defer capital expenditure of approximately A\$495 million (net) and reduce operating expenditure budgets in 2009 by approximately A\$185 million. This included:

- The suspension of the Martabe gold silver project in Indonesia;
- The suspension of the Sepon copper expansion;
- Deferral of surface facility renewal at Rosebery;
- Delaying the development of the open pit copper prospect at Golden Grove;
- Deferring the Feasibility Study into the Izok Lake and High Lake projects in Canada; and
- Deferring the Dugald River project.

OZ Minerals subsequently announced that it was putting both its Avebury Nickel mine in Tasmania and Scuddles mine at Golden Grove in Western Australia on care and maintenance until further notice. It has also established a Business Improvement Challenge to deliver further cost savings in 2009 and further imbed a low-cost business structure.

Between November 2008 and January 2009 these initiatives, combined with the ongoing review of OZ Minerals' business and cost structure, have resulted in a reduction of over 1,200 employee and contractor positions - a 17% decrease in the total workforce.

Century concentrates production

During the full-year period the Century operations produced 513,571 tonnes of zinc concentrates, 4,178,964 ounces of silver in concentrates and 56,387 tonnes of lead concentrate. For the period 1 July to 31 December 2008 this produced revenue of A\$267.5 million and a segment operating result of a loss of A\$2.9 million.

Golden Grove concentrates production

During the full-year period the Golden Grove operations produced 139,900 tonnes of zinc concentrates, 18,467 tonnes of copper concentrates, 47,755 ounces of gold in concentrates, 3,157,837 ounces of silver in concentrates and 13,300 tonnes of lead concentrate. This produced revenue of A\$266.2 million and a segment operating result of A\$72.1 million.

Rosebery concentrates production

During the full-year period the Rosebery operations produced 84,939 tonnes of zinc concentrates, 2,062 tonnes of copper concentrates, 30,675 ounces of gold in concentrates, 2,984,502 ounces of silver in concentrates and 28,674 tonnes of lead concentrate. For the period 1 July to 31 December 2008 this produced revenue of A\$73 million and a segment operating result of A\$1 million.

Sepon copper production

During the full-year period the Sepon Copper operation produced 64,075 tonnes copper cathode. This produced revenue of A\$504 million and a segment operating result of A\$330 million.

Sepon gold production

During the full-year period the Sepon Gold operation produced 93,072 ounces of gold and 55,942 ounces of silver. This produced revenue of A\$94.8 million and a segment operating result of A\$27.4 million.

Prominent Hill mine development

Development and construction of the copper and gold mining operation at Prominent Hill in South Australia was 97 per cent complete as at 31 December 2008. Final work was completed in the beginning of 2009 with first copper gold concentrate delivered on 26 February 2009.

Martabe Gold Project

As part of its program to defer projects and reduce operating and capital expenditures, OZ Minerals announced on 25 November 2008 that the Martabe project would be suspended and capital expenditure of approximately US\$225 million deferred until after 2009.

Exploration activities

OZ Minerals has continued the near-mine exploration activity at all operations and is exploring both in its own right and in partnerships with other companies in Australia, Asia and the America's.

DIRECTORS' REPORT

Likely developments and expected results of operations

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Information on Directors

Particulars of the qualifications, experience and special responsibilities of each person who was a Director during the year ended 31 December 2008 are set out below:

Barry L Cusack Chairman (Independent)

BE(Hons), M.Eng.Sci., FTSE, FAusIMM, FAIM, MAICD

Experience and expertise

Mr Cusack was the Managing Director of Rio Tinto Australia (1997-2001) and is currently a Non-Executive Director of Toll Holdings Limited and MacMahon Holdings Limited. Mr Cusack also held the position of Chairman of Coal and Allied Limited (1997-2001), Bougainville Copper Limited (1997-2003) and ERA Limited (2000-2002), was a Director of Smorgon Steel Group Limited (2002-2007) and is a former president of the Minerals Council of Australia (2001-2003). Mr Cusack is an Honorary Life Member of the Chamber of Minerals and Energy of Western Australia Inc.

Other current listed entity directorships

Non-Executive Director of MacMahon Holdings Limited (since 2002) and Non-Executive Director of Toll Holdings Limited (since October 2007).

Former listed entity directorships in last three years

Non-Executive Director of Smorgon Steel Group Limited (from June 2002 to August 2007) and Future Directions International (from September 2003 to September 2008).

Special responsibilities during the year

Chairman of the OZ Minerals Limited Board.

Member of the OZ Minerals Limited Board's Nomination and Remuneration Committee prior to 20 June 2008.

Andrew G Michelmore Managing Director and Chief Executive Officer (appointed 20 June 2008)

BE (Chem), MA (Oxon.), FIE Aust., FIChemE, FTSE, MAICD

Experience and expertise

Mr Michelmore was appointed as the OZ Minerals Limited Managing Director and Chief Executive Officer in June 2008 in anticipation of the merger with Zinifex Limited. He joined Zinifex Limited as Chief Executive Officer in February 2008 and became Managing Director in March 2008, upon his return from two years working in London and Russia as Chief Executive Officer of EN+ Group. Mr Michelmore has more than 27 years experience in the metals and mining industry. He spent 12 years at WMC Resources Limited where he was Chief Executive Officer (from December 2002 to June 2005) and prior to that, held senior roles in the company's nickel, gold, alumina, copper, uranium and fertiliser businesses.

Mr Michelmore joined CRA in 1981, leading to a position as General Manager of Nilcra Ceramics Pty Ltd in 1985. He held the position of General Manager of Nabalco Pty Ltd, the Gove Joint Venture from 1989 to December 1992 and also held the concurrent position of Chief Executive Officer of Swiss Aluminium Australia from 1991. He commenced his career with ICI Australia in 1975.

He is also a member of the Board and Executive Committee of the International Zinc Association, Council Member of the International Council of Mining & Metals and a member of the Business Council of Australia. He is a Director of the Minerals Council of Australia.

Other current listed entity directorships

None.

Former listed entity directorships in last three years

Chief Executive Office of WMC Resources Limited (from December 2002 to June 2005) and Managing Director and Chief Executive Officer of Zinifex Limited (from February 2008 to June 2008).

Special responsibilities during the year

Managing Director and Chief Executive Officer of OZ Minerals Limited (from 20 June 2008).

DIRECTORS' REPORT

Ronald H Beevor Non-Executive Director (Independent)

B.A (Hons)

Experience and expertise

Mr Beevor is a former investment banker and was head of investment banking at NM Rothschild & Sons (Australia) Limited between 1997 and 2002. He has had an extensive involvement with the natural resources industry, both in Australia and overseas.

Other current listed entity directorships

Non-Executive Director Bendigo Mining Limited (since 2002) and Chairman EMED Mining Public Limited (Non-Executive Director since 2004).

Former listed entity directorships in last three years

None.

Special responsibilities during the year

Chairman of the OZ Minerals Limited Board's Nomination and Remuneration Committee prior to 20 June 2008.

Member of OZ Minerals Limited Board's Nomination and Remuneration Committee from 20 June 2008.

Member of OZ Minerals Limited Board's Audit Committee.

Peter W Cassidy Non-Executive Director (Independent) – resigned on 30 January 2009

BSc (Eng), PhD, DIC, ARSM, CEng, FAusIMM, FIMM, FAICD

Experience and expertise

Dr Cassidy was appointed to the OZ Minerals Limited Board in June 2008 in anticipation of the merger with Zinifex Limited. He joined the Zinifex Limited Board in March 2004. Dr Cassidy has 35 years of experience in the resource sector, both in Australia and internationally. He was Chief Executive Officer of Goldfields Ltd from 1995 until its merger with Delta Gold in January 2002 to form AurionGold Limited. He remained a Director of AurionGold until January, 2003. Prior to 1995, he was Executive Director – Operations of RGC Limited.

Other current listed entity directorships

Non-Executive Director of Energy Developments Limited (since April 2003) and was Chairman (from December 2008), Lihir Gold Ltd (since January 2003) and Sino Gold Mining Limited (since October 2002).

Former listed entity directorships in last three years

Chairman of Sino Gold Limited (from November 2005 to November 2006) and Non-Executive Director of OZ Minerals Limited (from April 2002 to November 2007).

Chairman of Allegiance Mining NL (from 1 April 2008 to 17 July 2008).

Director of Zinifex Limited (from March 2004 to August 2008).

Special responsibilities during the year

Member of the OZ Minerals Limited Board's Audit Committee.

Member of the OZ Minerals Limited Board's Compliance Committee (from 20 June 2008 until 30 January 2009).

Michael A Eager Non-Executive Director (Independent)

BE (Mining), FAusIMM

Experience and expertise

Mr Eager is a mining engineer with more than 40 years experience covering a wide range of mining operations and exploration and development activity. He retired from the position of managing director of Aberfoyle Limited in 1998, as director of MIM Holdings and Austminex NL in 2003, and the Australasian Institute of Mining and Metallurgy (AusIMM) in 2004. Mr Eager recently concluded his term as a director and deputy chairman of the Australian Nuclear Science Technology Organisation (ANSTO), positions he held since 2002. His term as deputy chairman concluded on 29 February 2008 and from 1 March 2008 he ceased to be a director of ANSTO.

Other current listed entity directorships

None.

Former listed entity directorships in last three years

None.

Special responsibilities during the year

Chairman of OZ Minerals Limited Board's Compliance Committee (prior to 20 June 2008).

Member of OZ Minerals Limited Board's Compliance Committee (from 20 June 2008).

Member of OZ Minerals Limited Board's Audit Committee (prior to 20 June 2008).

DIRECTORS' REPORT

Owen L Hegarty Non-Executive Director – resigned on 19 December 2008

BEC (Hons), FAusIMM

Experience and expertise

Mr Hegarty resigned as Managing Director and Chief Executive Officer of OZ Minerals Limited on 20 June 2008. He has over 35 years direct experience in the mining industry, including 24 years with the Rio Tinto Group where from 1988 to 1993 he was Managing Director of Rio Tinto's copper and gold mining and smelting business unit. Mr Hegarty became Managing Director of OZ Minerals Limited in 1995. Mr Hegarty is Deputy Chairman of the Minerals Council of Australia. Mr Hegarty is a fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and was elected a Director of AusIMM in October 2008. He assumed the role in January 2009. Mr Hegarty was awarded the 2005 AusIMM Institute Medal for his leadership and achievements in the mining industry and in 2008 he was awarded the GW Stokes Memorial Award for his distinguished service to the mining industry.

He is a fellow of the Australian Institute of Company Directors and is a member of the South Australian Minerals and Petroleum Export Group advising the Premier.

Other current listed entity directorships

Non-executive director Range River Gold Limited (since 1994) and Fortescue Metals Group Limited (since 2008).

Former listed entity directorships in last three years

Managing Director and Chief Executive Officer of OZ Minerals Limited (from September 1994 to June 2008).

Special responsibilities during the year

Managing Director and Chief Executive Officer of OZ Minerals Limited (prior to 20 June 2008).

Member of OZ Minerals Limited Board's Compliance Committee (prior to 20 June 2008).

Chairman of OZ Minerals Limited Board's Integration Committee (from 20 June 2008 to 19 December 2008).

Brian Jamieson Non-Executive Director (Independent)

FCA

Experience and expertise

Mr Jamieson was Chief Executive of Minter Ellison Melbourne from 2002 to 2005. He retired as Chief Executive of Minter Ellison on 31 December 2005. Prior to joining Minter Ellison, he was with KPMG and its antecedent firms for over 30 years. During his time at KPMG, Mr Jamieson held the position of Chief Executive Officer Australia from 1998 to 2000, Managing Partner of KPMG Melbourne and southern regions from 1993 to 1998 and Chairman of KPMG Melbourne from 2001 to 2002. He was also a KPMG Board Member in Australia and Asia Pacific and a member of the KPMG USA Management Committee. Mr Jamieson is a fellow of the Institute of Chartered Accountants in Australia.

Other current listed entity directorships

Non-Executive Chairman Mesoblast Limited (since November 2007), Non-Executive Director of Sigma Pharmaceuticals Limited (since 2005) and Tattersall's Limited (since 2003).

Former listed entity directorships in last three years

None.

Special responsibilities during the year

Chairman of OZ Minerals Limited Board's Audit Committee (prior to 20 June 2008).

Member of OZ Minerals Limited Board's Audit Committee (from 20 June 2008).

Member of OZ Minerals Limited Board's Compliance Committee.

Member of OZ Minerals Limited Board's Integration Committee (from 20 June 2008 until 31 December 2008).

Richard Knight Non-Executive Director, appointed 20 June 2008 (Independent) – resigned on 31 December 2008

MSc (Eng), DIC, ARSM, CEng, FAICD, MAusIMM, MCIM

Experience and expertise

Mr Knight was appointed to the OZ Minerals Limited Board in June 2008 in anticipation of the merger with Zinifex Limited. He joined the Zinifex Limited Board in March 2004. Mr Knight is a mining engineer with more than forty years experience, both in Australia and internationally. He was previously Chief Executive Officer of Energy Resources of Australia Limited, an Executive Director of North Limited and Managing Director of Inco Australia Management Pty Ltd. He is currently the Non-Executive Chairman of Heuris Partners, a Melbourne-based advisory and strategic planning practice.

Other current listed entity directorships

Non-Executive Director of Northern Orion Resources Inc. (since September 2005) and Non-Executive Director of Newcrest Mining Limited (since February 2008).

Former listed entity directorships in last three years

Non-Executive Director of St Barbara Mines Ltd (from May 2005 to December 2006).

Non-Executive Director of Portman Limited (from October 2002 to April 2005).

Non-Executive Director of Asian Pacific Resources Ltd (TSX) (from May 2002 to September 2003).

Non-Executive Director of Zinifex Limited (from March 2004 to August 2008).

DIRECTORS' REPORT

Special responsibilities during the year

Member of the OZ Minerals Limited Board's Compliance Committee (from 20 June 2008 to 31 December 2008).

Anthony C Larkin Non-Executive Director, appointed 20 June 2008 (Independent)
FCPA, FAICD

Experience and expertise

Mr Larkin was appointed to the OZ Minerals Limited Board in June 2008 in anticipation of the merger with Zinifex Limited. He joined the Zinifex Limited Board in March 2004. Mr Larkin was Executive Director – Finance of Orica Limited from 1998 to 2002. Prior to that he had a successful career with BHP spanning 39 years, during which he held various senior finance executive roles including Group General Manager Finance, BHP Minerals, for seven years and Corporate Treasurer. In 1993, he was seconded to the position of Chief Financial Officer of Foster's Brewing Group until 1997.

Other current listed entity directorships

Non-Executive Director of Corporate Express Australia Limited (since July 2004), Incitec Pivot Ltd (since May 2003) and Eyecare Partners Limited (since August 2007).

Former listed entity directorships in last three years

Chairman of Ausmelt Ltd (from November 2004 to November 2007, having been appointed Non-Executive Director since June 2003) and Non-Executive Director of Zinifex Limited (from March 2004 to August 2008).

Special responsibilities during the year

Chairman of the OZ Minerals Limited Board's Audit Committee (from 20 June 2008).

Member of the OZ Minerals Limited Board's Nomination and Remuneration Committee (from 20 June 2008).

Member of the OZ Minerals Limited Board's Integration Committee from (20 June 2008 to 31 December 2008).

Peter J Mansell Non-Executive Director, appointed 20 June 2008 (Independent)
BCom, LLB, FAICD

Experience and expertise

Mr Mansell was appointed to the OZ Minerals Limited Board in June 2008 in anticipation of the merger with Zinifex Limited. He joined the Zinifex Limited Board as Chairman in March 2004. Mr Mansell has a broad range of experience in the management, direction, development and governance of listed entities. He was a corporate and resources partner in the law firm Freehills from 1988 until February 2004. At various times he has been the Freehills National Chairman, Managing Partner of the Perth office and a member of the National Board. He is a fellow of the Australian Institute of Company Directors. He was President of its Western Australian division in 2002 to 2003 and sat on the National Board of that body during his presidency. He is also a Director of Nyrstar NV.

Other current listed entity directorships

Chairman of ThinkSmart Limited (since April 2007), Non-Executive Director of Great Southern Plantations Limited (since November 2005), and Bunnings Property Management Limited, which is the responsible entity of Bunnings Warehouse Property Trust (since June 1998).

Former listed entity directorships in last three years

Non-Executive Director Hardman Resources Limited (from May 2006 to December 2006).

Non-Executive Director of Tethyan Copper Company Limited (from February 2005 to May 2006).

Non-Executive Chairman of Zinifex Limited (from March 2004 to August 2008).

Chairman of West Australian Newspapers Holdings Limited (from November 2006 to December 2008), having been a Director from September 2001 to December 2008.

Special responsibilities during the year

Chairman of the OZ Minerals Limited Board's Nomination and Remuneration Committee (from 20 June 2008).

Dean A Pritchard Non-Executive Director, appointed 20 June 2008 (Independent)
BE, FIE Aust, CP Eng, FAICD

Experience and expertise

Mr Pritchard was appointed to the OZ Minerals Limited Board in June 2008 in anticipation of the merger with Zinifex Limited. He joined the Zinifex Limited Board in March 2004. Mr Pritchard has over 30 years experience in the engineering and construction industry. He was Chief Executive Officer of Baulderstone Hornibrook from 1991 to 1997.

Other current listed entity directorships

Non-Executive Director of Spotless Group Limited (since May 2007) and OneSteel Ltd (since October 2000). He is also the Chairman of Steel & Tube Holdings Limited (since May 2005), which is a New Zealand subsidiary of OneSteel Limited.

Former listed entity directorships in last three years

Chairman of ICS Global Limited (from June 1999 to June 2007).

Non-Executive Director of Zinifex Limited (from March 2004 to August 2008).

Special responsibilities during the year

Chairman of the OZ Minerals Limited Board's Compliance Committee from 20 June 2008.

DIRECTORS' REPORT

Ms Francesca Lee General Counsel and Company Secretary

BCom, LLB (Hons), LLM, Grad Dip CSP, ACIS

Ms Lee was appointed as the General Counsel and Company Secretary in June 2008 in anticipation of the merger with Zinifex Limited. Prior to the merger, Ms Lee was General Counsel and Company Secretary of Zinifex Limited. She is a member of the OZ Minerals Limited Executive Committee and the Sustainable Development Committee. Before joining Zinifex Limited she was a Group Counsel at BHP Billiton and has also held a number of senior positions at Rio Tinto Limited including General Manager Legal, and General Manager Internal Audit and Risk Review, and was Vice President of Structured Finance at Citibank Limited. She is currently on the Board of Metropolitan Waste Management Group, a Victorian Statutory Authority.

Attendance at meetings

The number of meetings of OZ Minerals Limited's Board of Directors and of each Board committee held from the beginning of the financial year until 31 December 2008, and the number of meetings attended by each Director is set out below:

	Board Meetings			Board Committee Meetings							
	A	B	C	Audit		Nomination & remuneration		Compliance		Integration	
	A	B	C	A	B	A	B	A	B	A	B
B L Cusack	23	23	–	1 ^(b)	–	4 ^(c)	3	–	–	–	–
A G Michelmore ^(a)	16	16	–	2 ^(b)	–	4 ^(b)	–	3 ^(b)	–	5 ^(b)	–
R H Beevor	22	23	1	4	5	7	7	–	–	–	–
P W Cassidy ^(a)	16	16	–	2	2	–	–	3	3	–	–
M A Eager	23	23	–	3	3	–	–	4	4	–	–
O L Hegarty	21	21	–	3 ^(b)	–	2 ^(b)	–	1	1	6	6
B Jamieson	21	23	2	5	5	3 ^(c)	3	4	4	6	6
R Knight ^(a)	14	16	2	–	–	–	–	2	3	–	–
A C Larkin ^(a)	14	16	2	2	2	4	4	–	–	6	6
P J Mansell ^(a)	15	16	1	–	–	4	4	–	–	–	–
D A Pritchard ^(a)	16	16	–	–	–	–	–	3	3	–	–

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office (in the case of Board meetings) or was a member of the relevant committee during the year. In addition, a Board Refinancing Subcommittee met regularly from late November to be informed on the progress of, and to liaise with, management in relation to the negotiations for refinancing of the Company and consolidated entity's various debt facilities.

C = Number of absences from out of session Board meetings attributable to the short notice of the meetings or due to a conflict of interest. There was only one instance where the out of session Board meeting was not attended by a Director due to a conflict of interest.

- (a) Mr Michelmore, Dr Cassidy, Mr Knight Mr Larkin, Mr Mansell and Mr Pritchard joined the consolidated entity in June 2008.
- (b) Indicates meetings attended at the open invitation of the Committee.
- (c) Indicates that one of the meetings attended was attended at the open invitation of the Committee at a time when the Director was not a member of the Committee.

DIRECTORS' REPORT

Directors interests

The relevant interests of each Director in the ordinary shares of OZ Minerals Limited at the date of this report are set out below:

Director	Shares	Share options	Performance rights	Long-term incentive opportunities
Barry Cusack	2,024,113	–	–	–
Andrew Michelmore	285,795	2,980,392	894,118	582,776
Ronald Beevor	3,289,058	–	–	–
Michael Eager	2,115,699	–	–	–
Brian Jamieson	1,085,267	–	–	–
Anthony Larkin	135,579	–	–	–
Peter Mansell	259,838	–	–	–
Dean Pritchard	127,191	–	–	–
Total	9,322,540	2,980,392	894,118	582,776

This represents the number of shares that would vest based upon a conversion rate of 3.1931.

Environmental regulation

The consolidated entity is subject to significant environmental regulation in respect of its activities in both Australia and overseas. In addition to the licensing and permit arrangements which apply to its operations outside Australia, the consolidated entity's Australian operating sites hold various environmental licences and permits under the laws of the Commonwealth and States and Territories.

Compliance with the consolidated entity's licenses and permits is monitored on a regular basis and in various forms, including environmental audits conducted by regulatory authorities and by the consolidated entity, either through internal or external resources. A documented process is used by the consolidated entity to classify and report any exceedance of a licence condition or permit condition, as well as any incident reportable to the relevant authorities. These events are also reported to senior management.

As part of the consolidated entity's internal processes, all reportable environmental non-compliances and significant incidents are reviewed by the Executive Sustainability Committee and the Compliance Committee of the consolidated entity's Board of Directors. These incidents require a formal report to be prepared identifying the factors that contributed to the incident or non-compliance and the actions being taken to prevent any reoccurrence.

The number of environmental non-compliances in 2008 was 61 and included exceedances of specified water discharge limits at the Avebury and Golden Grove mines and at the Karumba Port Facility, and two chemical spills at the Golden Grove mine. These events were reported by the consolidated entity to the relevant authorities and none were judged to have had a major environmental impact. Steps have been taken by the consolidated entity to ensure that these events do not occur in the future.

The consolidated entity continues to focus on improving its environmental performance. Significant environmental improvement programs and other initiatives undertaken in this reporting period to meet site licence and consent conditions included:

- Monitoring of town rainwater tanks and improvements to plant, equipment and procedures at the Karumba Port Facility to minimise the release of mineral concentrate dust;
- Upgrade of the water treatment system at the Golden Grove mine to address exceedances of discharge limits, principally related to cadmium; and
- Progressive improvements to the water treatment plant at the Karumba Port Facility to address exceedances of certain water quality discharge parameters.

The consolidated entity is currently working with environmental authorities to review operations and activities in order to ensure compliance with regulatory requirements and practices, and in some cases, to seek modifications to those requirements and practices. In particular:

- Prior to the merger of Oxiana Limited and Zinifex Limited, the Environmental Protection Agency ("EPA") issued Zinifex Limited with an Environmental Protection Order dated 6 June 2007 (the first EPO) in relation to the Karumba Port Facility. The EPA is currently investigating potential non-compliances with the first EPO. This investigation is ongoing, and the consolidated entity is continuing to work cooperatively with the EPA to assist with its investigation. A further EPO was issued by the EPA to the consolidated entity on 7 March 2008 (the second EPO). The consolidated entity is continuing to work closely with the EPA to ensure compliance with the second EPO is achieved. In response to a notice from the EPA, the consolidated entity has also prepared a transitional environmental program ("TEP") relating to levels of certain contaminants in discharges from the Karumba Port Facility into the Norman River.
- An application for a new Development Permit was lodged by the consolidated entity in October 2008 to correct the invalidity of the current Development Permit in respect of the operations at the Karumba Port Facility, whilst at the same time addressing matters related to the management of mineral concentrate dust and water discharge quality. Due to changes in the law, the current Development Application (which is currently under assessment) will likely be replaced by a new application which reflects these changes; and

DIRECTORS' REPORT

- At the consolidated entity's Avebury mine, which it acquired in July 2008, the consolidated entity is liaising closely with the regulatory authority to review the water discharge quality management program including the appropriateness of the current water discharge limits in the context of the local environmental conditions and actual potential for environmental impact.

There is a risk that past, present or future operations have not met or will not meet environmental or related regulatory requirements and that the approvals or modifications that the consolidated entity is currently seeking, or may need to seek in the future, will not be granted. If the consolidated entity is unsuccessful in these efforts or otherwise breaches these environmental requirements it may incur fines or penalties, be required to curtail or cease operations and/or be subject to significantly increased compliance costs or significant costs for rehabilitation or remediation works, which have not been previously planned at one or more of the sites.

Insurance and indemnity

Article 7.3 of OZ Minerals Limited's Constitution requires the Company to indemnify each Director and secretary of the Company, to the extent permitted by law, against liability incurred in or arising out of the conduct of the business of the Company or the discharge of the duties of the Director or Secretary.

The consolidated entity has entered into Deeds of Indemnity with each of its current Non-Executive Directors and with the members of the Executive Committee, the Company Secretary, the Treasurer and each employee who is a Director of a controlled entity of the consolidated entity in conformity with Article 7.3.

In particular, since the date of the previous Directors' Report, the consolidated entity entered into new Deeds of Indemnity with each of Andrew G Michelmore, Peter W Cassidy, Richard Knight, Anthony C Larkin, Peter J Mansell and Dean A Pritchard on their appointment as Directors, and Francesca Lee on her appointment as Company Secretary, and each of the members of the Executive Committee of the Company, the Treasurer and each person who was appointed a Director or Secretary of controlled entities since the date of the last report. In conformity with Article 7.3, each Deed of Indemnity indemnifies the relevant Director, Officer or employee to the full extent permitted by law. The consolidated entity was not liable during the 2008 financial year under any such indemnities to its Directors, Officers or 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.

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

The consolidated entity has paid a premium for a contract insuring all Directors and Officers of the consolidated entity and each of its controlled entities against certain liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability insurance contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract. This contract replaces the Directors' and Officers' liability insurance contracts of Oxiana Limited and Zinifex Limited which existed at the time of the merger with Zinifex Limited, which contracts now provide run-off cover that insures Directors and Officers of those consolidated entities and each of their controlled entities for events prior to the merger.

There is also an insurance policy that covers the Directors, Officers and employees of Zinifex Limited (now renamed OZ Minerals Holdings Limited) against certain liabilities that they may incur in connection with the disclosure documents relating to the Initial Public Offering for the sale of shares in Zinifex Limited. The premium for this policy was paid by the Zinifex Group and not the consolidated entity. Following the merger, this contract was replaced with a contract for run-off cover insuring Directors and Executive Officers of Zinifex Limited and each of its controlled entities for events prior to the merger. An insurance policy for the Directors, Officers and employees of Allegiance Limited was also replaced with a contract for run-off cover for events prior to the acquisition of Allegiance by Zinifex Limited.

Proceedings on behalf of the consolidated entity

At the date of this report there are no leave applications or proceedings brought on behalf of the consolidated entity under section 237 of the *Corporations Act 2001*.

DIRECTORS' REPORT

Audit and non-audit services

The Company, with the prior approval of the Audit Committee, may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the OZ Minerals Group are important, and where these services will not impair the external auditor's independence.

Details of the amounts paid or payable to the external auditor (KPMG) and its related parties for audit and non-audit services provided during the year are set out below.

	Consolidated 2008 A\$'000
Audit services	
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> including audit of subsidiary financial statements	
KPMG Australia ⁽ⁱ⁾	1,417
Overseas KPMG firms	226
	1,643
Non-audit services	
<i>Assurance services</i>	
Due diligence services	533
Other assurance services	25
	558
<i>Taxation services</i>	
Taxation compliance and other advisory services	84
Total fees	2,285

(i) The 2008 fee also includes an amount for the audit of 2007 local statutory financial reports in relation to entities acquired in 2007.

The Board has considered the position and in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of all non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the external auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for OZ Minerals Limited or its controlled entities, acting as advocate for the Company or jointly sharing economic risk and rewards.

DIRECTORS' REPORT

Matters subsequent to the end of the financial year

(i) Minmetals cash offer

On 16 February 2009 the consolidated entity announced to the ASX that the Company and China Minmetals Non-ferrous Metals Company Limited ("Minmetals") had entered into a Scheme Implementation Agreement ("SIA") for a proposed acquisition through a scheme of arrangement of all outstanding shares in OZ Minerals Limited by Minmetals at a cash price of 82.5 cents per share.

As announced to the market on 16 February 2009, completion of the transaction is subject to regulatory approvals and other conditions, including:

- completion of confirmatory due diligence by Minmetals by 23 February 2009. This was satisfactorily completed as announced to the ASX on 24 February 2009;
- the approval by 27 February 2009, of the consolidated entity's current lenders, to extend the debt arrangements until at least 31 March 2009. The consolidated entity has been successful in obtaining from the lenders whose facilities fall due on 27 February 2009, approval to extend the termination date to 31 March 2009. The approvals are subject to completion of documentation to give effect to the extension;
- the approval prior to 1 April 2009, to extend the debt arrangements until at least 2 weeks after the scheduled scheme implementation date;
- there being no material adverse change (US\$100 million threshold) in OZ Minerals' consolidated net assets or net present value between the date on which Minmetals completes its due diligence and the second Court date, excluding anything arising as a result of a change in general economic business or political conditions, securities markets, interest rates, exchange rates or commodity prices;
- the approval of regulatory authorities in Australia (including the Foreign Investment Review Board and the Department of Defence) and the People's Republic of China and shareholder and Court approval.

Whilst there can be no certainty that the conditions precedent will be met, both the consolidated entity and Minmetals have agreed to use their reasonable endeavours to procure the satisfaction of the conditions precedent relevant to them.

The transaction is unanimously recommended by the Board, subject to no superior competing proposal and confirmation by an independent expert that the transaction is in the best interests of the consolidated entity's shareholders. Under the terms of the SIA the Company has undertaken not to dispose of any interest in a material asset, although the Company is able to proceed with its asset sale program in relation to Martabe and Golden Grove. Further details are set out in the ASX announcements made on 16 and 18 February 2009.

Following the above announcement, on 17 February 2009 the suspension in trading of the Company's shares ceased.

(ii) Asset sales

The consolidated entity disposed of its entire shareholding of 7,791,622 shares in Nyrstar NV, a publicly listed entity on Euronext Brussels, in January 2009 for a consideration of A\$33.7 million. This asset was classified as held for sale at 31 December 2008 as set out in Note 5. The fair value of the consolidated entity's investment in Nyrstar at 31 December 2008 was A\$34.7 million.

(iii) Refinancing of borrowings

As noted in Note 1(c)(i), as at 31 December 2008, the consolidated entity had four major bank facilities. Three of these facilities matured, or were required to be refinanced by 31 December 2008. Prior to the end of the financial year the relevant lenders agreed to extend the termination dates of various debt facilities provided to a number of the consolidated entity's subsidiaries to 27 February 2009. In addition, as announced to the ASX on 22 January 2009, three subsidiaries of the consolidated entity obtained from certain of the consolidated entity's lenders a new short term facility of A\$140,000,000 with a termination date of 27 February 2009.

The consolidated entity has been successful in obtaining from the lenders whose facilities fall due on 27 February 2009, approval to extend the termination date to 31 March 2009. The approvals are subject to completion of documentation to give effect to the extension.

The consolidated entity granted security over certain of its Australian and overseas assets to Societe Generale (the lender under Facility C), and its Martabe assets to the lenders of the new short term facility, during January and February, in accordance with agreements reached in relation to the above refinancing discussions. The consolidated entity was also required to grant security over certain of its other overseas assets in favour of Societe Generale but Societe Generale has now waived the latter requirement.

The consolidated entity was also pursuing asset sales and was examining expressions of interests for a number of its assets to repay or reduce the facilities as at 31 December 2008. This process continued after the end of the financial year.

There have been no other events that have occurred subsequent to the reporting date which have significantly affected or may significantly affect the consolidated entity's operations, results or state of affairs in future years.

DIRECTORS' REPORT

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.

External auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*. A copy of the external auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44. Details of the amounts paid or payable to KPMG and its related parties for audit and non-audit services provided during the year are set out in Note 35 of the financial statements.

Remuneration report

The remuneration report which has been audited by KPMG is set out on pages 23 to 43.

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



B L Cusack
Chairman
Melbourne
27 February 2009



A G Michelmore
Managing Director and Chief Executive Officer
Melbourne
27 February 2009

REMUNERATION REPORT

This Remuneration Report comprises five sections as follows:

1. Organisational context
2. Summary of directors and specified executives
3. Principles of OZ Minerals' approach to remuneration
4. Remuneration - questions and answers
5. Details of directors' and senior executives' remuneration

The report has been prepared for the Company and the Group for the year ended 31 December 2008 in accordance with section 300A of the *Corporations Act*, associated regulations and the Australian Accounting Standard AASB 124 *Related Party Disclosures*. All sections of the Remuneration Report have been audited by the Company's auditor as required by section 308(3C) of the *Corporations Act*. The Remuneration Report forms part of the Directors' Report.

1 Organisational context

1.1 Business performance

A summary of OZ Minerals' business performance, as measured by a range of financial indicators, is outlined in the table below. For a further discussion relating to these measures, refer to the Review of Operations in the Directors' Report. Other key measures including safety, health and environmental performance will be available in the OZ Minerals Sustainability Report 2008.

	2008	2007	2006	2005	2004
(Loss)/profit before net financing (expense)/income, depreciation and amortisation, impairment of assets and income tax from continuing operations (A\$m)	240.6	404.5	827.2	168.2	12.6
(Loss)/profit before net financing (expense)/income and income tax from continuing operations (A\$m)	(1,353.5)	342.3	721.8	116.1	(2.5)
(Loss)/profit for the year attributable to members of OZ Minerals Limited (A\$m)	(2,501.7)	305.8	553.2	71.2	(8.8)
Cash and cash equivalents from continuing operations (A\$m)	69.8	246.1	670.9	167.8	10.3
Net cash (outflow)/inflow from operating activities (A\$m)	(98.6)	466.7	793.0	178.2	17.1
Share price at year end A\$	0.55	3.48	3.17	1.74	0.99
Basic (loss)/earnings per share from continuing and discontinued operations (cents)	(104.6)	20.2	40.1	5.4	(0.7)
Dividends paid per share (cents)	5.0	8.0	8.0	1.0	-

1.2 Remuneration at OZ Minerals

OZ Minerals Limited (formerly Oxiana Limited) was formed following the merger of Oxiana Limited and Zinifex Limited (now OZ Minerals Holdings Limited) on 1 July 2008. Whilst both Oxiana Limited and Zinifex Limited had similar overall remuneration strategies, some differences existed between the companies' specific remuneration programs and policies. Following the merger, the Board of OZ Minerals Limited decided that OZ Minerals would adopt a uniform approach to remuneration across the Company, with a plan to achieve consistency by the beginning of 2009. The Board targeted the annual remuneration review, scheduled for the beginning of 2009, as a key milestone, at which point all key programs and policies would be aligned.

In December 2008 the Board approved management's recommendation for an immediate and indefinite remuneration freeze in response to the Company's financial position. In the short term, the impact of this decision was that no salary increases were made as a result of the annual remuneration review and no short term incentives were paid for the 2008 performance period (1 July 2008 to 31 December 2008 for Zinifex originating employees) other than to former senior executives where such a payment was stipulated and required by their contract of employment in the case of redundancy.

The Board also agreed to delay the implementation of a uniform OZ Minerals remuneration structure until such time as when the Company's financial situation has improved. While a common remuneration framework, including incentive structures, has been implemented for senior executives for the performance period commencing 1 July 2008, the Company is managing a remuneration structure still based on the legacy systems of the two companies for all other employees, albeit during a remuneration freeze.

The major remuneration challenge now facing OZ Minerals is to strike a balance between the Company's ability to pay, a volatile employment market and employee expectations. In meeting this challenge, the Board will continue to maintain alignment with shareholders' interests, whilst ensuring that remuneration remains competitive to retain and attract talented people, who are vital to delivering a sustainable and prosperous future for OZ Minerals.

REMUNERATION REPORT

2 Summary of directors and specified executives

Specific remuneration disclosures for the following personnel are included in this report:

- Directors.
- Current senior executives.
- Former senior executives.

Throughout this Remuneration Report we use the term "senior executive" to refer to:

- The five most highly remunerated Group executives; and
- All other executives who fall within the definition of key management personnel of the Group (being those persons with authority and responsibility for planning, directing and controlling the activities of the Group).

Additionally, throughout this report we use the term "equity rights" to refer to share based payment arrangements which include options, performance rights and long term incentive opportunities. Details of these arrangements are outlined in section 4.5.1 of this report.

2.1 Directors

During 2008 the non-executive directors of the Company were:

- Barry Cusack, Chairman of the Board.
- Ronald Beevor.
- Peter Cassidy from 20 June 2008 until 30 January 2009.
- Michael Eager.
- Owen Hegarty from 20 June 2008.
- Brian Jamieson.
- Richard Knight from 20 June 2008 until 31 December 2008.
- Anthony Larkin from 20 June 2008.
- Peter Mansell from 20 June 2008.
- Dean Pritchard from 20 June 2008.

During 2008 the executive directors of the Company were:

- Owen Hegarty, Managing Director and Chief Executive Officer (CEO) of OZ Minerals Limited (then Oxiana Limited) until 20 June 2008. Following the merger Mr Hegarty became a non-executive Director of OZ Minerals until 19 December 2008. Throughout the tables of this Remuneration Report, Mr Hegarty has been included as a former senior executive.
- Andrew Michelmores, Managing Director and CEO from 20 June 2008.

There have been no new appointments to the Board between the balance date and the date of this report.

2.2 Current senior executives

In addition to the Managing Director and CEO, the following persons are current senior executives and key management personnel of the Group:

- Chief Operating Officer, Brett Fletcher appointed 1 July 2008.
- Chief Financial Officer, David Lamont appointed 6 October 2008.
- Executive General Manager Corporate Development, Peter Lester.
- Executive General Manager Exploration, Antony Manini.
- Executive General Manager Projects and Technical Services, John Nitschke appointed to his current position on 1 July 2008.

In addition the following senior executives were regarded as key management personnel during the year but ceased being regarded as key management personnel from 1 July 2008:

- General Manager Sepon Operations, Phil Dunstan.
- General Manager Marketing, Russell Griffin.

2.3 Former senior executives

The following senior executives were key management personnel during the period but are no longer in the employment of the Group as at 31 December 2008:

- Executive General Manager Asia, Peter Albert until 10 December 2008.
- Company Secretary, David Forsyth until 20 June 2008. Mr Forsyth continued working for OZ Minerals until 31 December 2008.
- General Manager Human Resources, Stephen Mullen until 20 June 2008. Mr Mullen continued working for OZ Minerals until 31 August 2008.
- Chief Financial Officer, Jeff Sells until 30 June 2008. Mr Sells continued as Acting Chief Financial Officer until 9 September 2008.
- General Manager Sepon Projects, Jim Smith until 28 March 2008.

REMUNERATION REPORT

3 Principles of OZ Minerals' approach to remuneration

3.1 Overview of strategy and remuneration policy

In the current volatile business environment OZ Minerals' approach to remuneration is underpinned by an understanding that the company must be responsive to market conditions and the financial and business context in which the Company operates. This approach particularly applies to executive remuneration.

The integrity of the OZ Minerals remuneration strategy is strengthened by the determination and measurement of demanding annual performance measures and rewarding contribution to the business through Company and individual performance, subject to the Company's capacity to pay. Remuneration arrangements are compared to the external remuneration market on an annual basis; adjustments are made to the remuneration framework and individual remuneration when deemed appropriate and approved by the Board. No salary increases were made as the result of the annual remuneration review and no short term incentives were paid for the 2008 performance period (1 July 2008 to 31 December 2008 for Zinifex originating employees).

The remuneration policy is structured around fixed fees for non-executive directors (NEDs) and fixed and at-risk elements for senior executives. The following table depicts the elements of the remuneration for the NEDs and the senior executives.

	Elements of Remuneration	NEDs	Senior executives
Fixed remuneration	Fees	Yes	No
	Salary	No	Yes
	Superannuation	Yes	Yes
	Other benefits	Yes (a)	Yes
At-risk remuneration	Incentives	No	
	• Short term		Yes (c)
	• Long term		Yes
	• Service based sign-on retention benefit (b)		Yes
Discretionary recognition	Spot bonus	No	Yes
Termination benefits	Termination payments to former executives	No	Yes

- (a) These benefits relate to interstate, directors' spouse travel where spouse attendance is required for Company related functions.
- (b) During the year OZ Minerals made a one-off grant of performance Rights to Mr Lamont as a retention benefit. Refer to section 4.8 of this report for further details. A one-off grant of long term incentive opportunities, which was made to Mr Michelmore as a retention benefit in his role as Managing Director and CEO of Zinifex, continues on foot. Refer to section 4.7.5 of this report for further details. Details with regard to OZ Minerals policy on granting these incentives are found in 3.3.2.
- (c) STI payments were not made for the 2008 performance period being 1 January 2008 to 31 December 2008 for OZ Minerals (Oxiana) originating employees, and 1 July 2008 to 31 December 2008 for Zinifex originating employees, other than to former senior executives who received a STI bonus for the 2008 financial year, where such payment was stipulated and required by their contract of employment in the case of redundancy.

3.2 Non-executive directors

In the first half of the year, the fees payable to NEDs were those applicable prior to the merger. The annual fee payable to the Chairman was A\$360,000 (plus 9% superannuation) and to each NED was A\$120,000 (plus 9% superannuation). In addition, each NED (except the Chairman) received additional fees for membership of Board Committees. The total remuneration received by the NEDs (Mr Cusack, Mr Beevor, Mr Eager and Mr Jamieson) for the first half of the year prior to the merger was A\$441,305. This includes Board fees and other benefits, committee fees, retirement benefit adjustment and contributions to superannuation. Refer to table 5.1 of this report for further detail.

As a consequence of the merger, the number of NEDs increased to ten (refer to section 2.1 of this report for further details) and a different fee structure was set by the new Board, having regard to advice obtained from an independent external remuneration advisor, the size of the Board, the time commitments required of directors and market practices among comparable companies.

As approved at the OZ Minerals General Meeting on 18 July 2008, the maximum aggregate fees payable per annum is A\$2,700,000. As can be seen from the summary of fees below, the aggregate amount of fees paid in 2008 was well below this figure. The fees that applied as from 20 June 2008, being the date on which the new Board was formed, are as outlined below. The Chairman was paid a flat fee, with no additional fees for service on Committees.

Amounts disclosed for remuneration of directors and senior executives exclude insurance premiums paid by the Group in respect of directors' and officers' liability insurance contracts which cover current and former directors and officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. The amount has not been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists.

REMUNERATION REPORT

3.2.1 Details of non-executive director remuneration

	Chairman A\$ per annum (a)	Non-executive director A\$ per annum (a)
Base fee rate	450,000	150,000
Plus additional fees for non-executive directors other than the Chairman (b):		
	Committee Chair A\$	Committee member A\$
Audit and Finance	40,000	20,000
Compliance	40,000	20,000
Nomination and Remuneration	25,000	12,500
Integration (c)	40,000 for six months	10,000 for six months

- (a) In addition to the fees specified above, all directors (including the Chairman) are entitled to superannuation contributions equal to 9%, and are entitled to be reimbursed for travelling and other expenses properly incurred by them in attending any meeting or otherwise in connection with the business or affairs of the Company, in accordance with the Company's Constitution.
- (b) All NEDs (other than the Chairman) receive a fee for being a director of the Board and additional fees for either chairing or being a member of a Board Committee.
- (c) The Integration Committee had its last meeting on 17 November 2008 and completed its duties in December 2008.

Details of the committee or committees on which each NED served are disclosed in the Directors' Report. Full details of the NEDs' remuneration are set out in the table in section 5.1 of this report.

NEDs are encouraged to hold a minimum shareholding of at least the equivalent of one years' annual fees in the form of shares and, if necessary, that this holding be built up over a five year period.

Consistent with best practice, NEDs do not receive any form of performance based remuneration (including bonuses, options, other incentive payments) or retirement benefits. In the past Oxiana Limited (now OZ Minerals Limited) paid retirement benefits to NEDs. These benefits were frozen at 31 December 2005 and the value at that date is adjusted each year at a bank interest rate. Further details are set out in section 5.1 of this report.

3.3 Executive remuneration

The Company's specific arrangements and programs for executive remuneration are designed to be rigorous, competitive and adaptable to ensure alignment with and linkage to volatile external conditions, business plans and strategic imperatives. Currently total remuneration for executives consists of fixed and at-risk components, with the latter having numerous elements – a short-term incentive (STI), a long-term incentive (LTI), and for selected senior executives, a one off sign-on retention benefit. Other selected non executive Oxiana originating employees received a one-off retention bonus during the merger process which was paid in December 2008 or January 2009. As a general principle, more senior positions have a greater proportion of their remuneration as at-risk reward.

The quantum of total fixed and at-risk remuneration at a company and individual level targets strategically agreed percentile points of the Australian mining remuneration market. The annual remuneration review is conducted with the assistance of external remuneration analysts and advisors. A consistent approach is applied to:

- evaluating the core skills and experience requirements of each role in order to grade positions accurately;
- annually reviewing and updating remuneration benchmarks using salary survey data from the Australian All Industrials and Minerals sectors; and
- adjusting each person's total fixed remuneration having regard to individual performance against key job objectives as specified in the person's annual performance contract, and with comparison against their peers. No salary increases were made as a result of the annual remuneration review.

3.3.1 Fixed remuneration

The fixed element of remuneration provides a regular base reward that reflects the size of the role and the applied professional competence of each executive, according to his/her knowledge, experience and accountabilities. Specific details of payments to senior executives and the Managing Director and CEO are provided in table 5.2 of this report.

3.3.2 At-risk remuneration

The at-risk element of remuneration comprises a short term incentive reward for achieving annual financial and business targets and a long term incentive, which is an equity based reward linked to the Company's medium to long term total shareholder return. The details of the Company's short term incentive and long term incentive are outlined in sections 4.4 and 4.5 of this report respectively.

OZ Minerals granted sign-on retention benefits to certain senior executives whose role and contribution were identified as critical to the continued success of OZ Minerals. The grants are intended to "lock in" the services of the selected senior executives for a continuous period and are outlined in sections 4.7.5 and 4.8 of this report.

REMUNERATION REPORT

3.3.3 Service agreements and contracts of employment

Senior executives are employed under either a service agreement or contract of employment. The key details of these agreements are listed in the following table:

Name	Term of contract	Notice period by either party	Termination benefit (a) (b)
Andrew Michelmore	Ongoing executive service agreement	6 months on the part of the executive, 12 months on the part of the Company	52 weeks of total fixed remuneration plus incentives at the discretion of the Board
Brett Fletcher	Ongoing contract of employment	3 months	52 weeks of total fixed remuneration
David Lamont	Ongoing contract of employment	3 months	39 weeks of total fixed remuneration
Peter Lester Antony Manini John Nitschke Russell Griffin Peter Albert Stephen Mullen Jeffrey Sells	Ongoing contract of employment	3 months	A minimum of 9 months severance plus a pro rata STI payment calculated to the senior executive's final date of employment plus an amount equal to the STI calculated on the notice period and the minimum severance period
Owen Hegarty	Three years until 31 December 2009	6 months other than in the case of redundancy where the notice period is 3 months	1 month per year of service plus a pro rata STI payment calculated with reference the final date of employment including the notice period
David Forsyth	Ongoing contract of employment	3 months	1 month per year of service with a minimum of 9 months plus a pro rata STI payment calculated to the senior executive's final date of employment plus an amount equal to the STI calculated on the notice period and the minimum severance period

- (a) Executives are eligible for a termination benefit, other than if dismissed for gross misconduct.
- (b) The contracts of Oxiana Limited originating senior executives outline the entitlements due to the senior executive in the case of redundancy. The contracts of Zinifex Limited originating and other senior executives refer to the Company Redundancy Policy.

REMUNERATION REPORT

4 Remuneration – questions and answers

This section aims to address potential questions that shareholders may have in relation to OZ Minerals' executive remuneration strategy. It has been framed in a question and answer format for clarity and ease of reference.

4.1 Remuneration strategy

OZ Minerals has maintained a remuneration strategy which has resulted in no significant movement away from the overall remuneration strategy of either heritage company.

4.1.1 What is the company's approach to fixed remuneration?

OZ Minerals continues to target a competitive position as compared with remuneration reported for the mining market. See section 4.2 of this report for more detail.

4.1.2 What is the company's approach to short term incentives?

The framework for short term incentives offered to senior executives was aligned in relation to incentives for the performance period commencing 1 July 2008. The terms of the short term incentive offered to these executives were based on the Zinifex Short Term Incentive Plan, further detail of which is provided in section 4.4 of this report.

Short term incentives that were offered to employees other than senior executives for the 2008 performance period were based on programs already in place in 2008. A consistent annual incentive plan, designed to replace the Short Term Incentive Plan for employees other than senior executives was scheduled to be implemented from 2009. However, this implementation has been postponed due to the remuneration freeze and until the Company's financial situation has been resolved.

4.1.3 What is the company's approach to long term incentives?

Following the implementation of the merger the Board approved the design of the OZ Minerals Long Term Incentive Plan. The value of equity rights to be granted was confirmed on 1 October 2008 and the actual grant was made on 24 November 2008 (using the share price on 1 October 2008). Further details relating to the OZ Mineral Long Term Incentive Plan are provided in section 4.5 of this report. Long term incentives are only offered to General Managers and equivalent level employees.

4.2 Fixed remuneration

4.2.1 What comprises fixed remuneration?

A senior executive's fixed remuneration comprises salary and other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash, leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Company.

4.2.2 How are fixed remuneration costs controlled?

A number of internal controls are used to ensure that employment costs at all levels are justified and appropriate. They involve:

- business plans and budgets plus organisational reviews to ensure that OZ Minerals has the right structure and workforce numbers;
- job evaluation and grading, remuneration planning and performance management to ensure OZ Minerals pays for performance; and
- skill needs analysis and sourcing, talent audits, professional development programs and succession planning to ensure that our people capability remains continually at the standard we need and provides a pipeline of internal recruits to minimise our external recruitment costs.

4.3 At-risk remuneration

4.3.1 What is at-risk remuneration?

At-risk remuneration is that part of total remuneration for senior executives and other employees that is tied to the achievement of performance objectives (including Company, site, team and individual), to the creation of shareholder value and for some senior executives, the satisfaction of retention conditions. More senior positions have a greater proportion of at-risk remuneration.

4.3.2 Why does the Board consider at-risk remuneration to be appropriate for senior executives?

At-risk remuneration strengthens the link between pay and performance. The purpose of these programs is to make a large proportion of the total market remuneration package subject to meeting various targets linked to OZ Minerals' business objectives. The use of incentives avoids much higher levels of fixed remuneration. Incentives are designed to focus and motivate employees to achieve outcomes beyond the applied professional competence expected as a normal course of ongoing employment. A remuneration structure that includes at-risk elements is also necessary as a competitive package in the Australian and global marketplace for executives.

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4.3.3 What are the proportions of at-risk remuneration for executives at the 'threshold', 'target' and exceptional or 'stretch' performance levels?

The relative proportions of a senior executive's total 2008 remuneration that is "at-risk" (including the relative proportion that is performance based) is set out in the table below. The proportion of at-risk remuneration for 'threshold' performance is undefined.

Name	At-risk remuneration (% of total fixed remuneration)		
	Short term incentive reward opportunity (at target)	Short term incentive reward opportunity (at stretch)	Long term incentive reward opportunity
Current senior executives			
Andrew Michelmore (a) (c)	50	100	160
Brett Fletcher (c)	40	80	80
David Lamont (c)	40	80	80
Peter Lester (d)	40	80	80
Antony Manini (d)	40	80	80
John Nitschke (d)	40	80	80
Russell Griffin (d)	30	60	60
Former senior executives (g)			
Owen Hegarty (b) (e)	50	50	Refer footnote (h)
Peter Albert (d)	40	80	80
David Forsyth (e) (f)	30	30	90
Jeffrey Sells (e) (f)	30	30	90
Stephen Mullen (e) (f)	30	30	75

- (a) Details with regard to incentives offered to Mr Michelmore are found in section 4.7 of this report.
- (b) Details with regard to incentives offered to Mr Hegarty are found in section 4.6 of this report.
- (c) Equity rights granted under the OZ Minerals Long Term Incentive Plan in November 2008 were calculated at 80% of individual total fixed remuneration for Executive General Managers and 160% of individual total fixed remuneration for the Managing Director and CEO.
- (d) Equity rights granted in November 2008 were a pro rata grant, calculated with regard to equity rights granted under the OZ Minerals Long Term Incentive Plan (granted in February 2008).
- (e) Under the OZ Minerals Short Term Incentive Plan prior to the merger, incentives offered to General Managers and Executive General Managers were up to a maximum of 30% of total fixed remuneration only and up to a maximum of 50% of total fixed remuneration only for the former Managing Director and CEO.
- (f) Equity rights granted under the OZ Minerals Long Term Incentive Plan in February 2008 were calculated for Executive General Managers as 90%, and General Managers as 75%, of the average total fixed remuneration of General Managers and the Global Executive Team (not including Mr Hegarty, former Managing Director and CEO).
- (g) Phil Dunstan and Jim Smith were not considered key management personnel in 2008 and therefore have been excluded from this table.
- (h) In line with his contract of employment Mr Hegarty was granted 2,000,000 options per annum under the terms of the Oxiana Long Term Incentive Plan the details of which are outlined in section 4.6.4 of this report.

4.4 Short term incentive and bonus

4.4.1 What is the short term incentive (STI)?

The STI is designed to deliver the annual business plan and it is based on an annual at-risk cash reward opportunity, based predominantly on a mix of individual and group financial and non financial targets broadly based on:

- (i) operational performance, including production rates, quality and cost reduction;
- (ii) safety, as measured by reductions in injury frequency rates and environmental compliance;
- (iii) team or departmental projects; and
- (iv) individual performance objectives including, behavioural criteria around leadership, communications and alignment with planned cultural change.

Each senior executive's performance targets are agreed with the Managing Director and CEO on an annual basis and are determined in relation to the business plan and the senior executive's area of responsibility.

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4.4.2 Are there any additional bonuses paid?

In addition to the STI, there is a discretionary recognition and spot bonus plan developed and administered in accordance with the OZ Minerals Delegation of Authority Manual. This provides employees, at any level (including executives), with special rewards for outstanding and substantial accomplishments beyond and additional to the responsibilities of the recipients' roles. This spot bonus is only granted in what are clearly exceptional circumstances and, naturally, only very few such awards are made in any year. They are principally directed towards employees who are not part of the executive team. There were no spot bonuses paid to senior executives in 2008 and the spot bonus program has been withdrawn for 2009.

Other selected non-executive Oxiana originating employees received a one off retention bonus during the merger process which was paid in December 2008 or January 2009.

4.4.3 Why do you identify 'threshold', 'target' and 'exceptional/stretch' performance levels? Shouldn't all STI reward be dependent on 'exceptional/stretch' performance?

The acceptable 'threshold' of performance to qualify for a STI reward acts to provide some small reward for commendable results that merit recognition. It is expected that executives should have an 80 per cent chance of attaining threshold. Achieving the 'target' outcomes means that it is expected that executives should have a 60 per cent chance of reaching target. The exceptional or 'stretch' reward opportunity is for those circumstances, where outstanding achievements have been delivered. It is expected that executives should have a 20 per cent chance of securing the maximum reward.

4.4.4 Who assesses the performance of the Managing Director and CEO?

The Chairman, on the recommendation of the Nomination and Remuneration Committee, approves realistic but challenging targets for the Managing Director and CEO at the outset of the performance year. The Managing Director and CEO's performance is then assessed by the Board against the agreed targets at the end of the performance period.

4.4.5 Who assesses the performance of other senior executives?

The Managing Director and CEO assesses the business performance of his executive team continually throughout the year, for progress and improvement, to arrive at a summary assessment at year end, for discussion with the Board.

As a higher level review, the Board also reviews the performance assessment of the senior executives who report directly to the Managing Director and CEO, with a view to understanding, endorsing and/or discussing individual circumstances and potential.

4.4.6 How were the STI payments for the performance period ending 30 June 2008 treated?

STI payments were paid to Zinifex originating executives in October 2008. These payments related to the performance period 1 July 2007 to 30 June 2008. Expenses related to these payments were accrued over the performance period which occurred prior to the merger and, therefore, have not been included in this report. OZ Minerals (Oxiana) originating employees were not eligible for a STI payment at the end of June 2008.

4.4.7 How were the STI payments for the performance period ending 31 December 2008 for all employees treated?

STI payments were not paid for the 2008 performance period being 1 January 2008 to 31 December 2008 for OZ Minerals (Oxiana) originating employees and 1 July 2008 to 31 December 2008 for Zinifex originating employees, other than to former senior executives who received a STI bonus for the 2008 financial year, where such payment was stipulated and required by their contract of employment in case of redundancy.

The Board has decided to defer the STI program for 2009 and will review its position with regard to remuneration and the STI program later in year, considering company performance, economic conditions and cash flow.

4.5 Long term incentives

4.5.1 What is the Company's Long Term Incentive Plan (LTIP) and how has it changed over time?

The Company has an ongoing commitment to providing a long term incentive plan for executives to:

- ensure that business decisions and strategic planning have regard to the Company's long term performance;
- be consistent with contemporary remuneration governance standards and guidelines; and
- be consistent and competitive with current practices of comparable companies.

OZ Minerals has established a LTIP which uses the framework of the Oxiana LTIP. Existing equity rights granted under the legacy plans of both Oxiana Limited and Zinifex Limited continue on foot. The details of these plans are outlined in the table below. The performance hurdle for all three plans is relative TSR as measured against a comparator group. The Board considers that Total Shareholder Return (TSR) is an appropriate performance hurdle to determine vesting because it ensures that a proportion of each participant's remuneration is linked to the generation of profits and shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders. TSR reflects benefits received by shareholders through share price growth and dividend yield and is the most widely used long term incentive hurdle in Australia. To ensure an objective assessment of the relative TSR comparison the Company employs an independent organisation to calculate the TSR ranking. Details of the TSR performance requirements are outlined in section 4.5.8 of this report.

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Element	Equity rights granted under the OZ Minerals LTIP - November 2008	Equity rights granted under the Oxiana LTIP - February 2008 & 2007	Equity rights granted under the Zinifex Executive Share Plan
Type of equity rights granted	50% options 50% performance rights	50% options 50% performance rights	100% Long Term Incentive Opportunities (LTIOs) which are a conditional entitlement to OZ Minerals shares subject to the satisfaction of vesting conditions and performance criteria
Amount of equity rights granted	160%, 80% or 60% of the executive's total fixed remuneration, according to job grade	90% or 75% of average total fixed remuneration of all General Managers and the Global Executive Team (not including Owen Hegarty who was the Managing Director and CEO at that time)	160%, 80% or 40% of the executive's total fixed remuneration, according to job grade
Grant date	24 November 2008 based on the OZ Minerals share price on 1 October 2008	1 March 2007 and 26 February 2008	1 July 2006 (allocation date 1 November 2006) 1 July 2007 (allocation date 1 November 2007)
Performance Period	1 July 2008 – 30 June 2011 (3 year vesting)	1 March 2007 to 28 February 2009 (2 year vesting) 1 March 2007 to 28 February 2010 (3 year vesting) 26 February 2008 to 25 February 2011 (3 year vesting)	1 July 2006 to 30 June 2009 (3 year vesting) 1 July 2007 to 30 June 2010 (3 year vesting)
Exercise price – options	35% above the volume weighted average share price over the week up to and including the date of grant	35% above the volume weighted average share price over the week up to and including the date of grant	Not applicable
Exercise price – performance rights and LTIOs	Not applicable – provided at no cost	Not applicable – provided at no cost	Not applicable – provided at no cost
Fair valuation methodology	The assumptions underlying the Black-Scholes methodology are used to produce a Monte-Carlo simulation model	The assumptions underlying the Black-Scholes methodology are used to produce a Monte-Carlo simulation model	The assumptions underlying the Black-Scholes methodology are used to produce a Monte-Carlo simulation model

4.5.1.1 Options

All options were granted for no consideration and existing allocations have maximum terms of five years from the date of grant. Options granted under the plan carry no dividend or voting rights. Each option is a conditional entitlement to one ordinary OZ Minerals Limited share subject to satisfying vesting conditions and performance criteria. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares. Option holders cannot participate in new issues of capital which may be offered to shareholders prior to exercise. Prior to any new pro rata issue of shares to shareholders, option holders are notified by the Company and are allowed ten business days before the record date to exercise their vested options.

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4.5.1.2 Performance rights

All performance rights were granted for no consideration and have maximum terms of ten years from the date of grant. The performance measurement period is two and three years as noted in the table in section 4.5.1 of this report. Performance rights granted under the plan carry no dividend or voting rights. Each performance right is a conditional entitlement to one ordinary OZ Minerals Limited share subject to satisfying vesting conditions and performance criteria. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares.

4.5.1.3 LTIOs granted under the Zinifex Executive Share Plan

Equity rights granted under the Zinifex Executive Share Plan are in the form of Long Term Incentive Opportunities (LTIOs). Each LTIO is a conditional entitlement to 3,1931 ordinary OZ Minerals Limited shares at no cost, subject to satisfying vesting conditions and performance criteria. This conditional entitlement does not carry a right to vote, nor to dividends nor, in general, to participate in corporate actions such as bonus issues during the period prior to vesting.

The shares allocated on the vesting of LTIOs are held in trust on the executive's behalf until the Board or its delegate approves their release. During the period in which the shares are in trust the executive is entitled to all dividends and other distributions, bonus issues or other benefits payable in respect of the shares.

4.5.1.4 Comparator groups

Comparator group details for equity rights granted under the OZ Minerals LTIP, Oxiana LTIP and the Zinifex Executive Share Plan are outlined in 4.5.7 of this report.

4.5.2 Why does the Board consider the LTIP to be appropriate?

The LTIP is aimed at creating an immediate ownership mindset among the executive participants, linking a substantial portion of their potential total reward to OZ Minerals' ongoing share price and returns to shareholders over at least a three-year period looking forward from the time of each grant of equity rights.

4.5.3 What happens to equity rights granted under the LTIP when an executive ceases employment?

If a senior executive ceases employment with OZ Minerals before the performance condition is tested, then his or her unvested equity rights will generally lapse. If cessation is due to death or redundancy, or where the Board consents, some or all of the senior executive's unvested equity rights may vest at the Board's discretion (having regard to such factors as the Board determines and there could be pro-rata awards). In the case of termination of employment for reasons of gross misconduct all equity rights lapse immediately.

4.5.4 What happens in the event of a change of control?

In the event of a takeover or change of control of OZ Minerals, any unvested equity rights may vest at the Board's discretion.

4.5.5 Does the Company have a policy in relation to hedging of unvested equity rights?

Under the Company's Securities Trading Policy, executives are prohibited from entering into hedging arrangements in relation to unvested equity rights. Once vested, executives must comply with the Company's Securities Trading Policy in relation to any dealings in OZ Minerals shares. The Company treats compliance with this policy as a serious issue, and takes appropriate measures to ensure the policy is adhered to. Any employee found to have breached this policy will be subject to appropriate sanctions.

4.5.6 What are the comparator companies for the TSR assessment for equity rights granted under the LTIP arrangements?

Performance rights granted under the Oxiana LTIP (2007 and February 2008) vest according to TSR performance compared to the ASX 200.

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All options, performance rights granted under the OZ Minerals LTIP and LTIOs granted under the Zinifex Executive Share Plan vest in accordance with TSR performance compared with the following comparator groups:

Companies	OZ Minerals LTIP	Oxiana LTIP (2007 & February 2008 options) (a)	Zinifex LTIOs (2006/2007) (b)	Zinifex LTIOs (2007/2008) (b)
Alumina Limited		✓	✓	✓
Aquarius Platinum Limited		✓		
BHP Billiton Limited	✓	✓		
Boliden AB			✓	✓
Centennial Coal Company Limited		✓		
Consolidated Minerals Limited		✓		
Equinox Minerals Limited	✓			
First Quantum	✓			
Freeport McMoran Copper and Gold Inc.	✓	✓	✓	✓
Iluka Resources Limited		✓	✓	✓
Inmet Mining Corporation	✓		✓	✓
Ivanhoe Australia Limited	✓			
Kagara Ltd	✓	✓	✓	✓
Lihir Gold Limited	✓	✓		
Lundin Mining Corp	✓			✓
Minara Resources Limited	✓	✓		
Newcrest Mining Limited	✓	✓		
Paladin Energy Ltd		✓		
PanAust Limited	✓			
Penoles SA de VC			✓	✓
Perilya Limited		✓	✓	✓
Rio Tinto Limited		✓		
Sino Gold Mining Limited		✓		
Southern Copper Corporation			✓	✓
Teck Cominco Ltd	✓		✓	✓
Umicore SA/NV			✓	
Vedanta Resources	✓		✓	✓
Western Areas NL	✓	✓	✓	✓
Xstrata plc	✓		✓	✓

(a) Western Areas (WSA) and Freeport McMoran Copper and Gold Inc replaced Zinifex Limited and Jubilee Mines Limited. This comparator group also applies to options granted to Mr Hegarty in 2008.

(b) Western Areas replaced Oxiana Limited.

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4.5.7 What are the TSR performance requirements for equity granted under the LTIP arrangements?

OZ Minerals LTIP and Oxiana LTIP

TSR performance	Percentage of equity granted to vest
75th percentile or greater	100%
Between the 50th and 75th percentile	Between 50% and 75%
50th percentile	50%
Less than 50th percentile	0%

Zinifex Executive Share Plan

TSR ranking compared to comparator group	Percentage of equity granted to vest
2nd or better	100%
3 rd	78%
4 th	55%
5 th	47%
6 th	38%
7 th	30%
Less than 50th percentile (8th or worse)	0%

Further details relating to TSR assessment are outlined in section 4.5.1 of this report.

4.5.8 What equity rights have been granted under the LTIP arrangements?

Details of total number of equity rights that have been granted under the OZ Minerals LTIP, Oxiana LTIP and Zinifex Executive Share Plan are set out in Note 32 to the financial statements. Details of grants made to senior executives during 2008 are set out in section 5.4 of this report.

4.5.9 What methodology is used to determine the fair value of long term incentives?

The fair value of equity rights is determined at the time of grant and is included in remuneration, progressively allocated over the vesting period. Further details relating to the fair valuation methodology are outlined in the table in section 4.5.1 of this report. The fair value calculated and included in the remuneration disclosures may differ to the value the senior executive actually receives.

4.6 Former Oxiana Managing Director and CEO – Owen Hegarty

4.6.1 What was the total remuneration framework for Mr Hegarty?

Until his retirement from the position of Managing Director and CEO on 20 June 2008, Mr Hegarty received a package consistent with the OZ Minerals remuneration policy and structure. His employment conditions, including remuneration, were recommended by the Nomination and Remuneration Committee, and approved by the Board.

4.6.2 What were the details of Mr Hegarty's fixed remuneration?

Mr Hegarty's total fixed remuneration was set at A\$1,500,000 per annum inclusive of superannuation with effect from 1 January 2008.

4.6.3 What were the details of Mr Hegarty's short term incentive?

Mr Hegarty was eligible for up to fifty per cent of total fixed remuneration as a STI. STI payments for the Managing Director and CEO were proposed by the Nomination and Remuneration Committee and approved by the Board in light of assessed performance against targets.

4.6.4 What were the details of Mr Hegarty's long term incentive?

In line with his contract of employment, Mr Hegarty was granted 2,000,000 options on 18 April 2008. These options were subject to the achievement of a TSR performance hurdle as outlined in 4.5.8 of this report. The comparator companies were those listed in 4.5.7 of this report for Oxiana LTIP (2007 and February 2008).

4.6.5 What were the details of retention shares granted to Mr Hegarty?

In line with Mr Hegarty's contract of employment, Mr Hegarty was granted a retention incentive of 750,000 shares (250,000 shares per annum) vested if Mr Hegarty was in continuous service on each of the first, second and third anniversaries of his contract commencement.

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4.6.6 What were the circumstances of Mr Hegarty's departure?

Mr Hegarty agreed to step aside and retire from the position of Managing Director and CEO on 20 June 2008 to allow Mr Michelmore to assume the role. Mr Hegarty continued as a non-executive Director of OZ Minerals and the Chairman of the Integration Committee until 19 December 2008.

4.6.7 What were the costs and entitlements paid out to Mr Hegarty upon his departure?

In accordance with his contractual arrangements, Mr Hegarty received a payment equal to six months of his total fixed remuneration (A\$750,000) together with all accrued and statutory entitlements (A\$955,610). Additionally the Board determined that it was appropriate to make an ex-gratia payment (A\$8,350,000) to Mr Hegarty to recognise Mr Hegarty's outstanding contribution to OZ Minerals' growth and success over the fourteen years since 1994 and his salary compensation in recent years relative to his peers. The payment was made within the limits of the *Corporations Act* and, in the Board's opinion, was consistent with 'reasonable remuneration' standards in light of Mr Hegarty's significant contribution to OZ Minerals and its shareholders. The payments fall within the statutory limits and restrictions imposed on termination benefits that could be authorised by the Board without shareholder approval.

All of Mr Hegarty's unvested options under the Company's long term incentive plan (4,000,000) and retention shares (500,000) lapsed. Mr Hegarty did not receive any short term incentive payments or further equity rights grants.

4.7 Current OZ Minerals Managing Director and CEO – Andrew Michelmore

4.7.1 What was the total remuneration framework for Mr Michelmore?

Mr. Michelmore commenced employment as the Managing Director and CEO of Zinifex on 1 February 2008. The terms of his employment were set following an independent market survey of resources companies, in particular, similarly capitalised companies by external remuneration consultants. He was appointed to the position of Chief Executive Officer and Managing Director of OZ Minerals on 20 June 2008, on the same terms and conditions that prevailed at the time of the commencement of his employment with Zinifex on 1 February 2008. These conditions continue to apply.

4.7.2 What were the details of Mr Michelmore's fixed remuneration?

Mr Michelmore's fixed remuneration rate is A\$1,900,000 per annum inclusive of superannuation.

4.7.3 What were the details of Mr Michelmore's short term incentive?

In line with his executive service agreement Mr Michelmore is eligible for an annual cash payment as a STI of up to a maximum of 100% of total fixed remuneration for satisfying performance conditions linked to both OZ Minerals and his personal performance.

The STI which may be earned is in accordance with the following schedule:

- 30% of total fixed remuneration for 'threshold performance' being the minimum acceptable level
- 50% of total fixed remuneration for 'target' performance
- 100% of total fixed remuneration for 'stretch' performance

Performance objectives are set and assessed by the Board. At the recommendation of the Nomination and Remuneration Committee, the Board has determined to defer the review and payment of any STI until the financial position of OZ Minerals has improved.

4.7.4 What were the details of Mr Michelmore's long term incentive?

In line with his executive service agreement, Mr Michelmore is eligible to participate in the OZ Minerals LTIP and previously the Zinifex Executive Share plan. Mr Michelmore is eligible for a grant of equity rights equivalent to 160% of his total fixed remuneration.

Under the terms and conditions of the Zinifex Executive Share Plan, Mr Michelmore was granted 114,943 LTIOs which entitled him originally to 114,943 Zinifex Limited shares (now 367,024 OZ Minerals' shares) subject to satisfaction of the vesting conditions. The terms of the grant including the comparator group and vesting conditions are outlined in section 4.5.1.3 of this report. Any shares granted upon vesting will be satisfied by purchases on-market.

4.7.5 What were the details of the sign on, restraint and retention benefit granted to Mr Michelmore?

Mr Michelmore was granted 67,568 Zinifex LTIOs as a retention and restraint of trade benefit on 1 February 2008. These were granted in accordance with the terms of his performance contract and Zinifex Executive Share plan, which originally entitled him to receive 67,568 Zinifex shares on the terms specified below. As a consequence of the merger, Mr Michelmore is conditionally entitled to 3.1931 OZ Minerals shares for each Zinifex LTIO resulting in a total of 215,751 OZ Minerals shares, subject to the satisfaction of vesting conditions. The terms of the grant including the comparator group and vesting conditions are outlined in section 4.5.1.3 of this report. Any shares granted upon vesting will be satisfied by purchases on-market.

One third of the sign-on LTIOs will vest on each of the first three anniversaries of Mr. Michelmore's continuous employment with the Company. Unvested LTIOs lapse if Mr Michelmore ceases to be employed by the Company prior to each anniversary.

The terms of Mr Michelmore's contract specify that any unvested sign-on LTIOs will vest immediately upon change of control of the Company or if his employment ceases following a fundamental change. Mr. Michelmore agreed to waive this requirement upon a change of control associated with the merger of OZ Minerals Limited and Zinifex Limited.

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4.8 What were the details of the retention benefit granted to Mr Lamont?

Mr Lamont was granted 139,752 sign on equity rights as a retention benefit on 24 November 2008. These equity rights were granted in accordance with the terms of Mr Lamont's contract of employment and the OZ Minerals Performance Rights Plan rules. Each equity right conditionally entitles Mr Lamont to one OZ Minerals share, subject to the satisfaction of vesting conditions. Equity rights are granted for no consideration and do not carry a right to vote nor to dividends nor, in general, to participate in corporate actions such as bonus issues. The shares when allocated rank pari passu in all respects with previously issued fully paid ordinary shares.

One third of the retention equity rights will vest on each of the first three anniversaries of Mr. Lamont's continuous employment with the Company. Unvested equity rights lapse if Mr Lamont ceases to be employed by the Company prior to each anniversary. Any unvested retention equity rights will vest immediately upon change of control of the Company or if Mr Lamont's employment ceases following a fundamental change.

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5 Details of directors' and senior executives' remuneration

5.1 Total remuneration paid or payable to non-executive directors (NEDs)

Total remuneration received by NEDs in 2008 was A\$1,554,075 (2007: A\$777,316). Payments and non monetary benefits received by NEDs individually are set out in the following table:

	Director's fees		Post-employment benefits			Total fixed remuneration \$
	Board fees \$	Committee fees \$	Non monetary benefits \$	Retirement benefit adjustment (a) \$	Company contributions to superannuation \$	
In AUD						
Directors						
Barry Cusack						
2008	444,398	-	-	7,647	-	452,045
2007	288,850	-	-	8,839	-	297,689
Ronald Beevor						
2008	135,917	32,500	-	3,417	15,158	186,992
2007	90,000	15,000	-	3,950	-	108,950
Peter Cassidy						
2008	84,124	17,889	-	-	2,210	104,223
2007 (b)	84,986	27,183	-	3,738	4,050	119,957
Michael Eager						
2008	135,902	25,874	-	5,790	14,560	182,126
2007	90,000	25,000	-	6,692	10,350	132,042
Brian Jamieson						
2008	135,902	54,007	-	1,300	17,092	208,301
2007	90,000	17,500	-	1,503	9,675	118,678
Richard Knight (c) (d)						
2008	80,153	8,944	-	-	6,791	95,888
Anthony Larkin (d)						
2008	78,822	27,646	-	-	7,129	113,597
Peter Mansell (d)						
2008	88,961	11,181	-	-	6,539	106,681
Dean Pritchard (d)						
2008	79,141	17,889	-	-	7,192	104,222

- (a) Retirement benefits were adjusted for 2008 at a bank interest rate of 5.4% per annum (2007: 6.7%). Refer to section 3.2.1 of this report for further details. Retirement benefits, including the retirement benefit adjustment for 2008 disclosed in the table above, have been accrued for Mr Cusack (A\$148,223), Mr Beevor (A\$66,236), Mr Eager (A\$112,220) and Mr Jamieson (A\$25,195).
- (b) Dr Cassidy was a director of Oxiana Limited until his resignation effective 27 November 2007. An accrued retirement benefit of A\$62,607 was paid to Dr Cassidy on resignation at 27 November 2007. Dr Cassidy became a director of OZ Minerals on 20 June 2008 and resigned effective 30 January 2009.
- (c) Mr Knight resigned from the Board effective 31 December 2008.
- (d) Represents fees from the date of appointment being 20 June 2008.

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5.2 Total remuneration paid or payable to senior executives

The amount of disclosed remuneration represents remuneration paid or payable to the executive for the period during which they were considered key management personnel.

	Short-term benefits			Long-term benefit	Post employment benefits	Share-based payments				
	Cash Salary \$	Incentive & bonus payments (a) \$	Non monetary benefits \$	Other \$ contributions	Company contributions to Superannuation \$	Termination benefits (b) \$	Value of options, performance rights & LTIOs \$	Value of retention shares \$	Total fixed & at-risk remuneration \$	Options, performance rights, LTIOs as % of total fixed & at-risk remuneration
In AUD										
Current senior executives										
Andrew Michelmore										
2008	1,000,782	-	7,821	16,873	7,274	-	88,545	164,228	1,285,523	20%
Brett Fletcher										
2008	344,770	-	38,943	48,848	6,872	-	13,807	-	453,240	3%
David Lamont (c)										
2008	226,564	-	2,456	3,853	3,436	-	3,815	10,656	250,780	6%
Peter Lester										
2008	431,193	-	7,311	51,754	38,945	-	190,500	-	719,703	26%
2007	366,972	101,376	-	-	42,151	-	71,278	-	581,777	12%
Antony Manini										
2008	431,193	-	4,644	57,219	38,807	-	189,861	-	721,724	26%
2007	366,972	116,294	-	-	33,234	-	71,278	-	587,778	12%
John Nitschke										
2008	517,725	-	3,827	39,668	42,275	-	193,842	-	797,337	24%
2007	327,780	98,293	48,000	-	24,426	-	71,278	-	569,777	13%
Phil Dunstan										
2007	310,000	86,500	-	-	-	-	720,000	-	1,116,500	64%
Russell Griffin										
2008 (d)	128,718	-	21,396	20,389	11,282	-	104,435	-	286,220	36%
2007	231,023	67,661	-	-	25,066	-	132,884	-	456,634	29%
Former senior executives										
Owen Hegarty										
2008	745,103 (e)	-	44,572	378,136	53,892 (e)	9,100,000 (f)	-	-	10,321,703	0%
2007	1,192,940	606,450	-	-	107,060	-	1,708,812	1,413,333	5,028,595	62%
Peter Albert										
2008	499,718	232,000	-	82,810	-	831,087 (g)	235,517 (h)	-	1,881,132	13%
2007	425,000	117,250	-	-	-	-	71,278	-	613,528	12%
David Forsyth										
2008	165,813	115,500	25,048	83,419	14,923	628,901 (g)	213,903 (h)	-	1,247,507	17%
2007	325,024	102,044	-	-	25,182	-	71,278	-	523,528	14%
Stephen Mullen										
2008	142,355	60,550	12,016	-	12,149	429,000 (g)	225,071 (h)	-	881,141	26%
2007	264,563	84,943	-	-	25,644	-	71,278	-	446,428	16%
Jeffrey Sells										
2008	260,255	83,000	2,885	-	17,423	520,000 (g)	250,507 (h)	-	1,134,070	22%
2007	325,229	102,250	-	-	24,771	-	71,278	-	523,528	14%
Jim Smith										
2007	286,728	84,294	-	-	18,478	-	610,000	-	999,500	61%

(a) No short term incentives were paid to current senior executives for the performance period ending 31 December 2008 other than to former senior executives who received a STI bonus where such payment was stipulated and required by their contract of employment in the case of redundancy. Refer to sections 4.4.6 and 4.4.7 of this report for more detail.

REMUNERATION REPORT

- (b) Termination benefits exclude:
- Annual leave and long service leave entitlements. Long service leave is disclosed separately and annual leave has been included in remuneration disclosures for previous periods. Annual leave and long service leave entitlements were paid out to Mr Hegarty (A\$955,610), Mr Albert (A\$315,996), Mr Forsyth (A\$224,088), Mr Mullen (A\$65,670) and Mr Sells (A\$59,695).
 - Value of options, which in accordance with direction from the Board, were vested and cash settled. These amounts are disclosed in table 5.4.2 and included in the total value of options, performance rights and LTIOs in table 5.2 of this report. Refer to table 5.4.2 of this report for further details.
- (c) Cash salary, non monetary benefits, other benefits and superannuation contributions are for the period 1 October 2008 to 31 December 2008.
- (d) Includes remuneration received during the time the senior executive was considered key management personnel being 1 January 2008 to 30 June 2008.
- (e) Includes director and committee fees of A\$119,098 and superannuation contributions of A\$10,719 for the period that Mr Hegarty was a non-executive director.
- (f) Mr Hegarty received 6 months remuneration (A\$750,000) plus an ex-gratia payment of A\$8.35 million on his retirement as Managing Director and CEO of Oxiana Limited.
- (g) Includes statutory obligations and a payment equivalent to the STI calculated on the employee's notice period and the number of months used to determine the employee's minimum severance payment.
- (h) Represents share based payment expense for the year ended 31 December 2008. In the case of former executives who were made redundant during the period, vesting conditions on options were accelerated and the awards were cash settled based on their fair value at the date of redundancy.

5.3 STI Bonus that was paid or forfeited

As discussed in section 4.4.6, due to the remuneration freeze no STI payments were paid for the 2008 performance period for current senior executives. Former senior executives only received a STI bonus for the 2008 financial year where such payment was stipulated and required by their contract of employment in case of redundancy.

The amount of the maximum STI paid or forfeited for 2008 is detailed in the table below:

Senior executives	Actual STI payment A\$ (a)	Actual STI payment as % of maximum STI	% of maximum STI payment forfeited
Current senior executives			
Andrew Michelmore	-	-	100
Brett Fletcher	-	-	100
David Lamont	-	-	100
Peter Lester	-	-	100
Anthony Manini	-	-	100
John Nitschke	-	-	100
Phil Dunstan	-	-	100
Russell Griffin	-	-	100
Former senior executives (b)			
Owen Hegarty	-	-	100
Peter Albert	232,000	100	-
David Forsyth	115,500	100	-
Stephen Mullen	60,550	67	33
Jeffrey Sells	83,000	69	31
Jim Smith	-	-	-

- (a) As outlined in section 4.4 above, a minimum level of performance must be achieved before any STI is paid. Therefore, the minimum potential value of the STI which was granted in respect of the year was nil. For current senior executives, the notional maximum value of grants under the STI is the maximum potential STI that could have been earned assuming stretch performance, as set out in table 4.3.3 of this report.
- (b) Former senior executives received an STI bonus upon cessation of their employment with OZ Minerals. Under each former senior executive's employment contract, the relevant executive was entitled to a pro rata amount of their STI bonus.

REMUNERATION REPORT

5.4 Equity rights granted to senior executives

As part of its remuneration strategy, the Company granted equity rights to senior executives during the year, as set out in table 5.4.1 below.

In addition, table 5.4.2 sets out details of the movement in the number and value of equity rights held by senior executives during the year. Further details are set out in Note 32 of the financial statements.

5.4.1 Equity rights granted as remuneration to senior executives

Senior executives	Instrument	Grant date	Number of options / performance rights / LTIOs granted (a)	Vesting date	Fair value per option / performance right / LTIO A\$ (b)	Maximum value of grant A\$ (c)
Current senior executives						
Andrew Michelmore	Options	24/11/2008	2,980,392	30/06/2011	0.07	208,627
	Performance rights	24/11/2008	894,118	30/06/2011	0.34	304,000
	Sign on LTIOs(d)	01/02/2008	71,917	01/02/2009	2.53 (d)	181,986 (d)
			71,917	01/02/2010	2.47 (d)	177,481 (d)
			71,917	01/02/2011	2.41 (d)	173,202 (d)
Brett Fletcher	Options	24/11/2008	533,333	30/06/2011	0.07	37,333
	Performance rights	24/11/2008	160,000	30/06/2011	0.34	54,400
David Lamont	Options	24/11/2008	541,176	30/06/2011	0.07	37,882
	Performance rights	24/11/2008	162,353	30/06/2011	0.34	55,200
	Sign on equity rights	24/11/2008	46,584	06/10/2009	0.51 (e)	23,758
			46,584	06/10/2010	0.49 (e)	22,826
			46,584	06/10/2011	0.48 (e)	22,360
Peter Lester	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
		24/11/2008	233,333	30/06/2011	0.07	16,333
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610
		24/11/2008	70,000	30/06/2011	0.34	23,800
Anthony Manini	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
		24/11/2008	233,333	30/06/2011	0.07	16,333
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610
		24/11/2008	70,000	30/06/2011	0.34	23,800
John Nitschke	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
		24/11/2008	374,510	30/06/2011	0.07	26,216
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610
		24/11/2008	112,353	30/06/2011	0.34	38,200
Russell Griffin	Options	26/02/2008	142,110	26/02/2011	1.04	147,794
		24/11/2008	91,176	30/06/2011	0.07	6,382
	Performance rights	26/02/2008	61,640	26/02/2011	2.32	143,005
		24/11/2008	27,353	30/06/2011	0.34	9,300
Former senior executives						
Owen Hegarty	Options	18/04/2008	2,000,000(f)	01/06/2011	0.85	1,700,000
	Performance rights	-	-	-	-	-
Peter Albert	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
		24/11/2008	296,078	30/06/2011	0.07	20,725
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610
		24/11/2008	88,824	30/06/2011	0.34	30,200
David Forsyth	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610
Stephen Mullen	Options	26/02/2008	142,110	26/02/2011	1.04	147,794
	Performance rights	26/02/2008	61,640	26/02/2011	2.32	143,005
Jeffrey Sells	Options	26/02/2008	170,530	26/02/2011	1.04	177,351
	Performance rights	26/02/2008	73,970	26/02/2011	2.32	171,610

REMUNERATION REPORT

- (a) The grants made to senior executives constituted 100% of the grants available for the year and were made on the terms summarised in section 4.5 above. The exercise price for options granted on 26 February 2008, 18 April 2008 and 24 November 2008 is A\$4.93, A\$5.25 and A\$2.30, respectively. The expiry date for LTIOs, options and performance rights granted during are:

Equity right	Expiry dates			
	Granted 1 February 2008	Granted 26 February 2008	Granted 18 April 2008	Granted 24 November 2008
Options	Not applicable	26/02/2013	18/04/2013	30/09/2013
Performance rights	Not applicable	26/02/2018	Not applicable	30/09/2018
LTIOs	01/02/2018	Not applicable	Not applicable	Not applicable

As options and performance rights only vest on satisfaction of performance conditions which are to be tested in future financial periods, none of the senior executives forfeited options or performance rights during 2008, except for Owen Hegarty who forfeited unvested options (including those granted in 2008) upon retirement (4,000,000) and as the result of performance hurdle testing (1,000,000). See table 5.4.2. In line with direction from the Board, unvested options held by Mr Albert, Mr Forsyth, Mr Mullen and Mr Sells were vested and cash settled as a result of redundancy. See table 5.2 for further details.

- (b) The fair values were calculated as at the grant dates. An explanation of the pricing model used to calculate these values is set out in section 4.5.1 of this report and in note X to the financial statements.
- (c) The maximum value of the grant has been estimated based on the fair value per instrument. The minimum total value of the grant, if the applicable performance conditions are not met, is nil.
- (d) The LTIOs granted to Mr Michelmore were granted by Zinifex Limited on 1 February 2008 in accordance with the Zinifex Executive Share Plan. Further information in relation to this grant is included in section 4.7.5 of this report.

The terms of the LTIOs granted under the Zinifex Executive Share Plan were altered on 1 July 2008. Full terms are set out in section 4.5 and 4.7 above. The share price of Zinifex at the valuation date was A\$8.20 and the share price of OZ Minerals at the valuation date was A\$2.47. The change in fair values is as follows:

Grant date	Vesting date	Fair value per LTIO immediately before alteration A\$	Fair value per LTIO immediately after alteration A\$	Equivalent fair value per OZ Minerals share received A\$	Maximum value of grant (based on fair value per LTIO immediately before alteration) A\$
01/02/2008	01/02/2009	8.08	7.79	2.53	181,986
01/02/2008	01/02/2010	7.88	7.60	2.47	177,481
01/02/2008	01/02/2011	7.69	7.44	2.41	173,202

As of 1 February 2009, 71,917 sign on LTIOs have vested and, as soon as the Company is able to, it will purchase the shares on-market for allocation to Mr Michelmore.

- (e) Mr Lamont was granted performance rights to the value of A\$225,000 calculated with reference to the VWAP of the Company's shares for the 5 business day period up to and including the day prior to Mr Lamont's commencement being 6 October 2008. Further information in relation to this grant is included in section 4.8 of this report.

REMUNERATION REPORT

5.4.2 Movement in equity rights granted as remuneration (by value and number)

Other than amounts granted (refer table 5.4.1) there were no other movements in the equity rights of current senior executives in 2008. Movement in the equity rights of former senior executives during 2008 is as follows:

Senior executives	Instrument	Vested		Exercised (a)		Forfeited/Lapsed	
		Number	Value A\$	Number	Value A\$ (b)	Number	Value A\$
Former senior executives							
Owen Hegarty	Options	-	-	-	-	5,000,000 (c)	1,732,000 (c)
	Performance rights	-	-	-	-	-	-
	Retention shares	-	-	-	-	500,000 (c)	1,244,750 (c)
Peter Albert	Options	616,608	24,035 (d)	-	-	-	-
	Performance rights	- (e)	-	-	-	-	-
David Forsyth	Options	320,530	2,421 (d)	300,000	417,000	-	-
	Performance rights	- (e)	-	-	-	-	-
Stephen Mullen	Options	292,110	42,194 (d)	-	-	-	-
	Performance rights	- (e)	-	-	-	-	-
Jeffrey Sells	Options	320,530	39,025 (d)	-	-	-	-
	Performance rights	- (e)	-	-	-	-	-
Jim Smith	Options	-	-	-	-	-	-
	Performance rights	-	-	-	-	-	-

- (a) For each option and performance right exercised during the year the relevant executive received 1 fully paid ordinary share in OZ Minerals.
- (b) The value of each option exercised during the year is based on the difference between the closing market price of OZ Minerals shares on the ASX on the preceding trading day and the relevant exercise price. The value of each performance right exercised during the year is based on the closing market price of OZ Minerals shares on the ASX on the preceding trading day.

Details of the relevant exercise price for options exercised are as follows:

Senior Executive	Exercise Price	Closing share price on preceding trading day
David Forsyth	A\$1.25	A\$2.64

- (c) Half of the options (1,000,000) granted to Mr Hegarty on 21 April 2006 did not meet performance hurdles and therefore did not vest. The fair value on the date of lapse, 1 June 2008, was A\$0.00.
- All of Mr Hegarty's unvested options granted 3 May 2007 (2,000,000) and 18 April 2008 (2,000,000) lapsed. The respective fair values on date of lapse, 20 June 2008, were A\$0.398 and A\$0.468. See 4.6.7 for further detail.
- All of Mr Hegarty's unvested retention shares granted 1 January 2007 and due to vest 1 January 2009 and 1 January 2010 lapsed. The fair value per share on date of lapse, 20 June 2008 was A\$2.519 and A\$2.462 respectively. The value of retention shares granted to Mr Hegarty which have lapsed have been valued using a discounted cash flow technique.

REMUNERATION REPORT

- (d) In line with direction from the Board vesting of unvested options was accelerated and cash settled on redundancy. The value for the cash payment was calculated on the fair value, as determined by the Black-Scholes pricing model, of the options using the 5 working day Volume Weighted Average (Share) Price up to and including the senior executive's final date of employment.

Senior Executive	Fair value on date of vesting
Peter Albert	Granted 01/03/2007 (originally scheduled to vest 01/03/2009) - A\$0.000 on 10 December 2008 Granted 01/03/2007 (originally scheduled to vest 01/03/2010) - A\$0.005 on 10 December 2008 Granted 28/02/2008 - A\$0.012 on 10 December 2008 Granted 24/11/2008 - A\$0.073 on 10 December 2008
David Forsyth	Granted 01/03/2007 (originally scheduled to vest 01/03/2009) - A\$0.000 on 31 December 2008 Granted 01/03/2007 (originally scheduled to vest 01/03/2010) - A\$0.005 on 31 December 2008 Granted 28/02/2008 - A\$0.012 on 31 December 2008
Stephen Mullen	Granted 01/03/2007 (originally scheduled to vest 01/03/2009) - A\$0.075 on 29 August 2008 Granted 01/03/2007 (originally scheduled to vest 01/03/2010) - A\$0.156 on 29 August 2008 Granted 28/02/2008 - A\$0.175 on 29 August 2008
Jeff Sells	Granted 01/03/2007 (originally scheduled to vest 01/03/2009) - A\$0.048 on 9 September 2008 Granted 01/03/2007 (originally scheduled to vest 01/03/2010) - A\$0.129 on 9 September 2008 Granted 28/02/2008 - A\$0.151 on 9 September 2008

- (e) In accordance with direction from the Board, performance rights granted remain on foot following the termination of senior executive's employment for reasons of redundancy. Performance rights remain subject to usual performance hurdles until the usual expiry date 10 years from the date of grant. Further details relating to outstanding holdings of performance rights are set out in Note 32 to the financial statement.

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 audit for the financial year ended 31 December 2008 there have been:

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

A handwritten version of the KPMG logo, with the letters 'KPMG' written in a cursive, slightly slanted style.

KPMG

A handwritten signature in black ink, appearing to read 'Michael Bray'. The signature is fluid and includes a large, sweeping loop at the end.

Michael Bray
Partner

Melbourne

27 February 2009

CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Revenue from continuing operations	6	879.2	602.6	–	–
Net foreign exchange gains		87.7	50.8	26.2	67.5
Other income	7	4.1	–	133.2	348.3
Changes in inventories of finished goods and work in progress		16.7	(2.0)	–	–
Raw materials, consumables and other direct costs		(182.7)	(74.6)	–	–
Employee benefit expenses		(202.2)	(81.7)	(40.1)	(24.3)
Contracting and consulting expenses		(145.1)	(31.5)	(0.7)	(7.0)
Freight expenses		(71.2)	(12.6)	–	–
Royalties expense		(39.8)	(26.9)	–	–
Share of net loss of associates and joint ventures accounted for using the equity method		(5.5)	(1.9)	–	–
Other expenses		(100.6)	(17.7)	(33.5)	(1.3)
Profit before net financing (expense)/income, depreciation and amortisation, impairment of assets and income tax from continuing operations		240.6	404.5	85.1	383.2
Depreciation and amortisation expenses		(212.5)	(60.7)	(2.6)	(1.8)
Impairment of assets	10	(1,381.6)	(1.5)	(3,857.9)	–
(Loss)/profit before net financing (expense)/income and income tax from continuing operations		(1,353.5)	342.3	(3,775.4)	381.4
Financing income	9	19.2	7.1	9.5	17.9
Financing expenses	9	(42.8)	(22.8)	(26.9)	(11.4)
Net financing (expense)/income	9	(23.6)	(15.7)	(17.4)	6.5
(Loss)/profit before income tax from continuing operations		(1,377.1)	326.6	(3,792.8)	387.9
Income tax (expense)/benefit	11	(113.4)	(86.2)	22.4	10.5
(Loss)/profit from continuing operations		(1,490.5)	240.4	(3,770.4)	398.4
(Loss)/profit from discontinued operations – net of income tax	5	(994.4)	77.8	–	–
(Loss)/profit for the year		(2,484.9)	318.2	(3,770.4)	398.4
Attributable to:					
Equity holders of the parent		(2,501.7)	305.8	(3,770.4)	398.4
Minority interest	24(c)	16.8	12.4	–	–
(Loss)/profit for the year		(2,484.9)	318.2	(3,770.4)	398.4
(Loss)/earnings per share			Cents	Cents	
(a) Basic (loss)/earnings per share					
From continuing operations	26	(63.0)	15.1		
From discontinued operations	26	(41.6)	5.1		
		(104.6)	20.2		
(b) Diluted (loss)/earnings per share					
From continuing operations	26	(63.0)	13.7		
From discontinued operations	26	(41.6)	5.1		
		(104.6)	18.8		

The above income statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Total recognised income and expense for the year					
Items recognised directly in equity – net of income tax					
Foreign exchange translation differences	24(a)	362.6	(90.8)	1,747.0	(113.3)
Net change in fair value of available-for-sale financial assets, net of tax	24(a)	(11.2)	6.7	(2.3)	0.6
Changes in fair value of cash flow hedges, net of tax	24(a)	4.2	(8.7)	–	–
Net (expense)/income recognised directly in equity		355.6	(92.8)	1,744.7	(112.7)
Net (loss)/profit for the year after income tax		(2,484.9)	318.2	(3,770.4)	398.4
Total recognised income and expense for the year		(2,129.3)	225.4	(2,025.7)	285.7
Attributable to:					
Equity holders of the parent		(2,146.1)	213.0	(2,025.7)	285.7
Minority interest		16.8	12.4	–	–
Total recognised income and expense for the year		(2,129.3)	225.4	(2,025.7)	285.7

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEETS

AS AT 31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Current assets					
Cash and cash equivalents	13	69.8	246.1	13.7	59.1
Trade and other receivables	14	46.3	111.7	0.9	35.3
Receivable from controlled entities	34	–	–	–	635.8
Inventories	15	223.6	88.1	–	–
Current tax asset		77.1	–	29.1	–
Other financial assets	17	–	0.4	–	–
Prepayments		15.9	5.7	0.9	0.1
Assets classified as held for sale	5	2,512.6	–	1,004.7	–
Total current assets		2,945.3	452.0	1,049.3	730.3
Non-current assets					
Investments accounted for using the equity method	16	28.7	148.3	–	–
Property, plant and equipment	18	2,053.2	1,739.7	19.6	6.6
Intangible assets	19	4.6	46.8	2.4	1.2
Deferred tax assets	11(c)	262.4	0.5	40.2	26.7
Other financial assets	17	21.7	40.1	2,872.1	791.4
Total non-current assets		2,370.6	1,975.4	2,934.3	825.9
Total assets		5,315.9	2,427.4	3,983.6	1,556.2
Current liabilities					
Trade and other payables	20	164.7	141.2	10.1	17.0
Payable to controlled entities	34	–	–	414.7	–
Interest-bearing liabilities	21	1,005.1	154.4	207.3	–
Current tax payable		122.0	101.7	–	–
Provisions	22	37.6	14.1	2.2	3.0
Other financial liabilities		–	1.6	–	–
Liabilities classified as held for sale	5	421.0	–	–	–
Total current liabilities		1,750.4	413.0	634.3	20.0
Non-current liabilities					
Interest-bearing liabilities	21	144.7	266.4	138.0	104.1
Deferred tax liabilities	11(c)	17.6	119.7	–	–
Provisions	22	173.2	58.5	0.3	0.6
Other financial liabilities		–	4.5	–	–
Total non-current liabilities		335.5	449.1	138.3	104.7
Total liabilities		2,085.9	862.1	772.6	124.7
Net assets		3,230.0	1,565.3	3,211.0	1,431.5
Equity					
Issued capital	23	5,107.1	1,056.7	5,107.1	1,056.7
Reserves	24(a)	227.0	(99.8)	1,603.5	(112.4)
Retained earnings	24(b)	(2,152.0)	566.1	(3,499.6)	487.2
Total equity attributable to equity holders of the parent		3,182.1	1,523.0	3,211.0	1,431.5
Minority interest	24(c)	47.9	42.3	–	–
Total equity	25	3,230.0	1,565.3	3,211.0	1,431.5

The above balance sheets should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Cash flows from operating activities					
Receipts from customers		1,369.6	1,132.7	–	–
Payments to suppliers and employees		(1,326.9)	(533.2)	(20.3)	(61.3)
Income taxes paid		(118.1)	(120.5)	(34.8)	(58.7)
Financing costs and interest paid		(50.3)	(33.9)	(26.9)	(5.6)
Interest received		27.1	21.6	9.5	5.2
Net cash (outflows)/inflows from operating activities	27	(98.6)	466.7	(72.5)	(120.4)
Cash flows from investing activities					
Payments for property, plant and equipment and major cyclical maintenance		(1,412.6)	(713.5)	(2.2)	(6.4)
Acquisition of subsidiary, net of cash acquired	4	1,130.5	(8.6)	(43.0)	(15.7)
Proceeds from sale of property, plant and equipment		–	0.7	–	0.9
Proceeds from disposal of discontinued operations, net of cash disposed and selling costs	5	–	3.1	–	–
Payments for investments		(18.3)	(3.3)	(1.9)	(1.5)
Proceeds from disposal of investments		–	0.1	–	0.1
Dividends received		–	–	110.6	240.3
Loans (advanced) by controlled entities		–	–	(79.1)	(42.0)
Net cash (outflows)/inflows from investing activities		(300.4)	(721.5)	(15.6)	175.7
Cash flows from financing activities					
Proceeds from borrowings		522.0	228.1	202.0	–
Repayments of borrowings		(89.0)	(220.0)	–	–
Dividends paid to shareholders		(155.3)	(96.5)	(155.3)	(96.5)
Dividends paid to minority shareholder		(11.2)	–	–	–
Payments for shares purchased on-market		(14.5)	–	(14.5)	–
Proceeds from issue of shares		–	3.9	–	3.9
Proceeds from issue of shares by partly owned subsidiary		–	6.1	–	–
Payments for capitalised borrowing costs		–	(10.7)	–	–
Repayments of finance lease liabilities		(2.3)	(0.7)	–	–
Payments for derivatives		–	(18.3)	–	–
Net cash inflows/(outflows) from financing activities		249.7	(108.1)	32.2	(92.6)
Net (decrease) in cash held		(149.3)	(362.9)	(55.9)	(37.3)
Cash and cash equivalents at the beginning of the year		246.1	670.9	59.1	105.9
Effects of exchange rate changes on foreign currency denominated cash balances		22.0	(61.9)	10.5	(9.5)
Cash and cash equivalents at the end of the year	13	118.8	246.1	13.7	59.1

Non-cash financing and investing activities – refer Note 28

Financing arrangements – refer Note 29

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies

(a) Reporting entity

OZ Minerals Limited ("the Company") is a company domiciled in Australia. The address of the Company is Level 29 Freshwater Place, 2 Southbank Boulevard, Southbank, 3006, Victoria, Australia. The consolidated financial statements of the Company as at and for the financial year ended 31 December 2008 comprise the Company and its subsidiaries ("consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities. The consolidated entity is primarily involved in the exploration for, and the mining, processing and sale of zinc, copper, lead, gold, silver, nickel and other minerals into both metal and metal in concentrates.

(b) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) including Australian interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the consolidated entity and the financial report of the parent entity comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

This financial report was authorised for issue by the Directors on 27 February 2009.

(c) Basis of preparation of financial information

(i) Going concern

An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. The current economic environment of volatile exchange rates, low and volatile commodity prices and tight credit markets presents significant variability and risk to the consolidated entity's ongoing profitability due to the fluctuations in selling prices and input costs. Whilst the Directors have undertaken a thorough review of all operations, instituted measures to improve operating costs and deferred several capital projects to preserve cash, there are still material uncertainties over the future operating results and cash flows.

As at 31 December 2008, the consolidated entity had four major bank facilities. Three of these facilities matured, or were required to be refinanced by 31 December 2008. Agreement was obtained from the lenders on 29 December 2008 to extend the refinancing date on these facilities to 27 February 2009 and, in accordance with the accounting standards, these three facilities were classified as current liabilities at 31 December 2008 – refer to Note 21.

On 22 January 2009, a bridging finance facility of up to A\$140 million was established with the lenders of Facility A. The new short-term facility terminates on 27 February 2009. As part of the terms and conditions for the extension of the Societe Generale Facility to 27 February 2009, it was agreed to grant security to the lenders over the assets of certain former Zinifex entities.

The consolidated entity has been successful in obtaining from the lenders whose facilities fall due on 27 February 2009, approval to extend the termination dates of these facilities to 31 March 2009. The approvals are subject to completion of documentation to give effect to the extension. Based on the proactive discussions the consolidated entity has been having with its lenders, the progress made with asset sales to date, and the existence of the Minmetals proposal, the Directors have a reasonable expectation that these

facilities will be extended to at least two weeks after the scheduled scheme implementation date.

The consolidated entity was also pursuing asset sales and was examining expressions of interest for a number of these assets to repay or reduce the facilities at 31 December 2008. These assets have been classified as held for sale at 31 December 2008 – refer Note 5.

Since 31 December 2008, the consolidated entity has disposed of its investment in Nyrstar NV that was classified as held for sale at 31 December 2008, as set out in Notes 5 and 37.

In addition, on 16 February 2009 China Minmetals Non-ferrous Metals Company Limited ("Minmetals") and the consolidated entity announced that they have entered into a Scheme Implementation Agreement for Minmetals to acquire all outstanding shares of the Company in a scheme of arrangement at a cash price of 82.5 cents per share, valuing the consolidated entity's equity at approximately A\$2.6 billion. As part of the agreement, Minmetals will also refinance the consolidated entity's outstanding debt at scheme completion. Whilst there are still conditions precedent to be met for implementation to occur, in accordance with the terms of the agreement, the proposed acquisition provides increased certainty for the consolidated entity's key stakeholders, including its shareholders, financiers, employees and suppliers – refer to Note 37. Completion of the transaction is subject to a number of conditions as set out in Note 37.

Whilst there can be no certainty that the conditions precedent will be met, both the consolidated entity and Minmetals have agreed to use their reasonable endeavours to procure the satisfaction of the conditions precedent to them.

The Directors are aware that a material uncertainty exists due to the above events which may cast doubt upon the consolidated entity's ability to continue as a going concern. After making enquiries, the Directors have a reasonable expectation that the consolidated entity has potential sources of financing, through asset sales and alternative funding proposals (including the 'Minmetals' proposal above), and expected future operating cashflows to adopt the going concern basis in preparing the annual financial statements.

(ii) Historical costs

These financial statements have been prepared under the going concern basis as set out above and the historical cost convention, except for the following which are measured at fair value:

- Derivative financial instruments;
- Financial instruments at fair value through profit and loss;
- Available-for-sale financial assets.

(iii) Early adoption of standards

The consolidated entity has elected to early adopt the following accounting standards in the annual reporting period beginning 1 January 2008:

- AASB 8 *Operating Segments* has resulted in a significant change in the approach to segment reporting, as it requires adoption of a management approach to reporting on financial performance;
- Revised AASB 123 *Borrowing Costs* has removed the option to expense all borrowing costs and requires the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset; and
- AASB 2008-7 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* requires dividend receipts to be recognised as income.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, comparative information was restated, except for Borrowing Costs as the standard was applied from 1 January 2008. Application of these standards has not had a significant impact on the amounts recognised in the financial report of the consolidated entity and the Company, except for A\$18.0 million of financing costs capitalised during the year following adoption of Revised AASB 123 *Borrowing Costs*.

(iv) *Issued standards not early adopted*

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. The revised standard is applicable for annual reporting periods beginning on or after 1 January 2009.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement the 'statement of comprehensive income'. The standard will not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The standard is applicable for annual reporting periods beginning on or after 1 January 2009.
- Amended AASB 127 *Consolidated and Separate Financial Statements* requires accounting for changes in ownership interests by the consolidated entity in a subsidiary, while maintaining control, to be recognised as an equity transaction. The standard is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. The standard is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The standard is applicable for annual reporting periods beginning on or after 1 January 2009.

Initial application of these standards would not have a significant impact on the amounts recognised in the financial report, but may change the disclosures presently made in relation to the consolidated entity and the Company. Other standards issued and available for early adoption but not applied by the consolidated entity have not been included above as they are not expected to have any material impact on the financial report of the consolidated entity and the Company.

The consolidated entity will adopt these standards during the applicable mandatory annual reporting periods.

(v) *Critical accounting estimates and judgements*

The preparation of financial statements in conformity with AASBs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer Note 2 for more detail on critical accounting estimates and judgements.

(d) **Basis of consolidation**

(i) *Subsidiaries*

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the consolidated entity until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Whilst the intercompany balances are eliminated on consolidation, any related foreign exchange gains or losses arising between entities that do not have the same functional currency, will not be eliminated. This is because the consolidated entity has a real exposure to a foreign currency since one of the entities will need to obtain or sell foreign currency in order to settle the obligation or realise the proceeds received.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the consolidated entity. Investments in subsidiaries are carried at their acquisition cost in the individual financial statements of the Company, less any impairment.

(ii) *Associates*

Associates are all entities over which the consolidated entity has significant influence, but not control, of the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between twenty and fifty per cent of the voting power of another entity.

Associates are accounted for using the equity method and are initially recognised at cost. The consolidated entity's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the consolidated entity's share of the income and expenses and equity movements of the equity accounted investees, after adjustments to align the accounting policies with those of the consolidated entity, from the date that significant influence commences until the date that significant influence ceases. Dividends receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the consolidated entity has a legal or constructive obligation or has made payments on behalf of the investee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

(iii) Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual arrangement.

Jointly controlled assets

Where material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

Joint venture entities

Where material, the interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is carried at cost in the consolidated entity's financial statements. Under the equity method, the share of the profits or losses of the joint venture entities are recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred

(e) Non-derivative financial instruments

Classification

The consolidated entity classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity investments, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Attributable transaction costs are recognised in profit or loss when incurred. Fair value is determined by reference to the quoted price at the reporting date.

(ii) Available-for-sale financial assets

The consolidated entity's investment in equity securities, excluding financial assets at fair value through profit or loss discussed in Note 1(e)(i) and investments accounted for using the equity method discussed in Note 1(d)(ii), are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity, net of related tax. Impairment losses are recognised in the income statement. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement. Fair value is determined by reference to the quoted price at the reporting date.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity, and is classified as held-to-maturity.

Recognition and derecognition

Regular purchases and sales of investments and other financial assets are recognised on trade-date being the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value (refer to Note 1(m)).

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue when the consolidated entity's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement and other changes are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to Note 1(m).

(f) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of the cash flows on recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in equity are shown in Note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the instrument is more than twelve months; it is classified as a current asset or liability when the remaining maturity of the instrument is less than twelve months. Trading derivatives are classified as a current asset or liability.

(i) Fair values

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedged fixed rate borrowings attributable to the interest rate risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast interest payment that is hedged impacts profit or loss). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

For option contracts, the fair value is apportioned between the intrinsic value and time value. The gain or loss arising from the change in intrinsic value is recognised in equity in the hedging reserve. Amounts accumulated in equity are recycled in the income statement in the periods in which the hedged item will affect profit or loss (e.g. when the forecast sale that is hedged will take place). Any gain or loss arising from the change in time value of option contracts is recognised immediately in the income statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or expenses.

Where an embedded derivative is identified and the derivative's risks and characteristics are not considered to be closely related to the underlying host contract, the fair value of the derivative is recognised on the balance sheet and changes in the fair value of the embedded derivative are recognised in the income statement.

(g) Foreign exchange

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, the 'functional currency'. The functional currency of OZ Minerals Limited is US dollars. For those entities in the consolidated entity which do not have a functional currency of US dollars, the functional currency is mainly Australian dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Translation differences on non-monetary assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all entities within the consolidated entity (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve; and

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

- on consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on sale where applicable.

Whilst intercompany balances are eliminated on consolidation, any related foreign exchange gains or losses arising between entities that do not have the same functional currency, will not be eliminated. This is because the consolidated entity has a real exposure to a foreign currency since one of the entities will need to obtain or sell foreign currency in order to settle the obligation or realise the proceeds received. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(h) Inventories

Raw materials and stores and consumables, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost includes direct material, overburden removal, mining, processing, labour, related transportation cost to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities.

(i) Income tax

Income tax expense or benefit for the period is the tax payable/recoverable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Current and deferred tax expense attributable to amounts recognised directly in equity is also recognised directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income taxes have not been provided on undistributed overseas earnings of controlled entities to the extent the earnings are intended to remain indefinitely invested in those entities.

Tax consolidation

OZ Minerals Limited and its wholly-owned Australian controlled entities elected to form a tax consolidation group as of 1 July 2004 and have been taxed as a single entity from that date. The Australian entities of Zinifex Limited joined the OZ Minerals Limited Australian tax consolidated group upon implementation of the merger on 1 July 2008.

The head entity, OZ Minerals Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right. In addition to its own current and deferred tax amounts, OZ Minerals Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated entity.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(j) Leases

Leases of property, plant and equipment where the consolidated entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as interest bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

(k) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses recognised. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset into use. Cost also includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and also includes subsequent costs to develop the mine to the production phase.

Amortisation of mine property and development assets is calculated on the basis of units of production. Amortisation is based on assessments of proven and probable reserves and a proportion of resources available to be mined by the current production equipment to the extent that such resources are considered to be economically recoverable.

The amortisation of mine, property and development assets commences when the mine starts commercial production. Other assets are depreciated over the shorter of the asset's useful life and the life of mine.

Gains and losses on disposals are determined by comparing proceeds with asset carrying amounts. These are included in the income statement.

(i) Overburden and waste removal

Overburden and other waste removal costs (stripping costs) incurred in the development of a mine before production commences are capitalised as part of the construction of the mine as mine property and development assets. These costs include direct costs and an allocation of relevant overhead expenditure. These development stripping costs are subsequently amortised over the life of mine.

Removal of waste costs incurred once an operation commences production activity (production stripping costs) are capitalised as mine property and development assets. A proportion of these deferred mine development costs, including both development stripping costs and production stripping costs, is charged to the income statement as an operating cost on the basis of the quantity of ore mined or the quantity of the minerals contained in the ore, as a proportion of the known mineral reserves of the operation.

Changes in the technical and or other economic parameters that impact on reserves will also have an impact on the depreciation of capitalised mine property and development assets. These changes are accounted for prospectively from the date of change.

Amortisation of deferred stripping costs is included in depreciation of property, plant and equipment.

(ii) Exploration and evaluation expenditure

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal right to explore an area are recognised in the income statement.

Exploration and evaluation assets are classified as tangible (as part of property plant and equipment) or intangible according to the nature of the assets. As the assets are not yet ready for use they are not depreciated.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see recoverable amount and fair value estimation accounting policy Note 1(m)).

For the purposes of the impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating units shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets within property, plant and equipment.

(l) Intangibles

(i) Acquired mineral rights

Acquired mineral rights comprise identifiable exploration and evaluation assets including mineral reserves and mineral resources, which are acquired as part of a business combination and are recognised at fair value at date of acquisition. The acquired mineral rights are reclassified as mine property and development from commencement of development and amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the identifiable assets acquired and liabilities and contingent liabilities assumed of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events of changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(iii) Computer software

Costs incurred in developing information technology systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through cost reduction are capitalised to software and systems.

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

Costs capitalised include external direct costs of materials and services and direct payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over the useful life, ranging from three to five years.

(m) Recoverable amount and fair value estimation

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that have a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The asset's value in use is the net amount expected to be recovered through the cash flows arising from its continued use and subsequent disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The asset's fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of impairment at each reporting date.

Any impairment to the carrying amount of an asset is recognised as an expense in the income statement in the reporting period in which the recoverable amount write down occurs. Where this assessment of impairment indicates a loss in value of the assets of an operation, an appropriate write down is made. No assets are carried in excess of their recoverable amount. The recoverable amount of the consolidated entity's operations is subject to variation because of changes in internationally determined metal prices and exchange rates.

Financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and available-for-sale securities), excluding investments in associates, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using recognised valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Option contracts are fair valued using an option pricing model and prevailing market quoted economic variables existing at the balance date. Interest rate swaps are fair valued by determining the theoretical gain or loss had the swap contracts been terminated on market at the balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

Impairment of financial assets

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered objective evidence in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on costs, when the liabilities are settled. The expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long-term employee benefits

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution plans

Contributions are made by the consolidated entity to individual defined contribution superannuation plans of each Director and employee and are charged as an expense in the income statement when incurred.

(iv) Employee bonuses

A provision is recognised for the amount expected to be paid under short-term bonus entitlements if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the Director or employee and the obligation can be estimated reliably.

(v) Share-based payment transactions

Share-based compensation benefits are provided to Managing Director and certain employees via the Executive Share Option Plan, Performance Rights Plan, OZ Minerals Employee Share Plan and Long-Term Incentive Scheme. Information relating to these schemes is set out in Note 33.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

The fair value of options granted under OZ Mineral's Executive Share Option Plan and equity instruments granted under the Long-Term Incentive Scheme are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The market value of shares issued to employees for no cash consideration under the Performance Rights Plan and OZ Minerals Employee Share Plan are recognised as an employee benefits expense with a corresponding increase in equity over the vesting period.

(o) Workers' compensation

Provision is made for outstanding claims, including any incurred but not reported claims, where any controlled entity self-insures for risks associated with workers' compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a rate that reflects current market assessments of the time value of money and risks specific to the liability. An independent actuary provides the calculation of the value of outstanding claims. Each period the impact of the unwind of discounting is recognised in the income statement as a financing cost.

(p) Mine rehabilitation, restoration and dismantling obligations

Provisions are made for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during the mine's operations up to reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, topsoiling and revegetation to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine rehabilitation, restoration and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time.

The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and non-current components based on the expected timing of these cash flows. A corresponding asset is included in mine property and development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Rehabilitation, restoration and dismantling provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to mine rehabilitation, restoration and dismantling obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as a finance cost in the income statement. Changes to capitalised cost result in an adjustment to future depreciation charges.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

(q) Provisions

Provisions for legal claims and other liabilities are recognised when:

- The consolidated entity has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost in the income statement.

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract is lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(r) Sales revenue

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of risks and rewards to the customer, no further processing is required by the consolidated entity, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable. This is generally when title passes which for the majority of commodity sales represents the bill of lading date when the commodity is delivered for shipment.

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable.

Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable, and premium expense on minimum price put options over gold production are separately reported as expenses.

Specific revenue recognition policies for major business activities are as follows:

(vi) Sales of concentrates and metals

Contract terms for many of the consolidated entity's zinc, copper, lead, silver, nickel and metal in concentrate sales allow for a price adjustment based on a final assay of the goods by the customer to determine content. Recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination.

The terms of concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement is typically between 60 and 180 days.

These provisionally priced sales contracts contain an embedded derivative that is required to be separated from the host contract for accounting purposes. Accordingly, the embedded derivative, which does not qualify for hedge accounting, is recognised at fair value, with subsequent changes in fair value recognised in the income statement in each period until final settlement, as an adjustment to revenue. Changes in fair value over the quotational period and up until final settlement are estimated by reference to forward market prices.

(s) Financial income and expenses

Financial income includes:

- interest income on cash and cash equivalents;
- dividend income; and
- gains on the disposal of available-for-sale financial assets.

Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Financial expenses includes:

- interest on short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- accretion of the conversion option in the convertible note;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges;
- the impact of the unwind of discount on long-term provisions for mine rehabilitation, restoration and dismantling and workers' compensation; and
- changes in the fair value of financial asset at fair value through profit or loss.

Finance expenses are calculated using the effective interest method. Finance expenses incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other finance expenses are expensed as incurred.

The capitalisation rate used to determine the amount of finance expenses to be capitalised is the weighted average interest rate applicable to the consolidated entity's outstanding borrowings.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts are repayable on demand and are shown within borrowings in current liabilities on the balance sheet. For the purposes of the statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash and are subject to an insignificant risk of changes in value, net of any outstanding bank overdrafts which are recognised at their principal amounts.

(u) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are non interest bearing, unsecured and are usually paid within 30 days of recognition.

(v) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment. Trade receivables other than concentrate sales receivables are due for settlement within 30 days from the date of recognition. Concentrate sales receivables are recognised in accordance with Note 1(r).

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment is recognised in the income statement.

(w) Interest-bearing loans and borrowings

Borrowings, including the liability component of the consolidated entity's convertible bond, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of the convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

(x) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the theoretical cash flows arising if each subsidiary were to source each guarantee on market as an arms length transaction.

Where guarantees in relation to loans of subsidiaries or associates are provided for no consideration, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(y) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity reserve, and the resulting surplus or deficit on the transaction is transferred to / from accumulated profits.

(z) Dividends payable

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(aa) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), unless the GST incurred is not recoverable from taxation authorities. In this case it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included with other receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows inclusive of GST. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to taxation authorities. The net of GST payable and receivable is remitted to the appropriate tax body in accordance with legislative requirements.

(ab) Operating segments

Operating segments are components of the consolidated entity about which separate financial information is available that is evaluated regularly by the consolidated entity's key management personnel in deciding how to allocate resources and in assessing performance.

Segment information that is evaluated by key management is prepared in conformity with the accounting policies adopted for preparing the financial statements of the consolidated entity.

The division of the consolidated entity's results and assets into segments has been ascertained by reference to direct identification of assets and revenue/cost centres and where interrelated segment costs exist, an allocation has been calculated on a pro rata basis of the identifiable assets and/or costs. The assets and liabilities of the reportable segments does not include receivables and payables to related parties. It includes deferred tax assets and liabilities that are attributable to the segments. The additions to mine, property, property, plant and equipment and intangible assets as presented in the segment note are measured on an accruals basis.

(ac) Assets and liabilities held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet.

The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(ad) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities and contingent liabilities assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

1 Summary of significant accounting policies (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(ae) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(af) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order in millions of dollars to one decimal place except where rounding to the nearest one thousand dollars is required.

(ag) Comparatives

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

The consolidated income statements for comparative period and notes thereto have been restated to present results from continuing operations only. Results from discontinued operations are presented separately.

The consolidated entity adopted AASB 8 *Operating Segments* from 1 January 2008 which required restatement of comparative information in the segment note.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

2 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 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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical judgements in applying the consolidated entity's accounting policies

(i) *Going concern assumption*

A key assumption underlying the preparation of financial statements is that the consolidated entity will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgement is required in assessing whether the consolidated entity is a going concern as set out in Note 1(c)(i).

(ii) *Functional currency*

An entity's functional currency is the currency of the primary economic environment in which the entity operates in accordance with accounting policy 1(g)(i). Determination of an entity's functional currency requires management judgement when considering a number of factors including the currency that mainly influences sales prices, costs of production, and competitive forces and regulations which impact sales prices. In addition, consideration must be given to the currency in which financing and operating activities are undertaken.

(iii) *Discontinued operations and assets held for sale*

In accordance with accounting policy 1(ac) for operations to be classified as discontinued and held for sale, an assessment of whether the sale transaction is highly probable is required. The discontinued operations and assets held for sale are discussed in Note 5.

(b) Critical accounting estimates and assumptions

(i) *Recoverability of assets*

The recoverable amount of each 'cash-generating unit' is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the accounting policy in Note 1(m). These value in use calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, future capital requirements and future operating performance. Refer to Note 10 for additional details in relation to recoverability of assets.

(ii) *Mine rehabilitation, restoration and dismantling obligations*

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted in accordance with the accounting policy in Note 1(p). These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

(iii) *Ore reserves and resources estimates*

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves and resources estimates can impact the carrying value of property, plant and equipment, intangible assets, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

2 Critical accounting estimates and judgements (continued)

(iv) Determination of fair values in business combination

The consolidated entity has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities, and contingent liabilities assumed by way of a business combination.

The value of the assets, liabilities and contingent liabilities recognised at acquisition date are recognised at fair value. In determining fair value the consolidated entity has utilised valuation methodologies including discounted cash flow analysis. The assumptions made in performing this valuation include assumptions as to discount rates, foreign exchange rates, commodity prices, the timing of development, capital costs, and future operating costs. Any significant change in key assumptions may cause the acquisition accounting to be revised including recognition of additional goodwill or a discount on acquisition. Additionally, the determination of the acquirer and the acquisition date also require significant judgement to be made by the consolidated entity.

(v) Income tax, deferred tax assets and liabilities

The consolidated entity is subject to income taxes of Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the group provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises provisions for potential tax issues based on estimates of amounts that were initially recorded. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which the determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

3 Operating segments

The consolidated entity's divisions are managed on a site-by-site basis and the operating segments were as noted below. The consolidated entity has built a portfolio of exploration and development projects in Australia, Canada, Tunisia, Sweden, Mexico, Laos, Thailand, Cambodia, Indonesia and China. Other than Canada and Dugald River, the other exploration and development projects are not required to be disclosed as a separate segment at this stage, and accordingly these amounts are included within 'other continuing operations'. Other continuing operations also includes head office entities. Other discontinued operations comprise the investment in Nyrstar.

The consolidated entity acquired Zinifex Limited on 1 July 2008 as set out in Note 4. Accordingly, the segment results for Century Mine, Avebury Mine, Canadian Project, Dugald River Project and Rosebery Mine show results only for the second half of the financial year (2007: nil).

(a) Segments

Continuing segments

Century Mine

The Century Mine is an open-cut zinc and lead mine located approximately 250 kilometres north of Mount Isa, near to the Gulf of Carpentaria in Queensland.

Sepon Copper Mine

The Sepon Copper operation is an open-cut copper mine located approximately 40 kilometres north of the town of Sepon, in Savannakhet Province of Lao People's Democratic Republic ('Laos').

Sepon Gold Mine

The Sepon Gold operation is an open-cut gold mine located approximately 40 kilometres north of the town of Sepon, in Savannakhet Province of the Laos.

Avebury Mine

The Avebury Mine is an underground nickel mine located on the west coast of Tasmania in Australia. On 19 December 2008, the company announced the Avebury Mine would be placed on care and maintenance at the end of the first quarter, 2009.

Canadian Project

The Canadian Operations represent zinc and copper exploration projects located in Canada's Territory of Nunavut.

Dugald River Project

The Dugald River deposit is one of the world's largest undeveloped zinc sources, located in north-west Queensland approximately 65 kilometres north-west of Cloncurry and 85 kilometres north-east of Mount Isa.

Discontinued segments

Golden Grove Mine

Golden Grove is a volcanic hosted massive sulphide base and precious metals deposit of zinc, copper, lead, silver and gold, located approximately 450 kilometres north-east of Perth and 280 kilometres east of Geraldton in Western Australia.

Rosebery Mine

The Rosebery Mine is a medium-scale underground zinc, lead, silver, gold and copper mine located on the west coast of Tasmania in Australia.

Prominent Hill Mine

The Prominent Hill copper-gold project is located in the Gawler Craton of South Australia, approximately 650 kilometres north-west of Adelaide and 130 kilometres south-east of Coober Pedy in South Australia.

Martabe Project

The Martabe gold-silver development and exploration project is located in North Sumatra, Indonesia.

(b) Geographical areas

Although the consolidated entity's divisions are managed on a site-by-site basis, they operate in two main geographical areas:

Australia

The country of the parent entity and the area in which the Century, Golden Grove, Rosebery, Prominent Hill and Avebury mines operate and the Dugald River project is located. It also includes the corporate head office and shared service operations.

Asia

Comprises the operations associated with the Sepon Gold and Sepon Copper mines and Martabe project.

The carrying value of the Canadian Project at 31 December 2008 was not significant.

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

3 Operating segments (continued)

All amounts are in AUD millions	Century Mine	Sepon Copper Mine	Sepon Gold Mine	Avebury Mine	Canadian Project	Dugald River Project	Other Continuing Operations	Total Continuing Operations	Golden Grove Mine	Rosebery Mine	Prominent Hill Mine	Martabe Project	Other Discontinued Operations	Total Discontinued Operations	Group
2008															
Revenue	267.5	504.0	94.8	12.9	-	-	-	879.2	266.2	73.0	-	-	-	339.2	1,218.4
Net foreign exchange gains/(losses)	(8.7)	1.2	0.5	5.2	-	-	89.5	87.7	18.3	(2.2)	39.7	23.8	33.1	112.7	200.4
Other income	0.2	-	-	0.2	-	-	3.7	4.1	-	-	-	-	-	-	4.1
Changes in inventories	1.8	1.5	(0.2)	5.3	-	8.3	-	16.7	56.6	(1.2)	101.9	-	-	157.3	174.0
Raw materials, consumables and other direct costs	(85.2)	(71.5)	(23.6)	(2.2)	-	(0.2)	-	(182.7)	(139.8)	(33.3)	(56.3)	-	-	(229.4)	(412.1)
Employee benefit expenses	(24.4)	(66.2)	(28.4)	(6.5)	(0.6)	(1.0)	(75.1)	(202.2)	(72.8)	(11.0)	(37.5)	-	-	(121.3)	(323.5)
Contracting and consulting expenses	(42.0)	(7.3)	(6.3)	(27.2)	(7.1)	(6.5)	(48.7)	(145.1)	(4.7)	(24.8)	(7.0)	(1.1)	-	(37.6)	(182.7)
Freight expenses	(60.2)	(9.5)	(0.1)	(1.4)	-	-	-	(71.2)	(39.4)	(1.5)	-	-	-	(40.9)	(112.1)
Royalties	(13.0)	(22.0)	(4.5)	(0.3)	-	-	-	(39.8)	(11.5)	(1.1)	-	-	-	(12.6)	(52.4)
Share of net loss of associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	(5.5)	(5.5)	-	-	-	-	-	-	(5.5)
Other expenses	(38.9)	(0.2)	(4.8)	(2.2)	(20.2)	(0.6)	(33.7)	(100.6)	(8.9)	3.1	(5.1)	(0.4)	-	(11.3)	(111.9)
(Loss)/profit before net financing costs, depreciation and amortisation, impairment of assets and income tax	(2.9)	330.0	27.4	(16.2)	(27.9)	-	(69.8)	240.6	64.0	1.0	35.7	22.3	33.1	156.1	396.7
Depreciation and amortisation	(145.2)	(27.4)	(27.8)	(8.4)	(0.2)	-	(3.5)	(212.5)	(62.9)	(19.2)	(8.4)	-	-	(90.5)	(303.0)
Impairment of assets	(265.0)	-	(35.0)	(135.0)	(506.8)	(281.7)	(158.1)	(1,381.6)	(229.0)	(245.0)	(251.0)	(216.4)	(143.0)	(1,084.4)	(2,466.0)
(Loss)/profit before net financing costs and income tax	(413.1)	302.6	(35.4)	(159.6)	(534.9)	(281.7)	(231.4)	(1,353.5)	(227.9)	(263.2)	(223.7)	(194.1)	(109.9)	(1,018.8)	(2,372.3)
Financial income	-	1.5	0.7	0.1	-	-	16.9	19.2	0.3	-	7.6	-	-	7.9	27.1
Financial expenses	(4.2)	(3.0)	(1.2)	(0.1)	(0.6)	-	(33.7)	(42.8)	(1.6)	(1.3)	(1.1)	-	-	(4.0)	(46.8)
Net financial income/(expenses)	(4.2)	(1.5)	(0.5)	-	(0.6)	-	(16.8)	(23.6)	(1.3)	(1.3)	6.5	-	-	3.9	(19.7)
(Loss)/profit before income tax	(417.3)	301.1	(35.9)	(159.6)	(535.5)	(281.7)	(248.2)	(1,377.1)	(229.2)	(264.5)	(217.2)	(194.1)	(109.9)	(1,014.9)	(2,392.0)
Income tax (expense)/benefit	-	-	-	-	-	-	(113.4)	(113.4)	-	-	-	-	-	20.5	(92.9)
(Loss)/profit for the year	(417.3)	301.1	(35.9)	(159.6)	(535.5)	(281.7)	(248.2)	(1,377.1)	(229.2)	(264.5)	(217.2)	(194.1)	(109.9)	(1,014.9)	(2,392.0)
Total assets	1,339.2	891.1	25.0	93.8	26.7	3.8	423.7	2,803.3	384.6	231.4	1,638.3	223.6	34.7	2,512.6	5,315.9
Total liabilities	(199.6)	(483.3)	-	(9.0)	(19.8)	(0.8)	(952.4)	(1,664.9)	(107.0)	(100.6)	(194.7)	(18.7)	-	(421.0)	(2,085.9)
Net assets	1,139.6	407.8	25.0	84.8	6.9	3.0	(528.7)	1,138.4	277.6	130.8	1,443.6	204.9	34.7	(2,091.6)	3,230.0
Investment in equity accounted investees	-	-	-	-	-	-	28.7	28.7	-	-	-	-	-	-	28.7
Additions to mine property, property, plant & equipment	178.3	239.6	102.7	26.6	0.8	1.2	3.0	552.2	125.1	27.0	695.9	100.5	-	948.5	1,500.7
Additions to intangible assets	-	0.4	0.1	-	-	-	2.1	2.6	0.1	-	0.2	-	-	0.3	2.9

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

3 Operating segments (continued)

All amounts are in AUD millions	Century Mine		Sepon Copper Mine		Sepon Gold Mine		Avebury Mine		Canadian Project		Dugald River Project		Other Continuing Operations		Total Continuing Operations		Rosebery Mine		Prominent Hill Mine		Martabe Project		Other Discontinued Operations		Total Discontinued Operations		Group	
2007																												
Revenues	-	513.6	89.0	-	-	-	-	-	-	-	-	-	-	602.6	494.9	-	-	-	-	-	-	-	-	28.9	523.8	1,126.4	-	1,126.4
Net foreign exchange gains/(losses)	-	-	1.2	0.6	-	-	-	-	-	-	-	-	49.0	50.8	(29.7)	-	-	-	-	-	-	-	(7.3)	-	(55.1)	(4.3)	-	(4.3)
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in inventories	-	(1.0)	(1.0)	-	-	-	-	-	-	-	-	-	-	(2.0)	12.3	-	-	-	-	-	-	-	-	-	12.3	10.3	-	10.3
Raw materials, consumables and other direct costs	-	(46.5)	(27.1)	-	-	-	-	-	-	-	-	-	(1.0)	(74.6)	(134.4)	-	-	-	-	-	-	-	-	(24.6)	(159.0)	(233.6)	-	(233.6)
Employee benefit expenses	-	(36.0)	(19.4)	-	-	-	-	-	-	-	-	(26.3)	(81.7)	(81.7)	(38.1)	-	-	-	-	-	-	-	(0.1)	-	(38.2)	(119.9)	-	(119.9)
Contracting and consulting expenses	-	(2.3)	(7.4)	-	-	-	-	-	-	-	-	(21.8)	(31.5)	(31.5)	(1.0)	-	-	-	-	-	-	-	(0.3)	-	(6.2)	(37.7)	-	(37.7)
Freight expenses	-	-	(2.1)	-	-	-	-	-	-	-	-	(10.5)	(12.6)	(12.6)	(31.6)	-	-	-	-	-	-	-	-	-	(31.6)	(44.2)	-	(44.2)
Royalties	-	(22.9)	(4.0)	-	-	-	-	-	-	-	-	-	(26.9)	(26.9)	(21.2)	-	-	-	-	-	-	-	-	-	(21.2)	(48.1)	-	(48.1)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	(1.9)	(1.9)	(1.9)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.9)
Other expenses	-	(14.2)	(7.6)	-	-	-	-	-	-	-	-	4.1	(17.7)	(17.7)	(22.1)	-	-	-	-	-	-	-	(2.7)	0.2	(27.8)	(45.5)	-	(45.5)
(Loss)/profit before net financing costs, depreciation and amortisation, impairment of assets and income tax		391.9	21.0									(8.4)	404.5	229.1	(26.2)	(10.4)	4.5								197.0	601.5		601.5
Depreciation and amortisation	-	(27.6)	(31.0)	-	-	-	-	-	-	-	-	(2.1)	(60.7)	(40.4)	-	-	-	-	-	-	-	-	(0.1)	(13.5)	(54.0)	(114.7)	-	(114.7)
Impairment of assets	-	(0.3)	(0.1)	-	-	-	-	-	-	-	-	(1.1)	(1.5)	(0.5)	-	-	-	-	-	-	-	-	-	-	(0.5)	(2.0)	-	(2.0)
(Loss)/profit before net financing costs and income tax		364.0	(10.1)									(11.6)	342.3	188.2	(26.2)	(10.5)	(9.0)								142.5	484.8		484.8
Financial income	-	4.8	2.3	-	-	-	-	-	-	-	-	-	7.1	13.4	4.9	-	-	-	-	-	-	-	-	-	18.3	25.4	-	25.4
Financial expenses	-	(9.6)	(5.1)	-	-	-	-	-	-	-	-	(8.1)	(22.8)	(17.8)	(2.9)	-	-	-	-	-	-	-	-	-	(20.7)	(43.5)	-	(43.5)
Net financial income/(expenses)	-	(4.8)	(2.8)	-	-	-	-	-	-	-	-	(8.1)	(15.7)	(4.4)	2.0	-	-	-	-	-	-	-	-	-	(2.4)	(18.1)	-	(18.1)
(Loss)/profit before income tax		359.2	(12.9)									(19.7)	326.6	183.8	(24.2)	(10.5)	(9.0)								140.1	466.7		466.7
Income tax (expense)/benefit	-	-	-	-	-	-	-	-	-	-	-	(86.2)	(86.2)	-	-	-	-	-	-	-	-	-	-	-	(62.3)	(148.5)	-	(148.5)
(Loss)/profit for the year												240.4	240.4	188.2	(10.5)	(9.0)									77.8	318.2		318.2
Total assets	-	501.7	168.5	-	-	-	-	-	-	-	-	395.6	1,065.8	389.3	650.1	322.2	-	-	-	-	-	-	-	-	1,361.6	2,427.4	-	2,427.4
Total liabilities	-	(96.4)	(52.3)	-	-	-	-	-	-	-	-	(531.2)	(679.9)	(91.4)	(42.3)	(48.5)	-	-	-	-	-	-	-	-	(182.2)	(862.1)	-	(862.1)
Net assets		405.3	116.2									(135.6)	385.9	297.9	607.8	273.7									1,179.4	1,565.3		1,565.3
Investment in equity accounted investees	-	-	-	-	-	-	-	-	-	-	-	148.3	148.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148.3
Additions to mine property, plant & equipment	-	70.9	38.2	-	-	-	-	-	-	-	-	6.7	115.8	104.8	483.5	22.5	-	-	-	-	-	-	-	-	610.8	726.6	-	726.6
Additions to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

3 Operating segments (continued)

Geographical areas	Australia A\$m	Asia A\$m	Group A\$m
31 December 2008			
Sales to external customers	629.1	589.3	1,218.4
Investments accounted for using the equity method	28.7	–	28.7
Property, plant and equipment	3,159.3	1,005.1	4,164.4
Intangible assets	4.6	–	4.6
31 December 2007			
Sales to external customers	523.8	602.6	1,126.4
Investments accounted for using the equity method	148.3	–	148.3
Property, plant and equipment	1,089.3	650.4	1,739.7
Intangible assets	2.4	44.4	46.8

4 Acquisition of business

(a) Zinifex Limited

On 3 March 2008, the Directors of OZ Minerals Limited (formerly Oxiana Limited) and Zinifex Limited, which was renamed OZ Minerals Holdings Limited, announced that they had reached an agreement for the merger of OZ Minerals Limited and Zinifex Limited ("the merger"). Following approval of the merger by the Zinifex Limited shareholders and the Court on 16 June 2008 and 20 June 2008 respectively, the merger was implemented on 1 July 2008 by way of a scheme of arrangement between Zinifex Limited and its shareholders. Under the terms of the merger, OZ Minerals Limited paid Zinifex Limited shareholders 3.1931 ordinary shares for each Zinifex Limited ordinary share held, resulting in Zinifex Limited shareholders receiving ordinary shares in OZ Minerals Limited equivalent to approximately a 50 per cent interest in the merged company called OZ Minerals Limited. Zinifex Limited became a wholly owned subsidiary of OZ Minerals Limited on 1 July 2008 and was delisted from the ASX on 2 July 2008.

Zinifex Limited was a zinc and lead mining, exploration and development company. Refer to Note 1(ad) for the accounting policy for business combinations.

The provisional values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values at the date of acquisition. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition.

The consolidated entity undertook a detailed review to determine the fair value of assets, liabilities and contingent liabilities recognised on the date of acquisition. This review included engaging an external third party to determine the fair values of the cash-generating units ('CGUs') of Zinifex, resulting in the reallocation of mineral rights within CGUs, the recognition of a deferred tax liability and goodwill at the date of acquisition.

The details of the provisional fair values at the date of acquisition and additional fair value adjustments made at 31 December 2008 are set out below:

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

4 Acquisition of business (continued)

(a) Zinifex Limited (continued)

	Book values reflected by Zinifex at 1-Jul-08 A\$m	Provisional fair value adjustments at 1-Jul-08 A\$m	Provisional values recognised on acquisition at 1-Jul-08 A\$m	Adjustments to provisional fair values at 1-Jul-08 A\$m	Adjusted fair values at 1-Jul-08 A\$m
Cost of acquisition					
Fair value of issued shares (1,554,756,421 shares)	3,980.2	–	3,980.2	–	3,980.2
Acquisition costs	43.0	–	43.0	–	43.0
Total cost of acquisition	4,023.2	–	4,023.2	–	4,023.2
Fair values of assets and liabilities					
Cash and cash equivalents	1,173.5	–	1,173.5	–	1,173.5
Trade and other receivables	98.2	–	98.2	–	98.2
Inventories	153.3	–	153.3	–	153.3
Current tax assets	30.6	–	30.6	–	30.6
Other financial assets	150.1	–	150.1	–	150.1
Property, plant and equipment	1,646.0	541.5	2,187.5	(152.0)	2,035.5
Intangible assets	226.0	304.3	530.3	152.0	682.3
Deferred tax assets	311.2	–	311.2	–	311.2
Trade and other payables	(214.0)	–	(214.0)	–	(214.0)
Current tax payable	(37.3)	–	(37.3)	–	(37.3)
Provisions	(148.2)	–	(148.2)	–	(148.2)
Deferred tax liabilities	(47.7)	–	(47.7)	(60.0)	(107.7)
Interest-bearing liabilities	(164.3)	–	(164.3)	–	(164.3)
	3,177.4	845.8	4,023.2	(60.0)	3,963.2
Goodwill	–	–	–	60.0	60.0
	3,177.4	845.8	4,023.2	–	4,023.2
Cash flow attributable to acquisition of Zinifex Limited					
Acquisition costs	(43.0)	–	(43.0)	–	(43.0)
Net cash acquired	1,173.5	–	1,173.5	–	1,173.5
Net cash inflow	1,130.5	–	1,130.5	–	1,130.5

Pro-forma results

A pro-forma consolidated results of operations of the consolidated entity for continuing operations for the year ended 31 December 2008, assuming, as required by the accounting standards, that the acquisition of Zinifex occurred as at 1 January 2008 and not 1 July 2008 is set out below. The pro-forma financial information does not necessarily represent what would have occurred if the transaction had taken place on 1 January 2008, and should not be taken as representative of the consolidated entity's future consolidated results of operations or financial position. The pro-forma information does not include all costs relating to the integration of Zinifex and the consolidated entity.

The pro-forma information includes the historical operating results of the consolidated entity, adjusted to give effect to the acquisition of Zinifex Limited at 1 January 2008. The net loss after tax included in the consolidated results relating to Zinifex entities from continuing operations since acquisition date amounted to A\$1,433.6 million, including an impairment loss of A\$1,054.0 million.

	OZ Minerals consolidated A\$m	Pro-forma adjustments for Zinifex A\$m	Pro-forma consolidated entity A\$m
Revenue from continuing operations	879.2	370.6	1,249.8
Profit before net financing (expense)/income, depreciation and amortisation, impairment of assets and income tax from continuing operations	240.6	(46.9)	193.7
Loss for the period from continuing operations	(1,490.5)	128.8	(1,361.7)

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

4 Acquisition of business (continued)

(b) Agincourt Resources Limited

The consolidated entity acquired Agincourt Resources Limited ("Agincourt") in the previous financial period. The date of acquisition was 21 March 2007. At the date of acquisition, the acquired entities were involved in mining, exploration and evaluation activities.

On 1 August 2007 the consolidated entity sold the Wiluna gold mining and processing operation acquired as part of the Agincourt acquisition to Apex Minerals NL ("Apex") in exchange for cash and shares in Apex.

In October 2007 the consolidated entity accepted an off-market takeover offer by Toro Energy Limited ("Toro") and disposed of all of its shares in Nova Energy Limited ("Nova"), a controlled entity acquired as part of the acquisition of Agincourt. As a result the consolidated entity received 191,517,860 shares in Toro which increased its holdings to a 46 per cent investment in Toro. Refer to Note 16 for accounting of the investment in Toro.

The provisional values of assets, liabilities and contingent liabilities recognised on acquisition were their estimated fair values at the date of acquisition. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition. The details of the final fair values, which were equal to the provisional fair values at the date of acquisition, are set out below:

	Book values reflected by Agincourt A\$m	Fair value adjustments A\$m	Final fair values A\$m
Cost of acquisition			
Fair value of issued shares (144,764,528 shares)	401.9	–	401.9
Cash paid	13.5	–	13.5
Acquisition costs	11.9	–	11.9
Total cost of acquisition	427.3	–	427.3
Fair values of assets and liabilities			
Cash and cash equivalents	7.4	–	7.4
Trade and other receivables	8.5	–	8.5
Inventories	6.7	(2.8)	3.9
Other current assets	0.7	–	0.7
Property, plant and equipment	177.6	382.2	559.8
Trade and other payables	(12.3)	–	(12.3)
Derivative financial instruments	(16.4)	–	(16.4)
Provisions	(11.1)	–	(11.1)
Deferred tax liabilities	–	(113.7)	(113.7)
Interest-bearing liabilities	(11.6)	–	(11.6)
Minority interest	(2.2)	(99.4)	(101.6)
	147.3	166.3	313.6
Goodwill	–	113.7	113.7
	147.3	280.0	427.3
Cash flow attributable to acquisition of Agincourt Resources Limited			
Cash paid	(13.5)	–	(13.5)
Acquisition costs accrual	(11.9)	–	(11.9)
Acquisition costs outstanding	9.4	–	9.4
Net cash acquired	7.4	–	7.4
Net cash outflow	(8.6)	–	(8.6)

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

5 Discontinued operations and assets held for sale

(a) Discontinued operations

(i) *Operations classified as held for sale and discontinued operations during current period*

The consolidated entity was pursuing asset sales and was examining expressions of interest for a number of its assets to repay or reduce its debt facilities at 31 December 2008, as stated in Note 1(c)(i). Management was committed to a plan to sell the following assets. Except for the investment in Nyrstar, these assets formed individual operating segments at 31 December 2008:

- Prominent Hill operating segment
- Golden Grove operating segment
- Martabe operating segment
- Rosebery operating segment
- Investment in Nyrstar

At 31 December 2008, these assets have been classified as discontinued operations and represent assets held for sale.

	Total discontinued operations	
	2008	2007
	A\$m	A\$m
Results of discontinued operations		
Revenue	339.2	523.8
Impairment of assets	(1,084.4)	-
Expenses	(273.6)	(375.0)
(Loss)/profit before net financing costs and income tax	(1,018.8)	148.8
Net financing income/(costs)	3.9	(2.4)
(Loss)/profit before income tax	(1,014.9)	146.4
Income tax benefit/(expense)	20.5	(62.3)
Net (loss)/profit attributable to discontinued operations	(994.4)	84.1
Net (loss) attributable to discontinued operations for Wiluna as set out in Note 5(a)(ii)	-	(6.3)
Total	(994.4)	77.8

The Company did not have any discontinued operations for the years ended 31 December 2007 and 31 December 2008.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

5 Discontinued operations and assets held for sale (continued)

(a) Discontinued operations (continued)

	Total discontinued operations before eliminations	Eliminations between continuing & discontinued operations	Total discontinued operations after eliminations
	2008 A\$m	2008 A\$m	2008 A\$m
<i>Carrying amount of asset and liabilities held for sale</i>			
Consolidated			
Cash and cash equivalents	49.0	–	49.0
Trade and other receivables – external entities	72.4	–	72.4
Inventories	240.9	–	240.9
Other financial assets	34.7	–	34.7
Prepayments	3.6	–	3.6
Property, plant and equipment	2,111.2	–	2,111.2
Intangible assets	0.8	–	0.8
Total assets	2,512.6	–	2,512.6
Trade and other payables – external entities	160.6	–	160.6
Borrowings payable to continuing operations	2,089.4	(2,089.4)	–
Current tax payable	30.5	–	30.5
Deferred tax liabilities	136.6	–	136.6
Provisions	93.3	–	93.3
Total liabilities	2,510.4	(2,089.4)	421.0
Net assets	2.2	2,089.4	2,091.6

Cash flow attributable to discontinued operations

	2008 A\$m	2008 A\$m	2008 A\$m
Net cash (outflows) from operating activities	(50.9)	–	(50.9)
Net cash (outflows) from investing activities – external	(1,146.0)	–	(1,146.0)
Net cash (outflows) from investing activities with continuing operations	1,161.0	(1,161.0)	–
Net cash (outflows) from financing activities	–	–	–
Net cash provided by discontinued operations	(35.9)	(1,161.0)	(1,196.9)
	2007 A\$m	2007 A\$m	2007 A\$m
Net cash inflows from operating activities	225.5	–	225.5
Net cash (outflows) from investing activities – external	(684.6)	–	(684.6)
Net cash (outflows) from investing activities with continuing operations	426.0	(426.0)	–
Net cash (outflows) from financing activities	(170.9)	–	(170.9)
Net cash provided by discontinued operations	(204.0)	(426.0)	(630.0)

The discontinued operations do not have any external borrowings at 31 December 2008. They are financed by the continuing operations which have external borrowings as set out in Note 21.

	Assets held for sale before eliminations	Eliminations between continuing & discontinued operations	Assets held for sale after eliminations
Company			
Receivables from controlled entities due to continuing operations	997.5	–	997.5
Other financial assets and liabilities	7.2	–	7.2
Net assets	1,004.7	–	1,004.7

The cash flows attributable to discontinued operations did not have any impact on the statement of cash flows of the Company for the years ended 31 December 2007 and 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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5 Discontinued operations and assets held for sale (continued)

(ii) Operations classified as held for sale and discontinued operations during prior period

During the prior period, the consolidated entity sold the Wiluna gold mining and processing operation on 1 August 2007, which was acquired as part of the Agincourt Resources Ltd acquisition to Apex Minerals NL ("Apex") in exchange for cash, receivables and shares in Apex. Financial information relating to the discontinued operations is as follows:

Results of discontinued operations

Revenue	–	28.9	–	–
Expenses	–	(37.9)	–	–
Loss before net financing costs and income tax	–	(9.0)	–	–
Net financing income	–	–	–	–
Loss before income tax	–	(9.0)	–	–
Income tax benefit	–	2.7	–	–
Net loss attributable to discontinued operations	–	(6.3)	–	–

Gain on sale

Consideration received – cash	–	19.2	–	–
Consideration received – shares in Apex Minerals NL	–	10.0	–	–
Total consideration	–	29.2	–	–
Less carrying amount of net assets sold	–	(29.2)	–	–
Gain on sale of discontinued operations after income tax	–	–	–	–

Total loss after tax from discontinued operations	–	(6.3)	–	–
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Carrying amount of asset and liabilities disposed of

Property, plant and equipment	–	34.7	–	–
Other assets	–	2.0	–	–
Total assets	–	36.7	–	–
Provisions	–	(6.7)	–	–
Other liabilities	–	(0.8)	–	–
Total liabilities	–	(7.5)	–	–
Net assets	–	29.2	–	–

Cash flow attributable to discontinued operations

Net cash outflows from operating activities	–	(5.8)	–	–
Net cash outflows from investing activities	–	(14.4)	–	–
Net cash outflows from financing activities	–	–	–	–
Net cash provided by discontinued operations	–	(20.2)	–	–

Net proceeds from disposal of discontinued operations

Total consideration received or receivable	–	29.2	–	–
Less non-cash consideration (shares in Apex Minerals NL)	–	(10.0)	–	–
Net proceeds from disposal of discontinued operations	–	19.2	–	–

(b) Disposal of controlled entities

In March 2007, the consolidated entity acquired a 57 per cent interest in Nova Energy Limited ("Nova"), as part of the acquisition of Agincourt Resources Limited and subsequently disposed of Nova during October 2007 in an off-market takeover bid for shares in Toro Energy Limited. Refer to Note 4. Financial information relating to the disposal of Nova is as follows:

Consideration received – shares in Toro Energy Limited	–	143.3	–	–
Carrying amount of net assets sold	–	(143.3)	–	–
	–	–	–	–

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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6 Revenue from continuing operations

Sale of concentrate and metal	879.2	602.6	–	–
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7 Other income from continuing operations

Net loss on disposal of property, plant and equipment	(0.4)	–	–	–
Other income	4.5	–	22.6	0.3
Dividends from controlled entities	–	–	110.6	348.0
	4.1	–	133.2	348.3

8 Expenses from continuing operations

Loss before income tax includes the following specific expenses:

Exploration and evaluation expenditure	48.3	37.7	0.7	7.0
Fair value losses on interest-rate swaps	16.3	1.4	–	–
Contributions to defined contribution plans	6.5	5.2	1.7	1.1

9 Net financing (expense)/income from continuing operations

Financing income

Interest income from cash and cash equivalents	19.2	7.1	9.5	17.9
Total financing income	19.2	7.1	9.5	17.9

Financing expenses

Interest and finance charges paid/payable	36.9	20.2	26.9	11.4
Unwind of discount on long-term provisions	5.9	2.6	–	–
Total financing expenses	42.8	22.8	26.9	11.4
Net financing (expenses)/income	(23.6)	(15.7)	(17.4)	6.5

10 Individually significant items

The individually significant items for the consolidated entity were as follows:

Consolidated entity 2008	Continuing operations			Discontinued operations		
	Pre-tax A\$m	Tax impact A\$m	Post tax A\$m	Pre-tax A\$m	Tax impact A\$m	Post tax A\$m
Impairment of property, plant and equipment	447.7	–	447.7	897.0	(44.4)	852.6
Impairment of intangible mineral rights	715.8	(111.8)	604.0	–	–	–
Impairment of goodwill	60.0	–	60.0	44.4	–	44.4
Impairment of available-for-sale financial assets	32.0	–	32.0	143.0	–	143.0
Impairment of equity accounted investments	126.1	–	126.1	–	–	–
Total impairment	1,381.6	(111.8)	1,269.8	1,084.4	(44.4)	1,040.0
Derecognition of tax losses	–	228.0	228.0	–	–	–
Expenses incurred in relation to the restructure	30.8	(9.3)	21.5	1.1	(0.3)	0.8
Expenses incurred in relation to the integration	21.7	(6.5)	15.2	–	–	–
Total of individually significant items	1,434.1	100.4	1,534.5	1,085.5	(44.7)	1,040.8

The total post-tax impairment for the continuing and discontinued operations was \$2,309.8 million. The total post-tax individually significant items for the continuing and discontinued operations was \$2,575.3 million.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

10 Individually significant items (continued)

Total impairment by asset is as follows:

2008	Pre-tax impairment A\$m	Tax impact A\$m	Post-tax impairment A\$m	Method of valuation
Continuing operations				
Canada	506.8	(111.8)	395.0	Value in use, using a discount rate of 8% (real post-tax)
Dugald River	281.7	–	281.7	Value in use, using a discount rate of 8% (real post-tax)
Sepon Gold	35.0	–	35.0	Value in use, using a discount rate of 8% (real post-tax)
Avebury	135.0	–	135.0	Fair value less cost to sell, based on bids received
Century	265.0	–	265.0	Value in use, using a discount rate of 8% (real post-tax)
Sepon Copper	–	–	–	Value in use, using a discount rate of 8% (real post-tax)
Investment in Toro	126.1	–	126.1	Based on Toro share price
Other investments and other corporate assets	32.0	–	32.0	Based on share price and internal assessment
Sub-total continuing operations	1,381.6	(111.8)	1,269.8	
Discontinued operations				
Rosebery	245.0	–	245.0	Fair value less cost to sell, based on bids received
Golden Grove	229.0	–	229.0	Fair value less cost to sell, based on bids received
Martabe	216.4	(44.4)	172.0	Fair value less cost to sell, based on bids received
Prominent Hill	251.0	–	251.0	Fair value less cost to sell, based on internal valuation, using a discount rate of 8% (real post-tax)
Investment in Nyrstar	143.0	–	143.0	Based on Nyrstar share price
Sub-total discontinued operations	1,084.4	(44.4)	1,040.0	
Total impairment	2,466.0	(156.2)	2,309.8	

The consolidated entity performs an impairment assessment when there is an indication of a possible impairment and annual impairment testing for goodwill and intangible assets with indefinite useful lives, regardless of whether there is a triggering event. A detailed impairment assessment was performed at 31 December 2008, which was triggered by the fall in the consolidated entity's market capitalisation below its net assets value coupled with the adverse market conditions in the second half of 2008.

The majority of assets were analysed for asset impairment purposes on a cash-generating unit basis.

For the cash-generating units that are continuing operations, the impairment assessment was performed using a variety of data, including valuations provided by an external party engaged by the consolidated entity and internal valuations based on Board approved budgets. In assessing the recoverable amount of these assets, the consolidated entity makes a number of important assumptions, including assumptions regarding commodity prices, foreign exchange rates and risk adjustments to future cash flows. Commodity price expectations, exchange rates, reserves and resources, and expectations regarding future operating performance can change significantly over short periods of time, which can have a significant impact on the carrying amount of assets. In the current economic environment of volatile exchange rates, low and volatile commodity prices and, constrained capital availability the consolidated entity considered information available from industry analysts, commentators and analysis performed by an external valuer in relation to short and long-term commodity prices and forward exchange rates.

The projected cash flows for these cash-generating units were discounted to present values using discount rates specific to the asset as shown above. These discount rates were selected having regard to estimates of costs of capital and the rates of return that may be required by equity market investors, and reflect real, post-tax discount rates.

For the cash-generating units that were classified as held for sale at 31 December 2008, the impairment assessment was based on the asset's fair value less costs to sell. The fair value less costs to sell was based on bid prices received, or internal valuation in the case of Prominent Hill of the amount that could be obtained from the disposal of the cash-generating unit in an arm's length transaction.

The consolidated entity's investment in available-for-sale financial assets (including the investment in Nyrstar) and the investment accounted for using the equity method (investment in Toro) are in publicly listed entities. The recoverable amounts of these assets were determined based on the listed entity's share price at 31 December 2008.

Pursuant to the impairment of the cash-generating units as set out above, the parent entity also recognised an impairment loss of A\$3,857.9 million in relation to its investments in its controlled entities of A\$3,738.8 million and receivables from controlled entities of A\$119.1 million.

The impairment recognised by the consolidated entity in 2007 was A\$1.5 million and by the parent company was nil.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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11 Income tax

(a) Income tax benefit/(expense) recognised in the income statement

Current income tax (expense)/benefit		(144.3)	(61.6)	(16.0)	5.8
Deferred income tax (expense)/benefit		40.4	(88.4)	30.7	3.2
(Under)/over provision from prior year		11.0	1.5	7.7	1.5
Income tax benefit/(expense)		(92.9)	(148.5)	22.4	10.5

Income tax benefit/(expense) is attributable to:

(Loss)/profit from continuing operations		(113.4)	(86.2)	22.4	10.5
(Loss)/profit from discontinuing operations		20.5	(62.3)	–	–
Income tax benefit/(expense)		(92.9)	(148.5)	22.4	10.5

Deferred income tax benefit/(expense) included in income tax (expense)/benefit comprises:

Increase/(decrease) in deferred tax assets		(76.1)	5.8	18.5	7.3
Decrease/(increase) in deferred tax liabilities		116.5	(94.2)	12.2	(4.1)
Total deferred income tax benefit/(expense)		40.4	(88.4)	30.7	3.2

(b) Numerical reconciliation of income tax (expense)/benefit to pre-tax net profit

(Loss)/profit from continuing operations before income tax		(1,377.1)	326.6	(3,792.8)	387.9
(Loss)/profit from discontinued operations before income tax		(1,014.9)	140.1	–	–
Total (loss)/profit before income tax		(2,392.0)	466.7	(3,792.8)	387.9

Income tax benefit/(expense) at the Australian tax rate of 30 per cent		717.6	(140.0)	1,137.8	(116.4)
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:					
Non-taxable/(deductible) amounts		(8.2)	(2.2)	–	(0.5)
Non-taxable dividends		–	–	33.1	104.4
		709.4	(142.2)	1,170.9	(12.5)

Difference in overseas tax rates		(10.0)	(10.7)	–	–
Over provision for previous years		11.0	1.5	7.7	1.5
Derecognition of tax losses		(228.0)	–	–	–
Derecognition of deferred tax assets in relation to impairment of assets		(739.8)	–	(1,157.4)	–
Write-back of net deferred tax liabilities		164.5	2.9	–	–
Other		–	–	1.2	21.5
Income tax benefit/(expense)		(92.9)	(148.5)	22.4	10.5

(c) Deferred tax assets and liabilities

The deferred tax assets and liabilities for the consolidated entity are set out in the table below.

The consolidated entity recognises deferred tax assets for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

A detailed assessment was performed at 31 December 2008 having regard to the recent adverse market conditions in the second half of 2008. The assessment was based on internal cash flow models using Board approved budgets and assumptions regarding commodity prices, foreign exchange rates and risk adjustments to future cash flows. Pursuant to this assessment, the consolidated entity derecognised tax losses of \$228.0 million (tax-effected) associated with carry forward tax losses and derecognised \$739.8 million (tax-effected) of deferred tax asset with respect to deductible temporary differences.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

11 Income tax (continued)

(c) Deferred tax assets and liabilities (continued)

Consolidated

	Opening balance	Recognised in profit or loss	Recognised in equity	Acquired through business combination	Closing balance	Included in assets held for sale	Continued operations
Consolidated 2008 A\$m							
Deferred tax assets							
Employee benefits	29.6	4.2	(19.0)	12.2	27.0	–	27.0
Debt instruments	–	–	–	–	–	–	–
Investments	–	6.0	–	–	6.0	–	6.0
Inventories	–	(2.7)	–	1.9	(0.8)	–	(0.8)
Capital raising costs	3.6	(2.5)	–	–	1.1	–	1.1
Provisions	5.8	(13.2)	–	31.5	24.1	–	24.1
Unrealised foreign exchange	(1.9)	35.6	–	–	33.7	–	33.7
Tax losses	6.5	(86.3)	–	244.3	164.5	–	164.5
Other	5.3	(17.2)	(2.6)	21.3	6.8	–	6.8
	48.9	(76.1)	(21.6)	311.2	262.4	–	262.4
Set-off of deferred tax liabilities	(48.4)	–	–	–	–	–	–
Net recognised deferred tax assets	0.5	–	–	–	262.4	–	262.4
Deferred tax liabilities							
Depreciation and amortisation	153.2	(3.4)	–	(4.4)	145.4	(129.1)	16.3
Capital raising costs	2.6	–	(2.6)	–	–	–	–
Convertible note option	7.1	(8.9)	(2.5)	–	(4.3)	–	(4.3)
Unrealised foreign exchange	–	7.3	–	–	7.3	(7.3)	–
Mineral rights	–	(111.8)	–	111.8	–	–	–
Other	5.2	0.3	–	0.3	5.8	(0.2)	5.6
	168.1	(116.5)	(5.1)	107.7	154.2	(136.6)	17.6
Set-off against deferred tax assets	(48.4)	–	–	–	–	–	–
Net deferred tax liabilities	119.7	–	–	–	154.2	(136.6)	17.6
Consolidated 2007 A\$m							
Deferred tax assets							
Employee benefits	2.1	1.0	26.5	–	29.6	–	29.6
Debt instruments	(2.1)	2.1	–	–	–	–	–
Investments	–	–	–	–	–	–	–
Inventories	–	–	–	–	–	–	–
Capital raising costs	3.6	–	–	–	3.6	–	3.6
Provisions	4.9	0.9	–	–	5.8	–	5.8
Unrealised foreign exchange	1.1	(3.0)	–	–	(1.9)	–	(1.9)
Tax losses	2.1	4.4	–	–	6.5	–	6.5
Other	4.9	0.4	–	–	5.3	–	5.3
	16.6	5.8	26.5	–	48.9	–	48.9
Set-off of deferred tax liabilities	(11.0)	–	–	–	(48.4)	–	(48.4)
Net recognised deferred tax assets	5.6	–	–	–	0.5	–	0.5
Deferred tax liabilities							
Depreciation and amortisation	63.8	89.4	–	–	153.2	–	153.2
Capital raising costs	1.7	0.9	–	–	2.6	–	2.6
Convertible note option	7.1	–	–	–	7.1	–	7.1
Mineral rights	–	–	–	–	–	–	–
Other	1.2	3.9	0.1	–	5.2	–	5.2
	73.8	94.2	0.1	–	168.1	–	168.1
Set-off against deferred tax assets	(11.0)	–	–	–	(48.4)	–	(48.4)
Net deferred tax liabilities	62.8	–	–	–	119.7	–	119.7

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

11 Income tax (continued)

(c) Deferred tax assets and liabilities (continued)

Company

	Opening balance	Recognised in profit or loss	Recognised in equity	Acquired through business combination	Closing balance	Included in assets held for sale	Continued operations
Company 2008 A\$m							
Deferred tax assets							
Employee benefits	28.0	(7.0)	(19.0)	–	2.0	–	2.0
Debt instruments	0.3	(0.1)	–	–	0.2	–	0.2
Capital raising costs	3.6	(2.5)	–	–	1.1	–	1.1
Investments	–	4.3	–	–	4.3	–	4.3
Tax losses	6.5	24.0	–	–	30.5	–	30.5
Other	2.3	(0.2)	–	–	2.1	–	2.1
	40.7	18.5	(19.0)	–	40.2	–	40.2
Set-off of deferred tax liabilities	(14.0)	–	–	–	–	–	–
Net recognised deferred tax assets	26.7	–	–	–	40.2	–	40.2
Deferred tax liabilities							
Debt instruments	2.2	(2.2)	–	–	–	–	–
Capital raising costs	3.0	1.3	–	–	4.3	–	4.3
Unrealised foreign exchange	1.7	(1.7)	–	–	–	–	–
Convertible note option	7.1	(9.6)	(1.8)	–	(4.3)	–	(4.3)
Other	–	–	–	–	–	–	–
	14.0	(12.2)	(1.8)	–	–	–	–
Set-off against deferred tax assets	(14.0)	–	–	–	–	–	–
Net recognised deferred tax liabilities	–	–	–	–	–	–	–
Company 2007 A\$m							
Deferred tax assets							
Employee benefits	1.1	0.5	26.4	–	28.0	–	28.0
Debt instruments	0.2	0.1	–	–	0.3	–	0.3
Capital raising costs	3.6	–	–	–	3.6	–	3.6
Investments	–	2.3	–	–	2.3	–	2.3
Tax losses	2.1	4.4	–	–	6.5	–	6.5
Other	–	–	–	–	–	–	–
	7.0	7.3	26.4	–	40.7	–	40.7
Set-off of deferred tax liabilities	(7.0)	–	–	–	(14.0)	–	(14.0)
Net recognised deferred tax assets	–	–	–	–	26.7	–	26.7
Deferred tax liabilities							
Debt instruments	(0.4)	2.6	–	–	2.2	–	2.2
Capital raising costs	2.3	0.7	–	–	3.0	–	3.0
Unrealised foreign exchange	–	1.7	–	–	1.7	–	1.7
Convertible note option	7.1	–	–	–	7.1	–	7.1
Other	0.7	(0.9)	0.2	–	–	–	–
	9.7	4.1	0.2	–	14.0	–	14.0
Set-off against deferred tax assets	(7.0)	–	–	–	(14.0)	–	(14.0)
Net recognised deferred tax liabilities	2.7	–	–	–	–	–	–

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11 Income tax (continued)

(d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax losses (tax-effected)	246.4	18.4	246.4	18.4
Deductible temporary differences (tax-effected)	741.1	1.3	1,158.7	1.3
	987.5	19.7	1,405.1	19.7

12 Dividends

(a) Ordinary shares

Unfranked dividend for the year ended 31 December 2008 of 5.0 cents per fully paid share, paid on 29 September 2008	156.1	–	156.1	–
Unfranked dividend for the year ended 31 December 2007 of 4.0 cents per fully paid share, paid on 9 April 2008	61.8	–	61.8	–
Fully franked dividend for the year ended 31 December 2007 of 4.0 cents per fully paid share, paid on 4 October 2007	–	61.5	–	61.5
46 per cent franked dividend for the year ended 31 December 2006 of 5.0 cents per fully paid share, paid on 30 April 2007	–	76.3	–	76.3
Total	217.9	137.8	217.9	137.8

(b) Franking account for OZ Minerals Limited

Franking account balance at beginning of year			22.1	5.1
Franking credits acquired through business combinations			4.2	–
Franking credits attached to dividends paid during the year			–	(41.4)
Franking credits from income tax payments made during the year			19.5	58.4
Franking account balance at end of year			45.8	22.1

The above amounts represent the balance of the franking account as at the end of the financial year, and do not include franking credits/(debits) that will arise from income tax payments/(refunds) made subsequent to the end of the year.

The dividend for the year of A\$217.9 million was settled by a cash payment of A\$155.3 million and by issuing shares under the dividend reinvestment plan of A\$62.6 million.

In addition to the dividends paid by the Company as set out above, a controlled entity of the parent Company paid a dividend of A\$11.2 million (2007: A\$10.9 million) directly to its minority shareholder (Note 24(c)).

13 Cash and cash equivalents

Cash at bank and on hand	38.3	57.6	4.2	24.9
Deposits at call	31.5	188.5	9.5	34.2
Total cash and cash equivalents	69.8	246.1	13.7	59.1
Amounts classified as held for sale	49.0	–	–	–
Total cash and cash equivalents as per statements of cash flow	118.8	246.1	13.7	59.1

Refer Note 29 for details of cash and cash equivalents not available for use by the consolidated entity.

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14 Trade and other receivables

Trade receivables	26.8	49.9	–	–
Other receivables	19.5	61.8	0.9	35.3
Total trade and other receivables	46.3	111.7	0.9	35.3

15 Inventories

Finished goods	68.7	29.9	–	–
Work in progress	31.5	5.8	–	–
Raw materials, stores and consumables	123.4	52.4	–	–
Total inventories	223.6	88.1	–	–

Total inventories of \$223.6 million are made up of inventories valued at cost of \$156.7 million (2007: \$88.1 million) and at net realisable value of \$66.9 million (2007: nil).

16 Investments accounted for using the equity method

Toro Energy Limited	28.7	148.3	–	–
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The consolidated entity held a 46 per cent interest in Toro Energy Limited ("Toro") at the beginning of the financial year, as discussed in Note 4(b). In November 2008, the consolidated entity's ownership in Toro increased to 52 per cent pursuant to subscribing to a renounceable rights issue. The consolidated entity has assessed that there are exceptional circumstances that demonstrate that the ownership in Toro does not constitute control. Therefore the investment in Toro was accounted for using the equity method. The key factors that led to the assessment that the investment in Toro does not constitute control was the Deed of Undertaking the consolidated entity had entered into with Toro whereby OZ Minerals undertook not to exercise any increase in its voting power which it was entitled to pursuant to subscribing to a renounceable rights issue. This undertaking expired in February 2009 and has been extended to 30 June 2009. In addition, Toro has an independent Board of Directors and control of Toro is exercised through that Board. The consolidated entity has two Directors out of the six Directors on Toro's Board and therefore does not have the majority of the voting power at the Toro meetings.

Toro is a uranium exploration company listed on the Australian Securities Exchange. The recoverable amount of the investment in Toro was determined based on its share price at 31 December 2008 of 10 cents per share resulting in the consolidated entity recognising an impairment loss of A\$126.1 million during the financial year (2007: nil).

(a) Movement in carrying amounts of associate and share of losses

Toro Energy Limited	Consolidated	
	2008 A\$m	2007 A\$m
Opening carrying amount	148.3	6.6
Acquisitions	12.0	143.6
Share of losses after income tax	(5.5)	(1.9)
Impairment of investment	(126.1)	–
Closing carrying amount	28.7	148.3

(b) Summarised financial information of associate

At the date of this report, Toro has yet to complete its financial statements as at 31 December 2008 and therefore summarised financial information on Toro at 31 December 2008 is not included in these financial statements. The following information is based on the Toro financial statements for the year ended 30 June 2008, which are Toro's latest audited financial statements:

	Assets A\$m	Liabilities A\$m	Revenue A\$m	Profit or (loss) A\$m
Toro Energy Limited	142.8	9.6	1.1	(4.8)

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17 Other financial assets

Current

Foreign exchange put options		–	0.4	–	–
Total current other financial assets		–	0.4	–	–

Non-current

Available-for-sale financial assets (a)		17.6	38.5	3.5	13.1
Other investments held by the parent company		–	–	4.7	9.0
Investment in controlled entities (b)		–	–	2,863.9	769.3
Other investments		1.2	–	–	–
Other assets		2.9	1.6	–	–
Total non-current other financial assets		21.7	40.1	2,872.1	791.4

(a) Movement in carrying value of available-for-sale financial assets

Opening carrying amount		38.5	14.8	13.1	10.8
Acquisitions through business combination	4	150.1	–	–	–
Additions		5.1	16.5	–	1.5
Transfers to assets held for sale	5	(34.7)	–	–	–
Impairment of available-for-sale financial assets	10	(175.0)	–	(9.6)	–
Revaluations		–	7.3	–	0.9
Exchange rate differences		33.6	(0.1)	–	(0.1)
Closing carrying amount		17.6	38.5	3.5	13.1

(b) Movement in carrying value of investment in controlled entities

Opening carrying amount		–	–	769.3	186.3
Acquisitions through business combinations	4	–	–	4,023.2	427.3
Additions		–	–	17.7	186.0
Transfers to assets held for sale	5	–	–	(7.2)	–
Impairment of investments		–	–	(3,725.8)	(2.2)
Exchange rate differences		–	–	1,786.7	(28.1)
Closing carrying amount		–	–	2,863.9	769.3

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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17 Other financial assets (continued)

Unquoted investments of the parent entity in controlled entities comprise the following:

	Country of Incorporation	Class of Share	Equity holding		Investment of OZ Minerals Ltd 2008 A\$m	Investment of OZ Minerals Ltd 2007 A\$m
			2008 %	2007 %		
Agincourt Resources (Singapore) Pte Ltd	Singapore	Ordinary	100	100	-	-
Allegiance Exploration Pty Ltd	Australia	Ordinary	100	-	-	-
Allegiance Metals Pty Ltd	Australia	Ordinary	100	-	-	-
Allegiance Mining NL	Australia	Ordinary	100	-	-	-
Allegiance Mining Operations Pty Ltd	Australia	Ordinary	100	-	-	-
Allegiance Mining Processing Pty Ltd	Australia	Ordinary	100	-	-	-
AML (Bielsdown) Pty Ltd	Australia	Ordinary	100	-	-	-
AML Holdings Pty Ltd	Australia	Ordinary	100	-	-	-
Aoning Minerals Company Limited	China	Ordinary	80	-	-	-
Central Inca Gold Pty Ltd	Australia	Ordinary	100	-	-	-
Champa Mining Laos Pte Ltd	Singapore	Ordinary	100	-	-	-
Eastren Pty Ltd	Australia	Ordinary	100	-	-	-
Erawan Mining Limited	Thailand	Ordinary	50	-	-	-
Geothermal Energy Tasmania Exploration Pty Ltd	Australia	Ordinary	100	-	-	-
Geothermal Energy Tasmania Holdings Pty Ltd	Australia	Ordinary	100	-	-	-
Geothermal Energy Tasmania Pty Ltd	Australia	Ordinary	100	-	-	-
Geothermal Energy Tasmania West Coast Pty Ltd	Australia	Ordinary	100	-	-	-
Gowit Developments Pty Ltd (i)	Australia	Ordinary	-	100	-	-
Heazle Pty Ltd	Australia	Ordinary	100	-	-	-
Investment Co Pty Ltd	Australia	Ordinary	100	-	-	-
Ionex Pty Ltd	Australia	Ordinary	100	-	-	-
Lane Xang Minerals Limited	Laos	Ordinary	90	90	6.3	-
Lupin Mines Inc.	Canada	Ordinary	100	-	-	-
Minotaur Resources Holdings Pty Ltd	Australia	Ordinary	100	100	-	-
Navakun Mining Co. Ltd	Thailand	Ordinary	100	100	-	-
Oxiana (Cambodia) Ltd	Cambodia	Ordinary	100	100	-	-
Oxiana Exploration Singapore (Number One) Pte Ltd	Singapore	Ordinary	100	100	-	-
OZ Minerals (USA) Limited	USA	Ordinary	100	-	-	-
OZ Minerals Agincourt Holdings Pty Ltd	Australia	Ordinary	100	100	210.0	427.6
OZ Minerals Agincourt Pty Ltd	Australia	Ordinary	100	100	0.5	-
OZ Minerals Australia Limited	Australia	Ordinary	100	-	0.8	-
OZ Minerals Canada Management Inc.	Canada	Ordinary	100	-	-	-
OZ Minerals Canada Operations Inc.	Canada	Ordinary	100	-	-	-
OZ Minerals Canada Resources Inc.	Canada	Ordinary	100	-	-	-
OZ Minerals Century Limited	Australia	Ordinary	100	-	-	-
OZ Minerals Equity Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Europe Ltd	Channel Islands	Ordinary	100	100	-	-
OZ Minerals Exploration Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Exploration Singapore (Number Two) Pte Ltd	Singapore	Ordinary	100	-	-	-
OZ Minerals Finance (Holdings) Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Finance Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Golden Grove (Finance) Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Golden Grove (Holdings) Pty Ltd	Australia	Ordinary	100	100	1.3	1.0
OZ Minerals Golden Grove Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Group Treasury Pty Ltd	Australia	Ordinary	100	-	-	-
OZ Minerals Holdings Limited	Australia	Ordinary	100	-	-	-
OZ Minerals Insurance Singapore Pte Ltd	Singapore	Ordinary	100	100	0.6	0.5
OZ Minerals Laos Holdings Limited	Cayman Islands	Ordinary	100	100	330.9	260.9
OZ Minerals International (Holdings) Pty Ltd	Australia	Ordinary	100	-	-	-
OZ Minerals International Enterprises Pty Ltd	Australia	Ordinary	100	-	-	-
OZ Minerals Investments Pty Ltd	Singapore	Ordinary	100	100	-	-
OZ Minerals Martabe Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Mexico SA de CV	Mexico	Ordinary	100	-	-	-
OZ Minerals Netherlands Holdings Cooperative UA	Netherlands	Ordinary	100	-	-	-
OZ Minerals Prominent Hill Operations Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Prominent Hill Pty Ltd	Australia	Ordinary	100	100	100.5	79.3
OZ Minerals Reliance Exploration Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Super Metals Pty Ltd	Australia	Ordinary	100	-	-	-
OZ Minerals Superannuation Pty Ltd	Australia	Ordinary	100	-	-	-

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

17 Other financial assets (continued)

	Country of Incorporation	Class of Share	Equity holding		Investment of OZ Minerals Ltd 2008 A\$m	Investment of OZ Minerals Ltd 2007 A\$m
			2008 %	2007 %		
OZ Minerals Wiluna Pty Ltd	Australia	Ordinary	100	100	-	-
OZ Minerals Zinifex Holdings Limited	Australia	Ordinary	100	-	2,213.0	-
PCML SPC Pty Ltd	Australia	Ordinary	100	-	-	-
PPTV Pty Ltd	Australia	Ordinary	100	-	-	-
PT Agincourt Resources	Indonesia	Ordinary	100	100	-	-
PT Artha Nugraha Agung	Indonesia	Ordinary	(ii)	100	-	-
PT Bintang Sumberdaya	Indonesia	Ordinary	(ii)	-	-	-
PT Explorasi Indonesia Jaya	Indonesia	Ordinary	(ii)	-	-	-
PT Multi Mineral Explorsi	Indonesia	Ordinary	(ii)	-	-	-
PT Oxindo Exploration	Indonesia	Ordinary	(ii)	-	-	-
PT Panah Emas	Indonesia	Ordinary	(ii)	-	-	-
Southern Laos Mining Pte Ltd	Singapore	Ordinary	100	-	-	-
SPC (Nominees) Pty Ltd	Australia	Ordinary	100	-	-	-
SPC 1 Pty Ltd	Australia	Ordinary	100	-	-	-
SPC 2 Pty Ltd	Australia	Ordinary	100	-	-	-
Swedish Enterprises AB	Sweden	Ordinary	100	-	-	-
Taswest Nickel Pty Ltd	Australia	Ordinary	100	-	-	-
Yunnan Jinlong Minerals Co. Ltd	Australia	Ordinary	100	-	-	-
Zeemain Pty Ltd	Australia	Ordinary	50	-	-	-
Zinifex Insurance Pte Ltd	Singapore	Ordinary	100	-	-	-
Zinifex UK (Holdings) Ltd	UK	Ordinary	100	-	-	-
Zinifex UK Ltd	UK	Ordinary	100	-	-	-
ZRUS Holdings Pty Ltd	Australia	Ordinary	100	-	-	-
Total investments in controlled entities					2,863.9	769.3

(i) This entity was liquidated during the year.

(ii) These Indonesian entities are controlled by OZ Minerals Limited via a corporation agreement with the Directors and shareholders of the entities.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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18 Property, plant and equipment

Freehold land and buildings (a)	156.3	81.6	–	–
Plant and equipment (b)	874.2	342.0	19.6	6.6
Mine property and development (c)	897.6	408.3	–	–
Exploration and evaluation assets (d)	41.3	313.8	–	–
Construction in progress (e)	83.8	594.0	–	–
Carrying amount (f)	2,053.2	1,739.7	19.6	6.6

(a) Freehold land and buildings

At cost	208.8	110.6	–	–
Accumulated depreciation	(52.5)	(29.0)	–	–
Carrying amount	156.3	81.6	–	–

Opening carrying amount	81.6	84.4	–	–
Acquisitions through business combination	29.0	0.7	–	–
Additions	146.8	23.7	–	–
Transfers to assets held for sale	(77.2)	–	–	–
Other transfers	(16.2)	(2.8)	–	–
Disposals	–	(1.0)	–	–
Depreciation charge	(17.1)	(17.4)	–	–
Exchange rate differences	9.4	(6.0)	–	–
Closing carrying amount	156.3	81.6	–	–

(b) Plant and equipment

At cost	1,403.2	461.3	23.2	8.0
Less: Accumulated depreciation	(529.0)	(119.3)	(3.6)	(1.4)
Carrying amount	874.2	342.0	19.6	6.6

Opening carrying amount	342.0	374.3	6.6	2.5
Acquisitions through business combination	546.1	15.7	–	–
Additions	221.1	47.6	0.3	5.5
Transfers to assets held for sale	(309.0)	–	–	–
Other transfers	153.0	(3.6)	–	–
Disposals	(0.4)	(17.3)	–	–
Depreciation charge	(98.4)	(38.7)	(1.5)	(1.0)
Impairment of plant and equipment	(81.8)	–	–	–
Exchange rate differences	101.6	(36.0)	14.2	(0.4)
Closing carrying amount	874.2	342.0	19.6	6.6

(c) Mine property and development

At cost	1,608.8	502.2	–	–
Less: Accumulated amortisation	(711.2)	(93.9)	–	–
Carrying amount	897.6	408.3	–	–

Opening carrying amount	408.3	373.5	–	–
Acquisitions through business combination	1,189.4	25.5	–	–
Additions	718.5	176.4	–	0.8
Transfers to assets held for sale	(788.6)	–	–	–
Other transfers	428.9	12.8	–	–
Disposals	–	(35.4)	–	(0.8)
Depreciation charge	(199.4)	(44.2)	–	–
Impairment of mine property and development	(1,251.3)	–	–	–
Exchange rate differences	391.8	(100.3)	–	–
Closing carrying amount	897.6	408.3	–	–

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18 Property, plant and equipment (continued)

(d) Exploration and evaluation assets

At cost		41.3	313.8	–	–
Less: Accumulated amortisation		–	–	–	–
Carrying amount		41.3	313.8	–	–
Opening carrying amount		313.8	19.6	–	–
Acquisitions through business combination		219.2	517.6	–	–
Additions		25.0	28.4	–	–
Transfers		(511.7)	(6.4)	–	–
Disposals		–	(234.4)	–	–
Impairment of exploration and evaluation assets		(11.6)	–	–	–
Exchange rate differences		6.6	(11.0)	–	–
Closing carrying amount		41.3	313.8	–	–

(e) Construction in progress

Opening carrying amount		594.0	77.4	–	–
Acquisitions through business combination		51.8	–	–	–
Additions		389.3	450.5	–	–
Transfers to assets held for sale		(936.4)	–	–	–
Other transfers		(54.0)	–	–	–
Exchange rate differences		39.1	66.1	–	–
Closing carrying amount		83.8	594.0	–	–

(f) Total property, plant and equipment

Opening carrying amount		1,739.7	929.2	6.6	2.5
Acquisitions through business combination	4	2,035.5	559.5	–	–
Additions		1,500.7	726.6	0.3	6.3
Disposals		(0.4)	(288.1)	–	(0.8)
Depreciation charge		(314.9)	(100.3)	(1.5)	(1.0)
Impairment of property, plant and equipment	10	(1,344.7)	–	–	–
Exchange rate differences		548.5	(87.2)	14.2	(0.4)
Total		4,164.4	1,739.7	19.6	6.6
Transfers to assets held for sale	5	(2,111.2)	–	–	–
Closing carrying amount for continuing operations		2,053.2	1,739.7	19.6	6.6

Refer Note 29 for details of the consolidated entity's property, plant and equipment pledged as security.

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19 Intangible assets

Mineral rights (a)		-	-	-	-
Goodwill (b)		-	44.4	-	-
Computer software (c)		4.6	2.4	2.4	1.2
Closing carrying amount		4.6	46.8	2.4	1.2

(a) Mineral rights

At cost		715.8	-	-	-
Impairment losses		(715.8)	-	-	-
Carrying amount		-	-	-	-
Opening carrying amount		-	-	-	-
Acquisitions through business combination	4	682.3	-	-	-
Impairment of mineral rights	10	(715.8)	-	-	-
Exchange rate differences		33.5	-	-	-
Closing carrying amount		-	-	-	-

After initial recognition, mineral rights acquired in a business combination are carried at cost less any accumulated impairment losses. The mineral rights relate to assets which have not commenced development and therefore mineral rights are not amortised but are subject to impairment testing on an annual basis or wherever there is an indication of impairment.

(b) Goodwill

At cost		104.4	-	-	-
Impairment losses		(104.4)	-	-	-
Carrying amount		-	-	-	-
Opening carrying amount		44.4	-	-	-
Acquisitions through business combination	4	60.0	113.7	-	-
Disposals		-	(69.3)	-	-
Impairment of goodwill	10	(104.4)	-	-	-
Closing carrying amount		-	44.4	-	-

After initial recognition, goodwill acquired in a business combination is carried at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or wherever there is an indication of impairment.

(c) Computer software

At cost		11.4	4.8	5.8	2.7
Less: Accumulated amortisation		(6.8)	(2.4)	(3.4)	(1.5)
Carrying amount		4.6	2.4	2.4	1.2
Opening carrying amount		2.4	2.7	1.2	2.3
Acquisitions through business combination		2.2	0.3	-	-
Additions		2.9	0.9	1.9	0.1
Transfers to assets held for sale	5	(0.8)	-	-	-
Amortisation charge		(2.7)	(1.2)	(1.2)	(0.9)
Exchange rate differences		0.6	(0.3)	0.5	(0.3)
Closing carrying amount		4.6	2.4	2.4	1.2

Computer software includes capitalised development costs being an internally generated intangible asset.

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20 Trade and other payables

Trade payables and accruals		157.2	138.6	4.8	14.6
Other payables		7.5	2.6	5.3	2.4
Total trade and other payables		164.7	141.2	10.1	17.0

21 Interest-bearing liabilities

Current

Bank loans		988.8	154.2	202.4	–
Lease liabilities – secured		16.3	0.2	4.9	–
Total current interest-bearing liabilities		1,005.1	154.4	207.3	–

Non-current

Bank loans		–	162.3	–	–
Convertible notes		137.4	104.1	137.4	104.1
Lease liabilities – secured		7.3	–	0.6	–
Total non-current interest-bearing liabilities		144.7	266.4	138.0	104.1

(a) Aggregate of current and non-current interest-bearing liabilities

Bank loans		988.8	316.5	202.4	–
Convertible notes		137.4	104.1	137.4	104.1
Lease liabilities (b)		23.6	0.2	5.5	–
Aggregated interest-bearing liabilities		1,149.8	420.8	345.3	104.1

(b) Finance lease liabilities

Commitments in relation to finance leases are payable as follows:

Within one year		18.3	0.2	5.5	–
Later than one year but not later than five years		9.1	0.1	–	–
		27.4	0.3	5.5	–
Future finance charges		(3.8)	(0.1)	–	–
Recognised as a liability		23.6	0.2	5.5	–

Refer Note 29 for details of the consolidated entity's financing arrangements and debt repayment schedule.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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22 Provisions

Current					
Employee benefits		20.3	13.4	2.2	3.0
Restructure (a)		13.1	–	–	–
Workers' compensation		2.9	–	–	–
Mine rehabilitation, restoration and dismantling (b)		1.3	0.7	–	–
Total current provisions		37.6	14.1	2.2	3.0
Non-current					
Employee benefits		0.7	3.0	0.3	0.3
Workers' compensation		4.7	–	–	–
Mine rehabilitation, restoration and dismantling (b)		167.8	55.1	–	–
Other		–	0.4	–	0.3
Total non-current provisions		173.2	58.5	0.3	0.6
Aggregate					
Employee benefits		21.0	16.4	2.5	3.3
Restructure (a)		13.1	–	–	–
Workers' compensation		7.6	–	–	–
Mine rehabilitation, restoration and dismantling (b)		169.1	55.8	–	–
Other		–	0.4	–	0.3
Total provisions		210.8	72.6	2.5	3.6
(a) Restructure					
Opening carrying amount		–	–	–	–
Additional provisions recognised		13.1	–	–	–
Closing carrying amount		13.1	–	–	–
(b) Mine rehabilitation, restoration and dismantling					
Opening carrying amount		55.8	40.0	–	–
Acquisition through business combination		124.4	9.9	–	–
Additional provisions recognised		55.4	13.0	–	–
Reversal of provision against property, plant and equipment		(11.7)	–	–	–
Transfers to assets held for sale		(74.1)	–	–	–
Disposals		–	(7.4)	–	–
Unwind of discount		8.5	2.6	–	–
Exchange rate differences		10.8	(2.3)	–	–
Closing carrying amount		169.1	55.8	–	–

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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23 Issued capital

(a) Issued and fully paid up ordinary shares:

3,121,339,800 (2007: 1,545,427,293)		5,107.1	1,056.7	5,107.1	1,056.7
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The Company does not have authorised capital or par value in respect of its issued shares. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each holder is entitled to one vote per share.

(b) Movements in ordinary share capital

Date	Details	Number of Shares	A\$m
01/01/2007	Opening balance	1,384,777,602	608.5
01/01/2007 to 31/12/2007	Exercise of share options and rights	3,426,328	5.5
01/01/2007 to 31/12/2007	Shares issued – dividend reinvestment plan	12,458,835	40.8
01/01/2007 to 31/12/2007	Shares issued – acquisition of Agincourt	144,764,528	401.9
31/12/2007	Closing balance	1,545,427,293	1,056.7
01/07/2008	Shares issued – acquisition of Zinifex	1,554,757,053	3,980.2
01/01/2008 to 31/12/2008	Exercise of share options and rights	1,092,768	7.6
01/01/2008 to 31/12/2008	Shares issued – dividend reinvestment plan	20,062,686	62.6
31/12/2008	Closing balance	3,121,339,800	5,107.1

(c) Capital risk management

The maintenance of the consolidated entity's capital base is important for its ability to continue as a going concern in the interests of the consolidated entity, its shareholders and other stakeholders. Monitoring the capital base is performed using cash flow analysis, the budgeting process and monitoring the gearing ratio.

During the unforeseeable economic turmoil which emerged during the financial year, the consolidated entity has been unable to maintain a sufficient capital base due to of the significant decline in the prices for its products, the significant decline in demand for the consolidated entity's products and the severe restrictions on the availability of credit. Refer to Note 1(c)(i) for further discussions.

The gearing ratio from continuing operations is determined as net debt divided by equity plus net debt. Net debt includes interest-bearing liabilities, the debt portion of the convertible notes, less cash and cash equivalents. Equity includes issued capital, retained earnings and reserves and excludes minority interest.

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Interest-bearing liabilities	21	1,149.8	420.8	345.3	104.1
Less cash and cash equivalents	13	(69.8)	(246.1)	(13.7)	(59.1)
Net debt position		1,080.0	174.7	331.6	45.0
Equity attributable to members of OZ Minerals Limited		3,182.1	1,523.0	3,211.0	1,431.5
Equity and net debt		4,262.1	1,697.7	3,542.6	1,476.5
Gearing ratio		25%	10%	9%	3%

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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24 Reserves and retained earnings

Reserves (a)	227.0	(99.8)	1,603.5	(112.4)
Retained earnings (b)	(2,152.0)	566.1	(3,499.6)	487.2
Minority interest (c)	47.9	42.3	–	–
Total reserves and retained earnings	(1,877.1)	508.6	(1,896.1)	374.8

(a) Reserves

Movements in foreign currency translation reserve:

Foreign currency translation reserve at beginning of year	(137.7)	(46.9)	(150.1)	(36.8)
Net exchange differences on translation to presentation currency	362.6	(90.8)	1,747.0	(113.3)
Foreign currency translation reserve at end of year	224.9	(137.7)	1,596.9	(150.1)

Movements in equity compensation reserve:

Equity compensation reserve at beginning of year	38.0	10.4	38.0	10.4
Exercise of share options and rights	(7.6)	(8.0)	(7.6)	(8.0)
Deferred tax adjustment	(19.0)	26.4	(19.0)	26.4
Share based payments expense during the year	12.3	9.2	12.3	9.2
Transfers from treasury shares reserve	(2.8)	–	(2.8)	–
Equity compensation reserve at end of year	20.9	38.0	20.9	38.0

Movements available-for-sale asset reserve:

Available-for-sale asset reserve at beginning of year	8.9	2.2	2.3	1.7
Change in fair value of available-for-sale assets, net of tax	(11.2)	6.7	(2.3)	0.6
Available-for-sale asset reserve at end of year	(2.3)	8.9	–	2.3

Movements in hedging reserve:

Hedging reserve at beginning of year	(6.4)	2.6	–	–
Establishment of minority interest	–	(0.3)	–	–
Fair value movements	4.2	(8.7)	–	–
Hedging reserve at end of year	(2.2)	(6.4)	–	–

Movements in treasury shares reserve:

Treasury shares reserve at beginning of year	(2.6)	–	(2.6)	–
Acquisition of shares	(14.5)	(2.6)	(14.5)	(2.6)
Transfers to equity compensation reserve	2.8	–	2.8	–
Treasury shares reserve at end of year	(14.3)	(2.6)	(14.3)	(2.6)

(b) Retained earnings

Movements in retained earnings:

Retained earnings at beginning of year	566.1	427.9	487.2	232.1
Net (loss)/profit after tax attributable to members of OZ Minerals Limited	(2,501.7)	305.8	(3,770.4)	398.4
Dividends declared and paid	(217.9)	(137.8)	(217.9)	(137.8)
Acquisition of minority interest	–	(23.0)	–	–
Exercise of share options and rights	1.5	(6.8)	1.5	(5.5)
Retained earnings at end of year	(2,152.0)	566.1	(3,499.6)	487.2

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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24 Reserves and retained earnings (continued)

(c) Minority interest

Movements in minority interest:

Minority interest at beginning of year	42.3	–	–	–
Acquisition of shares	–	101.6	–	–
Disposal of controlled entity	–	(107.5)	–	–
Shares issued – controlled entity	–	6.5	–	–
Acquisition of minority interest	–	40.2	–	–
Net profit after tax attributable to minority interest	16.8	12.4	–	–
Dividend payments	(11.2)	(10.9)	–	–
Minority interest at end of year	47.9	42.3	–	–

The minority interest has an interest in Lang Xang Minerals Limited which includes Sepon Copper and Sepon Gold, which constitute operating segments as set out in Note 3.

(d) Nature and purpose of reserves

Foreign currency translation reserve

Exchange differences arising on the translation of foreign controlled entities liabilities that hedge the consolidated entity's net investment in a foreign subsidiary and of entities with a functional currency differing from the consolidated entity's presentation currency, are taken to the foreign currency translation reserve as described in accounting policy Note 1(g).

Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of equity instruments granted to senior executives and other employees under OZ Mineral's long-term incentive plan, Oxiana long-term incentive plan and Zinifex Executive Share Plan. When options or rights vest, the cost of shares bought back on-market are also recognised in the share-based payments reserve. When options or rights are exercised or lapse, the related fair value amount is transferred to contributed equity.

Available-for-sale asset reserve

The available-for-sale asset reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity, as described in accounting policy Note 1(f). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

Treasury shares reserve

The treasury shares reserve for the Company's own shares represents the cost of shares held to meet the consolidated entity's obligation to provide shares to employees in accordance with the terms of their employment contracts and employee share plans.

25 Total equity

Total equity at the beginning of the financial year	1,565.3	1,004.7	1,431.5	815.9
Total changes in retained earnings	(2,718.1)	138.2	(3,986.8)	255.1
Exercise of share options and rights	7.6	5.5	7.6	5.5
Shares issued – dividend reinvestment plan	62.6	40.8	62.6	40.8
Shares issued – acquisition of businesses – Note 4	3,980.2	401.9	3,980.2	401.9
Total changes in reserves – Note 24	326.8	(68.1)	1,715.9	(87.7)
Total changes in minority interest – Note 24	5.6	42.3	–	–
	3,230.0	1,565.3	3,211.0	1,431.5

NOTES TO THE FINANCIAL STATEMENTS

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008	Consolidated 2007
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26 Earnings and net tangible assets per share

(a) Basic earnings per share

From continuing operations – cents	(63.0)	15.1
From discontinued operations – cents	(41.6)	5.1
	(104.6)	20.2

(b) Diluted earnings per share

From continuing operations – cents	(63.0)	13.7
From discontinued operations – cents	(41.6)	5.1
	(104.6)	18.8

(c) Reconciliation of earnings used in calculating basic and diluted earnings per share

Net (loss)/earnings used in basic earnings per share for continuing operations – A\$ million	(1,507.3)	228.0
Net (loss)/earnings used in basic earnings per share for discontinued operations – A\$ million	(994.4)	77.8
	(2,501.7)	305.8
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share – number	2,393,451,971	1,510,859,127
Convertible notes	–	109,717,868
Options and rights	–	32,829,399
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share – number	2,393,451,971	1,653,406,394

The convertible notes as set out in Note 21 and the share options and performance rights as set out in Note 33 that existed at 31 December 2008 were not included in the calculation of diluted earnings per share because they were antidilutive.

(d) Net tangible assets per share ⁽ⁱ⁾

Net tangible assets per share – cents	103.3	98.3
Number of ordinary shares on issue used in the calculation of net tangible assets per share – number	3,121,339,800	1,545,427,293

- (i) 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 number of ordinary shares on issue at year-end.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
27 Reconciliation of (loss)/profit after income tax to net cash flows from operating activities					
(Loss)/profit for the year		(2,484.9)	318.2	(3,770.4)	398.4
Depreciation and amortisation		317.6	114.7	2.7	1.8
Non-cash borrowing costs		8.9	3.9	–	2.0
Non-cash foreign exchange (gains)/losses		(132.8)	27.5	(26.3)	(68.7)
Impairment losses		2,466.0	–	3,857.9	–
Other non-cash items		5.7	10.0	(4.7)	(20.8)
(Gain)/loss on disposal of property, plant and equipment		0.4	2.1	–	–
Dividends classified as investing activity		–	–	(110.6)	(107.6)
Share of net loss of associates		5.5	1.9	–	–
Equity settled share based payment transactions		13.8	22.8	13.8	24.2
Change in assets and liabilities:					
Trade and other receivables		89.9	(62.3)	34.4	(292.8)
Prepayments		(13.8)	(1.4)	(0.8)	(0.9)
Inventories		(223.1)	(16.7)	–	–
Trade and other payables		(75.9)	12.3	(6.9)	(1.5)
Current tax assets		(46.5)	14.6	–	(24.9)
Deferred tax assets		30.3	7.8	(32.5)	(26.7)
Current tax liabilities		13.5	–	(29.1)	–
Deferred tax liabilities		(73.2)	11.3	–	(2.9)
Net cash (outflow)/inflow from operating activities		(98.6)	466.7	(72.5)	(120.4)

28 Non-cash investing and financing activities

Acquisition of subsidiary by issue of shares	4	3,980.2	401.9	3,980.2	401.9
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Refer Note 29 for details of the consolidated entity's financing arrangements.

29 Financial risk management

The consolidated entity's activities expose it to a variety of financial risks such as:

- Market risk consisting of commodity price risk, foreign currency exchange risk, interest rate risk and equity securities price risk (refer Note 29(a) below);
- Credit risk (refer Note 29(b) below); and
- Liquidity risk (refer Note 29(c) below).

This note presents information about the consolidated entity's exposure to each of the above financial instrument risks, its objectives, policies and processes for measuring and managing risk and quantitative disclosures.

The economic environment in the second half of 2008 of volatile and low commodity prices and exchange rates and tight credit markets posed significant challenges to the consolidated entity. Accordingly, the consolidated entity reassessed its processes for managing financial risk.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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29 Financial risk management (continued)

Financial risk management is carried out by the consolidated entity's Group Treasury Function under policies approved by the Board of Directors. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the consolidated entity's operating units. The Board approves written principles for overall risk management, as well as policies covering specific areas, such as those identified above.

The consolidated entity and the parent entity hold the following financial instruments at the reporting date from continuing operations:

Financial assets					
Cash and cash equivalents	13	69.8	246.1	13.7	59.1
Trade receivables	14	26.8	49.9	–	–
Investments accounted for using the equity method	16	28.7	148.3	–	–
Available-for-sale financial assets	17	17.6	38.5	3.5	13.1
Other investments held by the parent company	17	–	–	4.7	9.0
		142.9	482.8	21.9	81.2
Financial liabilities					
Trade payables	20	157.2	138.6	4.8	14.6
Interest-bearing liabilities	21	1,149.8	420.8	345.3	104.1
Interest rate swaps		–	6.1	–	–
		1,307.0	565.5	350.1	118.7

(a) Market risk management

The consolidated entity's activities expose it primarily to financial risks of changes in commodity prices, foreign currency exchange rates, interest rates and equity securities prices.

(i) Commodity price risk management

The consolidated entity is exposed to commodity price volatility on commodity sales made by the mines. This arises from sale of metal and metal in concentrate products such as zinc, copper, lead, gold and silver, which are priced on, or benchmarked to, open market exchanges.

In accordance with the requirements of the Australian Accounting Standards, the sensitivity analysis provided below discloses the consolidated entity's exposure to the risk on the outstanding balance of financial assets and liabilities at the reporting date.

Commodity price sensitivity analysis

The following table details the consolidated entity's sensitivity to movement in commodity prices. At reporting date, if the commodity prices increased/(decreased) by the historical average 5-year annual commodity price movement as per the London Metals Exchange ("LME"), and all other variables were held constant, the consolidated entity's after tax profit/(loss) and equity would have increased/(decreased) as set out below.

In accordance with Australian Accounting Standards, the sensitivity analysis includes the impact of the movement in commodity prices only on the outstanding trade receivables at the end of the period, which were A\$26.8 million (2007: A\$49.9 million) and does not include the impact of the movement in commodity prices on the total sales for the period. The outstanding trade receivables by commodity at the reporting date are set out in Note 29(b).

Commodity	2008			2007		
	Average 5-year annual commodity price movement as per LME	Increase profit A\$m	Decrease profit A\$m	Average 5-year annual commodity price movement as per LME	Increase profit A\$m	Decrease profit A\$m
Zinc	21%	0.6	(0.6)	23%	0.3	(0.3)
Copper	13%	1.0	(1.0)	31%	3.6	(3.6)
Lead	15%	–	–	36%	0.5	(0.5)
Gold	18%	1.5	(1.5)	19%	1.1	(1.1)
Silver	16%	–	–	25%	0.3	(0.3)
Total		3.1	(3.1)		5.8	(5.8)

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Minerals Limited and its controlled entities for the year ended 31 December 2008

29 Financial risk management (continued)

(a) Market risk management (continued)

(ii) Foreign currency exchange risk management

The consolidated entity operates internationally and is exposed to foreign currency exchange risk.

The carrying amount of the consolidated entity's financial assets and financial liabilities by its denominated currency (presented in Australian dollars) at the reporting date is presented below. The predominant functional currencies employed by the entities within the Group are US dollars and Australian dollars. The consolidated entity's foreign currency exchange risk arises predominantly from US dollars for Australian dollar functional currency entities and Australian dollars for US dollar functional currency entities.

Consolidated	Notes	Denominated in AUD	Denominated in USD	Denominated in Other	Total A\$m
31 December 2008					
Financial assets					
Cash and cash equivalents	13	26.8	41.2	1.8	69.8
Trade receivables	14	11.9	14.9	–	26.8
Investments accounted for using the equity method	16	28.7	–	–	28.7
Available-for-sale financial assets	17	17.6	–	–	17.6
Financial liabilities					
Trade payables	20	(86.8)	(63.1)	(7.3)	(157.2)
Interest-bearing liabilities	21	(110.6)	(1,039.2)	–	(1,149.8)
Interest-rate swaps		–	–	–	–
Total		(112.4)	(1,046.2)	(5.5)	(1,164.1)
31 December 2007					
Financial assets					
Cash and cash equivalents	13	40.2	205.4	0.5	246.1
Trade receivables	14	0.7	49.2	–	49.9
Investments accounted for using the equity method	16	148.3	–	–	148.3
Available-for-sale financial assets	17	30.0	–	8.5	38.5
Financial liabilities					
Trade payables	20	(102.3)	(28.7)	(7.6)	(138.6)
Interest-bearing liabilities	21	–	(420.8)	–	(420.8)
Interest rate swaps		–	(6.1)	–	(6.1)
Total		116.9	(201.0)	1.4	(82.7)
Company					
31 December 2008					
Financial assets					
Cash and cash equivalents	13	13.2	0.5	–	13.7
Available-for-sale financial assets	17	3.5	–	–	3.5
Other investments held by the parent company	17	4.7	–	–	4.7
Financial liabilities					
Trade payables	20	(4.8)	–	–	(4.8)
Interest-bearing liabilities	21	(5.5)	(339.8)	–	(345.3)
Total		11.1	(339.3)	–	(328.2)
31 December 2007					
Financial assets					
Cash and cash equivalents	13	20.0	39.1	–	59.1
Available-for-sale financial assets	17	13.1	–	–	13.1
Other investments held by the parent company	17	9.0	–	–	9.0
Financial liabilities					
Trade payables	20	(14.6)	–	–	(14.6)
Interest-bearing liabilities	21	–	(104.1)	–	(104.1)
Total		27.5	(65.0)	–	(37.5)

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

29 Financial risk management (continued)

(a) Market risk management (continued)

(ii) Foreign currency exchange risk management (continued)

The predominant functional currencies employed by the entities within the Group are US dollars and Australian dollars. The consolidated entity's foreign currency exchange risk arises predominantly from US dollars for Australian dollar functional currency entities and Australian dollars for US dollar functional currency entities. The following US dollar exchange rates were applied during the year:

	Average rate		31 December spot rate	
	2008	2007	2008	2007
AUD:USD	0.8354	0.8391	0.6914	0.8767

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 10 per cent change in the foreign currency rate (2007: 12.4 per cent). This percentage change reflects the historical average annual movements in the foreign currency exchange rates over the last 5 years based on the year-end spot rates.

At reporting date, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by 10 per cent (2007: 12.4 per cent), and all other variables were held constant, the consolidated entity's after tax profit/(loss) would have increased/(decreased) by \$0.4 million (2007: A\$1.7 million) and equity would have increased/(decreased) by approximately nil (2007: A\$1.7 million). The Company's after tax profit/(loss) would have increased/(decreased) by \$1.1 million (2007: A\$1.7 million) and equity would have increased/(decreased) by approximately nil (2007: A\$0.2 million).

(iii) Interest rate risk management

The consolidated entity is exposed to interest rate volatility on deposits, borrowings and interest-rate swaps. Deposits and borrowings at variable rates expose the consolidated entity to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the consolidated entity to fair value interest rate risk. Any decision to hedge interest rate risk will be assessed at the inception of each floating rate debt facility in light of the overall consolidated entity's exposure, the prevailing interest rate market and any funding counterparty requirements.

Consolidated	Notes	Effective average interest rate %	6 months or less A\$m	6 to 12 months A\$m	1 to 2 years A\$m	2 to 5 years A\$m	More than 5 years A\$m	Total A\$m
31 December 2008								
Financial assets								
Cash at bank		3.96	38.3	–	–	–	–	38.3
Short-term deposits		5.77	31.5	–	–	–	–	31.5
	13		69.8	–	–	–	–	69.8
Financial liabilities								
Bank loans		4.67	(988.8)	–	–	–	–	(988.8)
Convertible notes		5.25	–	–	–	(137.4)	–	(137.4)
Lease liabilities		6.45	(8.1)	(8.2)	(2.0)	(5.3)	–	(23.6)
Other financial liabilities		–	–	–	–	–	–	–
	21		(996.9)	(8.2)	(2.0)	(142.7)	–	(1,149.8)
			(927.1)	(8.2)	(2.0)	(142.7)	–	(1,080.0)
31 December 2007								
Financial assets								
Cash at bank		5.42	57.6	–	–	–	–	57.6
Short-term deposits		5.42	188.5	–	–	–	–	188.5
	13		246.1	–	–	–	–	246.1
Financial liabilities								
Bank loans		7.37	(316.5)	–	–	–	–	(316.5)
Convertible notes		5.25	–	–	–	(104.1)	–	(104.1)
Lease liabilities		–	–	–	(0.2)	–	–	(0.2)
Other financial liabilities		4.83	191.3	–	–	(191.3)	–	–
	21		(125.2)	–	(0.2)	(295.4)	–	(420.8)
			120.9	–	(0.2)	(295.4)	–	(174.7)

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

29 Financial risk management (continued)

(a) Market risk management (continued)

(iii) Interest rate risk management (continued)

Company	Notes	Effective average interest rate %	6 months or less A\$m	6 to 12 months A\$m	1 to 2 years A\$m	2 to 5 years A\$m	More than 5 years A\$m	Total A\$m
31 December 2008								
Financial assets								
Cash at bank		3.96	4.2	–	–	–	–	4.2
Short-term deposits		5.77	9.5	–	–	–	–	9.5
	13		13.7	–	–	–	–	13.7
Financial liabilities								
Bank loans		4.32	(202.4)	–	–	–	–	(202.4)
Convertible notes		5.25	–	–	–	(137.4)	–	(137.4)
Lease liabilities		6.45	(4.9)	–	(0.6)	–	–	(5.5)
	21		(207.3)	–	(0.6)	(137.4)	–	(345.3)
Net interest-bearing financial assets and liabilities			(193.6)	–	(0.6)	(137.4)	–	(331.6)
31 December 2007								
Financial assets								
Cash at bank		5.53	24.9	–	–	–	–	24.9
Short-term deposits		5.53	34.2	–	–	–	–	34.2
	13		59.1	–	–	–	–	59.1
Financial liabilities								
Bank loans		–	–	–	–	–	–	–
Convertible notes		5.25	–	–	–	(104.1)	–	(104.1)
Lease liabilities		–	–	–	–	–	–	–
	21		–	–	–	(104.1)	–	(104.1)
Net interest-bearing financial assets and liabilities			59.1	–	–	(104.1)	–	(45.0)

Interest rate swaps

The consolidated entity has amortising interest rate swaps in place to swap a portion of floating rate debt to fixed rate. The details of the swaps are set out below:

Terms	Maturity	Fixed rate %	Notional 2008 A\$m
Amortising swaps (receive floating and pay fixed), semi-annual interest	31 December 2010	4.20	38.9
Amortising swaps (receive floating and pay fixed), semi-annual interest	31 December 2012	5.50	110.0
Total			148.9

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

29 Financial risk management (continued)

(a) Market risk management (continued)

(iii) Interest rate risk management (continued)

Interest rate sensitivity analysis

The following table details the consolidated entity's sensitivity to movement in the interest rates. The sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if the interest rate increased/(decreased) by 100 basis points, and all other variables were held constant, the consolidated entity's after tax profit/(loss) and equity would have increased/(decreased) as follows:

	2008				2007			
	+100 bps		-100 bps		+100 bps		-100 bps	
	Profit A\$m	Equity A\$m	Profit A\$m	Equity A\$m	Profit A\$m	Equity A\$m	Profit A\$m	Equity A\$m
Financial assets								
Cash and cash equivalents	0.5	–	(0.5)	–	2.5	–	(2.5)	–
Financial liabilities								
Bank loans	(6.9)	–	6.9	–	(4.2)	–	4.2	–
Interest rate swaps	–	–	–	–	–	(2.7)	–	2.7
Total	(6.4)	–	6.4	–	(1.7)	(2.7)	1.7	2.7

At reporting date, if the interest rate increased/(decreased) by 100 basis points, and all other variables were held constant, the Company's after tax profit/(loss) and equity would have (decreased)/increased by A\$1.4 million (2007: A\$1.0 million).

(iv) Equity securities price risk management

The consolidated entity is exposed to equity securities price risk which arises from investments held and classified on the balance sheet either as available-for-sale or investments accounted for using the equity method, as set out in the table below:

	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Financial assets				
Investments accounted for using the equity method	16	28.7	–	–
Available-for-sale financial assets	17	17.6	3.5	13.1
Other investments held by the parent company	17	–	4.7	9.0
Total		46.3	8.2	22.1

The consolidated entity's investments accounted for using the equity method relates to the investment in Toro. Refer to Note 16. This investment is publicly traded on the Australian Securities Exchange.

The consolidated entity's available-for-sale financial assets relates to investments in publicly listed entities. The consolidated entity does not actively trade these investments.

The other investments held by the parent company are not considered significant.

Equity securities sensitivity analysis

The carrying value of the investment in Toro equals its fair value at 31 December 2008.

The carrying value of the available-for-sale financial assets equals its fair value at 31 December 2008. None of the investments in the available-for-sale financial assets category are individually significant to warrant a sensitivity analysis.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

29 Financial risk management (continued)

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash, derivative mark-to-market gains and settlement risk on foreign exchange transactions.

At the reporting date, the carrying amount of the consolidated entity's financial assets represents the maximum credit exposure which was as follows:

	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Cash and cash equivalents	13	69.8	246.1	13.7	59.1
Trade receivables	14	26.8	49.9	–	–
		96.6	296.0	13.7	59.1

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and the amount of funds that can be invested with a single counterparty is limited in accordance with the Credit Risk Management Policy. The consolidated entity had A\$11.5 million (2007: nil) cash and cash equivalents not available for use at 31 December 2008.

Credit risk in trade receivables is managed by the consolidated entity by undertaking a regular risk assessment process with credit limits imposed on customers. As there are a relatively small number of transactions, transactions are monitored to ensure payments are made on time.

The consolidated entity's most significant customer, Nyrstar, accounts for A\$8.7 million of the trade receivables carrying amount at 31 December 2008 (2007: nil). The revenue earned from Nyrstar by the consolidated entity from continuing operations was approximately 24 per cent (2007: nil) of consolidated revenue as at the reporting date.

Credit risk arising from sales to Nyrstar and other large customers are managed by contracts that stipulate a provisional payment of at least 90 per cent of the estimated value of each sale. This is payable either promptly after vessel loading or upon vessel arriving at the discharge port. Title to the concentrate does not pass to the buyer until this provisional payment is made. The balance outstanding is received within 60 days of the vessel arriving at the port of discharge. Sales to the remaining customers are predominantly covered by a letter of credit with approved financial institutions.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2008 A\$m	2007 A\$m
Australia	10.2	17.6
Europe	10.4	11.0
Asia	3.9	13.4
USA	2.3	7.9
	26.8	49.9

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2008 A\$m	2007 A\$m
Zinc	4.4	18.9
Copper	10.5	0.5
Lead	–	19.7
Gold	11.9	8.8
Silver	–	2.0
	26.8	49.9

The consolidated entity does not have any significant receivables which are past due at the reporting date. Total impairment losses for the consolidated entity at the reporting period were A\$3.3 million (2007: nil) and are not considered significant for further credit risk management disclosure.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

29 Financial risk management (continued)

(c) Liquidity risk management

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities.

The information provided below summarises the consolidated entity's position at 31 December 2008. Notes 1(c)(i) and 37 to the financial statements sets out details regarding the consolidated entity's financing arrangements at the date of this report.

The following are the contractual maturities of the consolidated entity's financial liabilities as at 31 December 2008. The contractual cash flows reflect the undiscounted amounts and includes both interest and principal cash flows based on the terms of the financing arrangements that existed at 31 December 2008 and does not incorporate amendments to financing arrangements made subsequent to year-end which are summarised in Notes 1(c)(i) and 37.

	Notes	Balance Sheet carrying amount A\$m	Contractual principal and interest cash flows					Total A\$m
			6 months or less A\$m	6 to 12 months A\$m	1 to 2 years A\$m	2 to 5 years A\$m	More than 5 years A\$m	
Consolidated								
31 December 2008								
Bank loans	21	988.8	1,003.0	–	–	–	–	1,003.0
Convertible notes	21	137.4	4.0	4.0	8.0	161.3	–	177.3
Lease liabilities	21	23.6	9.2	9.2	3.4	5.7	–	27.5
Trade payables	20	157.2	157.2	–	–	–	–	157.2
		1,307.0	1,173.4	13.2	11.4	167.0	–	1,365.0
31 December 2007								
Bank loans	21	316.5	25.5	47.8	216.4	94.9	–	384.6
Convertible notes	21	104.1	3.1	3.1	6.3	135.5	–	148.0
Lease liabilities	21	0.2	0.1	0.1	–	–	–	0.2
Trade payables	20	138.6	138.6	–	–	–	–	138.6
		559.4	167.3	51.0	222.7	230.4	–	671.4
Company								
31 December 2008								
Bank loans	21	202.4	202.4	–	–	–	–	202.4
Convertible notes	21	137.4	4.0	4.0	8.0	161.3	–	177.3
Lease liabilities	21	5.5	4.9	–	0.6	–	–	5.5
Trade payables	20	4.8	4.8	–	–	–	–	4.8
		350.1	216.1	4.0	8.6	161.3	–	390.0
31 December 2007								
Bank loans	21	–	–	–	–	–	–	–
Convertible notes	21	104.1	3.1	3.1	6.3	135.5	–	148.0
Lease liabilities	21	–	–	–	–	–	–	–
Trade payables	20	14.6	14.6	–	–	–	–	14.6
		118.7	17.7	3.1	6.3	135.5	–	162.6

The consolidated entity's liquidity risk has the following financing arrangements in place at reporting date:

	Notes	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Bank loan facilities – available		988.8	568.3	202.4	–
Bank loan facilities – unused		–	(251.8)	–	–
Bank loan facilities – used	21	988.8	316.5	202.4	–
Convertible note facilities – available		137.4	104.1	137.4	104.1
Convertible note facilities – unused		–	–	–	–
Convertible note facilities – used	21	137.4	104.1	137.4	104.1
Lease facilities – available		23.6	0.2	5.5	–
Lease facilities – unused		–	–	–	–
Lease facilities – used	21	23.6	0.2	5.5	–

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

29 Financial risk management (continued)

The consolidated entity's debt repayment schedule and terms for the facilities held at 31 December 2008 are set out below:

Facility	Currency	Nominal interest rate	Year of maturity	2008 A\$m		2007 A\$m	
				Carrying amount	Fair value	Carrying amount	Fair value
Consolidated							
Facility A	USD	LIBOR + 5.00%	2009	607.5	607.5	218.1	218.1
Facility B	USD	LIBOR + 5.00%	2009	202.4	202.4	–	–
Facility C	AUD	BBSY + 3.50%	2009	85.8	85.8	–	–
Facility D	USD	LIBOR + 2.50%	2009	93.1	93.1	98.4	102.2
Convertible notes	USD	5.25%	2012	137.4	177.3	104.1	119.8
Finance lease liabilities	AUD	6.45%	2009	23.6	23.6	0.2	0.2
				1,149.8	1,189.7	420.8	440.3
Company							
Secured bank loan	USD	LIBOR + 5.00%	2009	202.4	202.4	–	–
Convertible notes	USD	5.25%	2012	137.4	177.3	104.1	119.8
Finance lease liabilities	AUD	6.45%	2009	5.5	5.5	–	–
				345.3	385.2	104.1	119.8

Facility A, which had a carrying amount of A\$607.5 million at 31 December 2008, is fully drawn and due to be refinanced by 27 February 2009. Facility A is provided by a syndicate of banks comprising ANZ Banking Group, Bank of Scotland International, BNP Paribas, Commonwealth Bank of Australia, Bayerische Hypo-und Vereinsbank AG (Singapore Branch), National Australia Bank and the Royal Bank of Scotland. The facility is secured on all the property, plant and equipment of Prominent Hill of A\$1,460.6 million and Golden Grove of A\$226.9 million.

Facility B, which has a carrying amount of A\$202.4 million at 31 December 2008, is fully drawn and due to be refinanced by 27 February 2009. Facility B is provided by a syndicate of two lenders comprising ANZ Banking Group and The Royal Bank of Scotland. The facility is secured on all the property, plant and equipment of Prominent Hill of A\$1,460.6 million and Golden Grove of A\$226.9 million.

Facility C, which has a carrying amount of A\$85.8 million at 31 December 2008, is fully drawn and due to be refinanced by 27 February 2009. The facility is provided by Societe Generale.

The consolidated entity has been successful in obtaining from the lenders for Facilities A, B and C, approval to extend the termination date of these facilities from 27 February 2009 to 31 March 2009. The approvals are subject to completion of documentation to give effect to the extension.

Facility D, which has a carrying amount of A\$93.1 million at 31 December 2008, is a project finance facility in respect of the consolidated entity's operations in Laos. It is an amortising loan and is fully drawn. Facility D matures in June 2011 and is provided by a syndicate of banks comprising ANZ Banking Group, BNP Paribas, Banque Pour Le Commerce Extérieur Lao, Commonwealth Bank of Australia, Macquarie Bank and Investec. The facility is secured on all the property, plant and equipment of Lane Xang Minerals Limited of A\$793.8 million. The consolidated entity has classified all of the debt payable under Facility D as a current liability, notwithstanding that the repayment schedule states that the amount of A\$55.1 million is due and payable after 31 December 2009. This classification has been adopted because of the potential implications of the interrelationship between Facility D and the consolidated entity's other borrowing facilities.

The convertible notes had a carrying amount of A\$137.4 million at 31 December 2008 and were issued in April 2005 (due in 2012), at an interest rate of 5.25 per cent. The convertible notes had a conversion price of US\$0.9180 or A\$1.0893 and are subject to adjustment under certain events such as the declaration of a dividend. Holders of the consolidated entity's convertible notes have the option to convert the US\$105 million notes into ordinary shares of the consolidated entity until 9 April 2012, while the consolidated entity has the right to redeem the convertible notes from 29 April 2009. Unless previously redeemed, converted or purchased and cancelled, the convertible notes will be redeemed at their principal amount on 15 April 2012. Note holders may require the issuer to redeem their notes on 14 April 2010 at their principal amount, together with interest accrued to the date fixed for redemption.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

29 Financial risk management (continued)

(d) Fair values

The carrying amount of all financial assets and liabilities recognised on the balance sheet approximates their fair value, except for the following:

	Carrying amount		Fair value	
	2008 A\$m	2007 A\$m	2008 A\$m	2007 A\$m
Consolidated				
Convertible notes	137.4	104.1	177.3	119.8
Company				
Convertible notes	137.4	104.1	177.3	119.8

30 Commitments for expenditure

(a) Capital and non-capital commitments

Commitments by continuing and discontinued operations for acquisition of capital and non-capital commitments contracted for at the reporting date but not recognised as liabilities, payable are set out in the table below. The total commitments of A\$544.6 million is made up of:

- Commitments for continuing operations and discontinued operations of A\$351.0 million and A\$193.6 million respectively; and
- Commitments for capital commitments and non-capital commitments of A\$246.8 million and A\$297.8 million respectively.

	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
Within one year	288.0	287.4	–	–
Later than one year but not later than five years	177.4	12.9	–	–
Later than five years	79.2	–	–	–
	544.6	300.3	–	–

(b) Operating lease commitments

Commitments by continuing operations in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	2.1	5.7	2.1	1.1
Later than one year but not later than five years	15.7	14.5	15.7	5.3
Later than five years	16.0	6.5	16.0	–
	33.8	26.7	33.8	6.4

31 Contingent liabilities

On 9 December 2008, IMF Australia Ltd ('IMF') announced that it proposed to fund claims that certain current and former shareholders may have against the consolidated entity, relating to alleged misleading and deceptive conduct and alleged breaches by OZ Minerals Limited of its continuous disclosure obligations between 28 February 2008 and 3 December 2008. IMF has stated its funding of the claim is subject to a sufficient level of shareholder participation. In the absence of any detailed legal claim being provided to the consolidated entity or filed in Court, it is not possible for the consolidated entity to provide a reliable estimate of its potential exposure, if any. IMF has released a statement to the ASX stating that the value of its claim could be up to a maximum of A\$50 million. The basis for this statement is unclear. Slater & Gordon has posted a statement on its website indicating that it is investigating the commercial viability of a class action against the consolidated entity on behalf of shareholders, which overlaps the same time period suggested by IMF. No value is ascribed to the possible claim suggested. Management has assessed that the claim does not meet the criteria for recognition of a provision as there is no present legal or constructive obligation, it is unlikely that there will be an outflow of benefits and the amounts cannot be estimated reliably.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

31 Contingent liabilities (continued)

The consolidated entity received claims for cost increases incurred by unrelated parties performing various supply and construction contracts relating to the construction of the Prominent Hill mine. These claims are being investigated. While the liability is not being admitted, should these claims be upheld, a liability estimated at A\$21.5 million (2007: A\$14.7 million) would arise. Management has assessed that the claim does not meet the criteria for recognition of a provision as there is no present legal or constructive obligation, it is unlikely that there will be an outflow of benefits and the amounts cannot be estimated reliably.

OZ Minerals Limited and its controlled entities are defendants from time to time in legal proceedings, in addition to those set out above, arising from the conduct of their business. The consolidated entity does not consider that the outcome of any of these proceedings ongoing at balance date, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

Certain bank guarantees have been provided in connection with the operations of the controlled entities of OZ Minerals Limited, primarily associated with the terms of mining leases in respect of which OZ Minerals Limited is obliged to indemnify the banks. At the end of the financial year, no claims have 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 amount to A\$119.5 million (2007: A\$16.1 million). Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases (refer Note 22).

The Company has entered into Deeds of Indemnity with each of its Non-Executive Directors, members of the Executive Committee, the Company Secretary, the Treasurer and certain other consolidated entity employees who act as Directors of Group companies, indemnifying them against any liability incurred in discharging their duties as Directors or officers of the consolidated entity. The deeds also extend to any liability incurred in relation to the initial offering of shares in Zinifex Limited by Pasminco Holdings Limited to the Australian public and offshore institutions and, in the case of the Executive Committee, the Company Secretary and certain other OZ Minerals Limited Group employees who act as Directors of OZ Minerals Limited Group Companies, also indemnify them in relation to any liabilities incurred by them as former employees of Pasminco Limited Group.

The consolidated entity has agreed to indemnify certain third parties in relation to certain claims that may be made against them or loss suffered by them in connection with the Zinifex initial public offering in April 2004. At the end of the financial period, no claims have been made under any such indemnities and, accordingly, it is not possible to quantify the potential financial obligation of the Company or the consolidated entity under these indemnities.

32 Key management personnel

(a) Key management personnel remuneration

The key management personnel remuneration for the consolidated entity and Company were as follows:

	2008 A\$	2007 A\$
Short-term employee benefits	7,015,408	5,998,582
Other long-term benefits	782,969	–
Post-employment benefits	342,103	356,332
Termination benefits	11,508,988	–
Share-based payments	1,884,687	3,753,975
Total	21,534,155	10,108,889

Information regarding individual directors' and executives' compensation and some equity instrument disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in Note 34, no Director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

32 Key management personnel (continued)

(b) Equity instrument disclosures relating to key management personnel

(i) Shareholdings

The movements in the number of shareholdings of each Key Management Personnel ("KMP") of the consolidated entity during the period are detailed in the table below:

2008	Balance at 1-Jan-08 or date of becoming KMP (a)	Shares received on exercise of options, performance rights	Other changes during the year	Balance at 31-Dec-08 or date of ceasing to be KMP (b)
Directors				
Andrew Michelmore	50,250	–	235,545	285,795
Anthony Larkin	8,494	–	127,085	135,579
Barry Cusack	1,930,337	–	93,776	2,024,113
Brian Jamieson	1,068,256	–	17,011	1,085,267
Dean Pritchard	–	–	127,191	127,191
Michael Eager	2,115,699	–	–	2,115,699
Owen Hegarty (c)	27,021,224	–	(9,750,000)	17,271,224
Peter Mansell	–	–	259,838	259,838
Peter Cassidy	734,375	–	126,777	861,152
Richard Knight	–	–	402,866	402,866
Ronald Beevor	3,238,436	–	50,622	3,289,058
Current senior executives				
Antony Manini	5,678,491	–	(169,456)	5,509,035
Brett Fletcher	374,562	–	–	374,562
David Lamont	–	–	–	–
John Nitschke	2,154	–	104	2,258
Peter Lester	1,045,204	–	26	1,045,230
Former senior executives				
Jeffrey Sells	12,500	–	2,443	14,943
Peter Albert	2,646,541	–	52,893	2,699,434
David Forsyth	3,770,000	–	(70,000)	3,700,000
Russell Griffin	11,325	–	149	11,474
Stephen Mullen	–	–	–	–
Total	49,707,848	–	(8,493,130)	41,214,718

- (a) The balance of shareholdings for Andrew Michelmore, Peter Cassidy and Brett Fletcher was at 20 June 2008, which was the date these Directors and Executives became key management personnel of the Company.
- (b) The balance of shareholdings for the former senior executives was at 20 June 2008, which was the date when these employees ceased being regarded as key management personnel of the Company, except for Jeffrey Sells and Peter Albert which are at 9 September 2008 and 10 December 2008 respectively, being the dates these Executives ceased employment with the consolidated entity.
- (c) Owen Hegarty was Managing Director and Chief Executive Officer of the Company until 20 June 2008 and a Non-Executive Director of the Company until 19 December 2008.

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31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

32 Key management personnel (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(i) Shareholdings (continued)

2007	Balance at 1-Jan-07 or date of becoming KMP	Shares received on exercise of options, performance rights	Other changes during the year	Balance at 31-Dec-07 or date of ceasing to be KMP
Directors				
Barry Cusack	2,027,683	–	(97,346)	1,930,337
Brian Jamieson	40,000	1,000,000	28,256	1,068,256
Michael Eager	2,115,699	–	–	2,115,699
Owen Hegarty	27,021,224	–	–	27,021,224
Peter Cassidy (a)	984,375	–	(250,000)	734,375
Ronald Beevor	3,210,229	–	28,207	3,238,436
Current senior executives				
Antony Manini	4,659,102	1,000,000	19,389	5,678,491
John Nitschke	4,000	–	(1,846)	2,154
Peter Lester	1,385,150	–	(339,946)	1,045,204
Former senior executives				
Jeffrey Sells	12,500	–	–	12,500
Peter Albert	2,384,375	500,000	(237,834)	2,646,541
David Forsyth	3,495,000	400,000	(125,000)	3,770,000
Russell Griffin	69,176	–	(57,851)	11,325
Stephen Mullen	–	–	–	–
Total	47,408,513	2,900,000	(1,033,971)	49,274,542

(a) The balance of shareholdings for Peter Cassidy was at 27 November 2007, which was the date that Peter Cassidy ceased being a Director of the Company.

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OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

32 Key management personnel (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(ii) Options holdings

The movement in the number of options held by to the Managing Director and Chief Executive Officer and other key management personnel of the consolidated entity during the period are set out below:

	Balance at 1-Jan	Granted during the year	Exercised during the year (a)	Lapsed during the year	Balance at 31-Dec or date ceasing to be KMP	Vested during the year (a)	Vested and exercisable at 31-Dec or date ceasing to be KMP (b)
31 December 2008							
Directors							
Andrew Michelmore	–	2,980,392	–	–	2,980,392	–	–
Brian Jamieson	–	–	–	–	–	–	–
Owen Hegarty	8,000,000	2,000,000	–	(5,000,000)	5,000,000	–	5,000,000
Current senior executives							
Antony Manini	1,150,000	403,863	–	–	1,553,863	–	–
Brett Fletcher	–	533,333	–	–	533,333	–	–
David Lamont	–	541,176	–	–	541,176	–	–
John Nitschke	2,150,000	545,040	–	–	2,695,040	–	–
Peter Lester	1,150,000	403,863	–	–	1,553,863	–	–
Former senior executives							
Jeffrey Sells	2,150,000	170,530	(320,530)	–	2,000,000	(320,530)	2,000,000
Peter Albert	1,150,000	466,608	(616,608)	–	1,000,000	(616,608)	1,000,000
David Forsyth	750,000	170,530	(620,530)	–	300,000	(320,530)	300,000
Russell Griffin	300,000	142,110	–	–	442,110	–	–
Stephen Mullen	2,150,000	142,110	(292,110)	–	2,000,000	(292,110)	2,000,000
Total	18,950,000	8,499,555	(1,849,778)	(5,000,000)	20,599,777	(1,549,778)	10,300,000

- (a) In line with direction from the Board of Directors, unvested options held by Jeffrey Sells, Peter Albert, David Forsyth and Stephen Mullen were vested and cash settled as a result of redundancy, based on their fair value at the date of redundancy.
- (b) The balance of option holdings for the former senior executives was at 20 June 2008, which was the date when these employees ceased being regarded as key management personnel of the Company, except for Jeffrey Sells and Peter Albert which are at 9 September 2008 and 10 December 2008 respectively, being the dates these employees ceased employment with the Company.

The number of vested options at 31 December 2008 that were unexercisable was nil (2007: nil).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

32 Key management personnel (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(ii) Options holdings (continued)

	Balance at 1-Jan	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31-Dec or date ceasing to be KMP	Vested during the year	Vested and exercisable at 31-Dec or date ceasing to be KMP
31 December 2007							
Directors							
Andrew Michelmore	–	–	–	–	–	–	–
Brian Jamieson	1,000,000	–	(1,000,000)	–	–	–	–
Owen Hegarty	6,000,000	2,000,000	–	–	8,000,000	2,000,000	4,000,000
Current senior executives							
Antony Manini	2,000,000	150,000	(1,000,000)	–	1,150,000	–	1,000,000
Brett Fletcher	–	–	–	–	–	–	–
David Lamont	–	–	–	–	–	–	–
John Nitschke	2,000,000	150,000	–	–	2,150,000	–	2,000,000
Peter Lester	1,000,000	150,000	–	–	1,150,000	–	1,000,000
Former senior executives							
Jeffrey Sells	2,000,000	150,000	–	–	2,150,000	–	2,000,000
Peter Albert	1,500,000	150,000	(500,000)	–	1,150,000	–	1,000,000
David Forsyth	1,000,000	150,000	(400,000)	–	750,000	–	600,000
Russell Griffin	–	300,000	–	–	300,000	–	–
Stephen Mullen	2,000,000	150,000	–	–	2,150,000	–	2,000,000
Total	18,500,000	3,350,000	(2,900,000)	–	18,950,000	2,000,000	13,600,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

32 Key management personnel (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(iii) Performance right holdings

The movement in the number of performance rights for the Managing Director and Chief Executive Officer and other key management personnel of the Company during the period are detailed in the table below:

	Balance at 1 January	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 December or date of ceasing to be KMP (b)
31 December 2008					
Director					
Andrew Michelmore	–	894,118	–	–	894,118
Current senior executives					
Antony Manini	65,000	143,970	–	–	208,970
Brett Fletcher	–	160,000	–	–	160,000
David Lamont (a)	–	302,105	–	–	302,105
John Nitschke	65,000	186,323	–	–	251,323
Peter Lester	65,000	143,970	–	–	208,970
Former senior executives					
Jeffrey Sells	65,000	73,970	–	–	138,970
Peter Albert	65,000	162,794	–	–	227,794
David Forsyth	65,000	73,970	–	–	138,970
Russell Griffin	65,000	61,640	–	–	126,640
Stephen Mullen	65,000	61,640	–	–	126,640
Total	520,000	2,264,500	–	–	2,784,500
31 December 2007					
Current senior executives					
Antony Manini	–	65,000	–	–	65,000
John Nitschke	–	65,000	–	–	65,000
Former senior executives					
Jeffrey Sells	–	65,000	–	–	65,000
Peter Albert	–	65,000	–	–	65,000
David Forsyth	–	65,000	–	–	65,000
Peter Lester	–	65,000	–	–	65,000
Russell Griffin	9,100	55,900	–	–	65,000
Stephen Mullen	–	65,000	–	–	65,000
Total	9,100	510,900	–	–	520,000

- (a) The balance of performance rights granted during the year to David Lamont includes sign-on performance rights of 139,725 which were granted as a retention benefit on 24 November 2008.
- (b) The balance of performance right holdings for the former senior executives was at 20 June 2008, which was the date when these employees ceased being regarded as key management personnel of the Company, except for Jeffrey Sells and Peter Albert which are at 9 September 2008 and 10 December 2008 respectively, being the dates these employees ceased employment with the Company.

The number of vested rights that were exercisable at 31 December 2008 was nil (2007: nil) and the number of vested options that were unexercisable at 31 December 2008 was nil (2007: nil).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

32 Key management personnel (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(iv) Long-term incentive opportunity holdings

The movement in the number of long-term incentive opportunities allocated to the chief executive officer and other key management personnel of the consolidated entity during the period are detailed in the table below:

	Balance at 1 January	Adjustments relating to the acquisition of Zinifex Limited (a)	Vested during the year	Lapsed during the year	Balance at 31 December
31 December 2008					
Director					
Andrew Michelmore	–	582,776	–	–	582,776
Executive					
Brett Fletcher	–	98,172	–	–	98,172
	–	680,948	–	–	680,948

- (a) Andrew Michelmore and Brett Fletcher were granted equity rights under the Zinifex Executive Share Plan in the form of long-term incentive opportunities ("LTIOs"). On acquisition of Zinifex Limited, each LTIO was converted to 3.1931 ordinary OZ Minerals Limited shares at no cost, subject to satisfying vesting conditions and performance criteria.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

33 Share-based payments

The consolidated entity has an ongoing commitment to providing a Long-Term Incentive Plan ("LTIP") for Executives and employees to:

- ensure that business decisions and strategic planning have regard to the consolidated entity's long term performance;
- be consistent with contemporary remuneration governance standards and guidelines; and
- be consistent and competitive with current practices of comparable companies.

The consolidated entity has established a Long-Term Incentive Program ("LTIP") which uses the framework of the former Oxiana Limited LTIP. Existing equity rights granted under the legacy plans of both Oxiana Limited and Zinifex Limited continue on foot. The details of these plans are outlined in the table below:

Element	Equity rights granted under the:		
	OZ Minerals LTIP - November 2008	Oxiana LTIP - February 2008 & 2007	Zinifex Executive Share Plan
Type of equity rights granted	50% options 50% performance rights	50% options 50% performance rights	100% Long Term Incentive Opportunities (LTIOs) which are a conditional entitlement to OZ Minerals shares subject to the satisfaction of vesting conditions and performance criteria.
Amount of equity rights granted	160%, 80% or 60% of the executive's total fixed remuneration, according to job grade	90% or 75% of average total fixed remuneration of all General Managers and the Global Executive Team (not including Owen Hegarty who was the Managing Director and CEO at that time)	160%, 80% or 40% of the executive's total fixed remuneration, according to job grade
Grant date	24 November 2008 based on the OZ Minerals share price on 1 October 2008	1 March 2007 and 26 February 2008	1 July 2006 (allocation date 1 November 2006) 1 July 2007 (allocation date 1 November 2007)
Performance Period	1 July 2008 – 30 June 2011 (3 year vesting)	1 March 2007 to 28 February 2009 (2 year vesting) 1 March 2007 to 28 February 2010 (3 year vesting) 26 February 2008 to 25 February 2011 (3 year vesting)	1 July 2006 to 30 June 2009 (3 year vesting) 1 July 2007 to 30 June 2010 (3 year vesting)
Exercise price – options	35% above the volume weighted average share price over the week up to and including the date of grant	35% above the volume weighted average share price over the week up to and including the date of grant	Not applicable
Exercise price – performance rights and LTIOs	Not applicable – provided at no cost	Not applicable – provided at no cost	Not applicable – provided at no cost
Fair valuation methodology	The assumptions underlying the Black-Scholes methodology are used to produce a Monte-Carlo simulation model	The assumptions underlying the Black-Scholes methodology are used to produce a Monte-Carlo simulation model	The assumptions underlying the Black-Scholes methodology are used to produce a Monte-Carlo simulation model

The performance hurdle for all three plans is relative Total Shareholder Return ("TSR") as measured against a comparator group. The Board considers that TSR is an appropriate performance hurdle to determine vesting because it ensures that a proportion of each participant's remuneration is linked to the generation of profits and shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders. TSR reflects benefits received by shareholders through share price growth and dividend yield and is the most widely used long term incentive hurdle in Australia. To ensure an objective assessment of the relative TSR comparison the consolidated entity employs an independent organisation to calculate the TSR ranking. Details of the TSR performance requirements are outlined in the Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

33 Share-based payments (continued)

The following tables set out the movements in the number of equity instruments granted to eligible employees during the current and prior period, in relation to the share options, performance rights and long-term incentive plan. These balances include those long-term incentive opportunities granted to the Chief Executive Officer, key management personnel and other eligible employees.

(a) Share options

All share options were granted for no consideration and existing allocations have maximum terms of five years from the date of grant. Options granted under the plan carry no dividend or voting rights. Each option is a conditional entitlement to one ordinary OZ Minerals Limited share subject to satisfying vesting conditions and performance criteria. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares. Share option holders cannot participate in new issues of capital which may be offered to shareholders prior to exercise. Prior to any new pro rata issue of shares to shareholders, option holders are notified by the consolidated entity and are allowed ten business days before the record date to exercise their vested options.

The following table sets out the movement in the number of share options granted to the CEO and Managing Director and other senior executives during the current and prior period:

Consolidated and company	Weighted average exercise price		Number of shares	
	2008	2007	2008	2007
Opening balance	2.58	1.76	27,000,000	25,100,000
Options granted during the period	3.66	4.28	15,310,784	6,900,000
Options exercised during the period	3.43	1.23	(2,800,000)	(5,000,000)
Options forfeited during the year	4.39	–	(6,490,550)	–
Closing balance	2.65	2.58	33,020,234	27,000,000
Options exercisable at year-end			18,550,000	20,100,000

The aggregate proceeds received from employees on exercise of options and recognised as issued capital by OZ Minerals is A\$0.4 million (2007: A\$4.1 million).

The fair value of share options issued to employees on exercise of options at their issue date is A\$5.7 million (2007: A\$15.6 million), which is based on the weighted average share price at grant date of options exercisable at year-end of A\$2.04 (2007: A\$3.12) multiplied by the number of options exercised during the period of 2,800,000 shares (2007: 5,000,000 shares).

Details of the share options outstanding at 31 December 2008 are detailed below:

Grant Date	Expiry date	Exercise price at grant date	Number 2008	Number 2007
1 January 2003 to 31 December 2003	28 October 2008	0.86	–	500,000
1 January 2004 to 31 December 2004	1 January 2009 to 31 December 2009	1.20 to 1.25	4,000,000	4,000,000
1 January 2005 to 31 December 2005	1 January 2010 to 31 December 2010	1.10 to 1.60	8,300,000	8,600,000
1 January 2006 to 31 December 2006	1 January 2011 to 31 December 2011	2.50 to 4.65	5,000,000	7,000,000
1 January 2007 to 31 December 2007	1 January 2012 to 31 December 2012	3.98 to 4.60	1,000,000	6,900,000
1 January 2007 to 31 December 2007	1 January 2013 to 31 December 2014	3.98 to 4.60	1,150,000	–
1 January 2007 to 31 December 2007	1 January 2013 to 31 December 2015	3.98 to 4.60	1,150,000	–
1 January 2008 to 31 December 2008	1 January 2013 to 31 December 2013	4.93	2,051,115	–
24 November 2008	30 June 2011	2.30	10,369,119	–
			33,020,234	27,000,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

33 Share based payments (continued)

(b) Performance rights

All performance rights were granted for no consideration and have maximum terms of ten years from the date of grant. The performance measurement period is two and three years as detailed in the Remuneration Report. Performance rights granted under the plan carry no dividend or voting rights. Each performance right is a conditional entitlement to one ordinary OZ Minerals Limited share subject to satisfying vesting conditions and performance criteria. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares.

The following table sets out the movement in the number of performance rights granted to the CEO and Managing Director and other senior executives during the current and prior period:

Consolidated and company	2008 Number	2007 Number
Opening balance	3,796,430	4,292,400
Rights granted during the period	6,774,098	2,514,810
Rights exercised during the period	(1,176,614)	(2,651,389)
Rights forfeited during the year	(387,809)	(359,391)
Closing balance	9,006,105	3,796,430

(c) Long-term incentive opportunities

Equity rights granted under the Zinifex Executive Share Plan are in the form of Long-term Incentive Opportunities ("LTIOs"). Each LTIO is a conditional entitlement to 3.1931 ordinary OZ Minerals Limited shares at no cost, subject to satisfying vesting conditions and performance criteria. This conditional entitlement does not carry a right to vote, nor to dividends nor, in general, to participate in corporate actions such as bonus issues during the period prior to vesting.

The shares allocated on the vesting of LTIOs are held in trust on the Executive's behalf until the Board of Directors or its delegate approves their release. During the period in which the shares are in trust the Executive is entitled to all dividends and other distributions, bonus issues or other benefits payable in respect of the shares.

Consolidated and company	2008 Number	2007 Number
Opening balance	-	-
Adjustments relating to acquisition of Zinifex Limited	1,613,658	-
Amounts forfeited for employees who have left during the year	(96,548)	-
Closing balance	1,517,110	-

(d) Expenses arising from share-based payment transactions

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

Performance rights	10.1	3.6	10.1	3.6
Share options	1.6	6.1	1.6	6.1
Long-term incentive plan	0.6	-	0.6	-
	12.3	9.7	12.3	9.7

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$m	Consolidated 2007 A\$m	Company 2008 A\$m	Company 2007 A\$m
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34 Related parties

(a) Parent entity

The ultimate parent entity within the consolidated entity is OZ Minerals Limited (formerly Oxiana Limited).

(b) Subsidiaries

The parent entity's interest in subsidiaries is set out in Note 17.

(d) Transactions with related parties

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the consolidated entity during the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Transactions between OZ Minerals and other entities within the wholly owned group during the year consisted of:

Loans to related parties				
Recharges and fees to subsidiaries	-	-	(22.6)	-
Loans advanced to controlled entities	-	-	-	0.5
Loans repaid from controlled entities	-	-	-	(0.3)
Dividends				
Dividend revenue from controlled entities	-	-	110.6	348.0

(e) Outstanding balances with related parties

The following balances are outstanding at the reporting date in relation to transactions between related parties:

Controlled entities – receivables	-	-	-	635.8
Controlled entities – payables	-	-	414.7	-
Loans to controlled entities are non-interest bearing and repayable on demand	-	-	(414.7)	635.8

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$'000	Consolidated 2007 A\$'000	Company 2008 A\$'000	Company 2007 A\$'000
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35 Remuneration of auditors

Audit services

Audit and review of financial reports and other audit work under the *Corporations Act 2001*, including audit of subsidiary financial statements

KPMG Australia (i)	1,417	385	709	385
Overseas KPMG firms	226	148	–	–
	1,643	533	709	385

Assurance services

Due diligence services	533	33	533	33
Other assurance services	25	38	25	35
	558	71	558	68

Taxation services

Taxation compliance and other advisory services	84	149	84	144
	84	149	84	144

Advisory services

Other advisory services	–	18	–	18
Total fees	2,285	771	1,351	615

(i) The 2008 fee also includes an amount for the audit of 2007 local statutory financial reports in relation to entities acquired in 2007.

36 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the controlled entities listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee ('the Deed'). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

OZ Minerals Limited and the following subsidiaries became party to the Deed on 24 December 2007:

- OZ Minerals Prominent Hill Pty Ltd
- Minotaur Resources Holdings Pty Ltd
- OZ Minerals Prominent Hill Operations Pty Ltd
- OZ Minerals Finance (Holdings) Pty Ltd
- OZ Minerals Finance Pty Ltd
- OZ Minerals Golden Grove (Holdings) Pty Ltd
- OZ Minerals Golden Grove Pty Ltd
- OZ Minerals Golden Grove (Finance) Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

Consolidated
2008 A\$m

Consolidated
2007 A\$m

36 Deed of cross guarantee (continued)

A condensed consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed is set out below:

(a) Condensed income statement and retained earnings

(Loss)/profit before income tax and dividends received	(4,376.0)	358.5
Dividends received from controlled entities outside the controlled group	110.6	–
Income tax benefit/(expense)	38.0	(51.2)
(Loss)/profit for the year	(4,227.4)	307.3
Retained earnings at beginning of year	510.1	346.8
Transfers to and from reserves	1.5	(6.2)
Dividends recognised during the year	(217.9)	(137.8)
Retained earnings at end of year attributable to members of OZ Minerals Limited	(3,933.7)	510.1

(b) Balance sheet

Current assets

Cash and cash equivalents	61.7	101.8
Trade and other receivables	54.5	566.6
Inventories	232.4	31.5
Other assets	2.6	1.3
Total current assets	351.2	701.2

Non-current assets

Property, plant and equipment	1,709.7	1,016.5
Intangible assets	0.5	1.2
Deferred tax assets	30.8	–
Other financial assets	2,770.5	283.3
Total non-current assets	4,511.5	1,301.0
Total assets	4,862.7	2,002.2

Current liabilities

Trade and other payables	825.2	109.7
Interest-bearing liabilities	814.8	125.5
Provisions	6.8	6.7
Other financial liabilities	–	1.7
Total current liabilities	1,646.8	243.6

Non-current liabilities

Interest-bearing liabilities	137.4	196.8
Deferred tax liabilities	23.8	71.9
Provisions	45.9	37.9
Other financial liabilities	–	4.1
Total non-current liabilities	207.1	310.7
Total liabilities	1,853.9	554.3

Net assets

Equity		
Issued capital	5,107.1	1,056.7
Reserves	1,835.4	(118.9)
Retained earnings	(3,933.7)	510.1
Total equity	3,008.8	1,447.9

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

OZ Minerals Limited and its controlled entities for the year ended 31 December 2008

37 Events occurring after reporting date

(i) *Minmetals cash offer*

On 16 February 2009 the consolidated entity announced to the ASX that the Company and China Minmetals Non-ferrous Metals Company Limited ("Minmetals") had entered into a Scheme Implementation Agreement ("SIA") for a proposed acquisition through a scheme of arrangement of all outstanding shares in OZ Minerals Limited by Minmetals at a cash price of 82.5 cents per share.

As announced to the market on 16 February 2009, completion of the transaction is subject to regulatory approvals and other conditions, including:

- completion of confirmatory due diligence by Minmetals by 23 February 2009. This was satisfactorily completed as announced to the ASX on 24 February 2009;
- the approval by 27 February 2009, of the consolidated entity's current lenders, to extend the debt arrangements until at least 31 March 2009. The consolidated entity has been successful in obtaining from the lenders whose facilities fall due on 27 February 2009, approval to extend the termination date to 31 March 2009. The approvals are subject to completion of documentation to give effect to the extension;
- the approval prior to 1 April 2009, to extend the debt arrangements until at least 2 weeks after the scheduled scheme implementation date;
- there being no material adverse change (US\$100 million threshold) in OZ Minerals' consolidated net assets or net present value between the date on which Minmetals completes its due diligence and the second Court date, excluding anything arising as a result of a change in general economic business or political conditions, securities markets, interest rates, exchange rates or commodity prices;
- the approval of regulatory authorities in Australia (including the Foreign Investment Review Board and the Department of Defence) and the People's Republic of China and shareholder and Court approval.

Whilst there can be no certainty that the conditions precedent will be met, both the consolidated entity and Minmetals have agreed to use their reasonable endeavours to procure the satisfaction of the conditions precedent relevant to them.

The transaction is unanimously recommended by the Board, subject to no superior competing proposal and confirmation by an independent expert that the transaction is in the best interests of the consolidated entity's shareholders. Under the terms of the SIA the Company has undertaken not to dispose of any interest in a material asset, although the Company is able to proceed with its asset sale program in relation to Martabe and Golden Grove. Further details are set out in the ASX announcements made on 16 and 18 February 2009.

Following the above announcement, on 17 February 2009 the suspension in trading of the Company's shares ceased.

(ii) *Asset sales*

The consolidated entity disposed of its entire shareholding of 7,791,622 shares in Nyrstar NV, a publicly listed entity on Euronext Brussels, in January 2009 for a consideration of A\$33.7 million. This asset was classified as held for sale at 31 December 2008 as set out in Note 5. The fair value of the consolidated entity's investment in Nyrstar at 31 December 2008 was A\$34.7 million.

(iii) *Refinancing of borrowings*

As noted in Note 1(c)(i), as at 31 December 2008, the consolidated entity had four major bank facilities. Three of these facilities matured, or were required to be refinanced by 31 December 2008. Prior to the end of the financial year the relevant lenders agreed to extend the termination dates of various debt facilities provided to a number of the consolidated entity's subsidiaries to 27 February 2009. In addition, as announced to the ASX on 22 January 2009, three subsidiaries of the consolidated entity obtained from certain of the consolidated entity's lenders a new short term facility of A\$140,000,000 with a termination date of 27 February 2009.

The consolidated entity has been successful in obtaining from the lenders whose facilities fall due on 27 February 2009, approval to extend the termination date to 31 March 2009. The approvals are subject to completion of documentation to give effect to the extension.

The consolidated entity granted security over certain of its Australian and overseas assets to Societe Generale (the lender under Facility C), and its Martabe assets to the lenders of the new short term facility, during January and February, in accordance with agreements reached in relation to the above refinancing discussions. The consolidated entity was also required to grant security over certain of its other overseas assets in favour of Societe Generale but Societe Generale has now waived the latter requirement.

The consolidated entity was also pursuing asset sales and was examining expressions of interests for a number of its assets to repay or reduce the facilities as at 31 December 2008. This process continued after the end of the financial year.

There have been no other events that have occurred subsequent to the reporting date which have significantly affected or may significantly affect the consolidated entity's operations, results or state of affairs in future years.

DIRECTORS' DECLARATION

Directors' declaration

- 1 In the opinion of the Directors of OZ Minerals Limited ('the Company'):
 - (a) the financial statements and notes of the Company on pages 45 to 114 and the remuneration disclosures that are contained in the remuneration report on pages 23 to 43, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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. As noted in Note 1(c)(i), whilst approvals from the consolidated entity's lenders have been obtained to extend the necessary facilities to 31 March 2009, a degree of uncertainty remains as documentation to give effect to the extension, has not yet been entered into. There also exists material uncertainty about the ability of the consolidated entity to further extend the refinancing date or refinance by 31 March 2009. Notwithstanding this, the Directors consider that there are reasonable grounds to believe that the lenders will agree, as they have in the past, to extend those facilities having regard to the constructive negotiations that are ongoing with the lenders and prospective purchasers of certain of the consolidated entity's assets. This prospect may be further positively influenced by the Company's announcement on 16 February 2009 of the takeover offer by China Minmetals Non-ferrous Metals Company Limited via a scheme of arrangement.
- 2 There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 36 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to ASIC Class Order 98/1418.
- 3 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2008.

Signed in accordance with a resolution of the Directors.



B L Cusack
Chairman
Melbourne
27 February 2009



A G Michelmore
Managing Director and Chief Executive Officer
Melbourne
27 February 2009



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

Report on the financial report

We have audited the accompanying financial report of OZ Minerals Limited (the Company), which comprises the balance sheets as at 31 December 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration set out on pages 45 to 115 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

Whilst we draw attention to the material uncertainty noted below, in our opinion:

(a) the financial report of OZ Minerals Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).



Material uncertainty regarding continuation as a going concern

Without qualification to the above opinion, we draw attention to the following matters within the notes to the financial statements and the Directors Declaration in relation to the financial statements.

Notes 1(c)(i) and 37 to the financial statements note that:

- As at 31 December 2008, the Group had four major bank facilities. Three of these facilities matured, or were required to be refinanced by 31 December 2008 (refer Note 29(c)). Agreement was obtained from the lenders on 29 December 2008 to extend the refinancing date on these facilities to 27 February 2009 and, in accordance with the accounting standards, these three facilities were classified as current liabilities at 31 December 2008 (refer to Note 21).
- On 29 January 2009, a bridging finance facility of up to A\$140 million was established with the lenders of Facility A (refer Note 29(c)). The new short term facility terminates on 27 February 2009.
- On 27 February 2009, the Group received approval from the lenders to extend the termination dates of the facilities until 31 March 2009, subject to completion of documentation to give effect to the extension. The Group will subsequently seek a further extension from 31 March 2009, as described in Note 37.

Accordingly, there exists material uncertainty about the completion of this documentation and the ability of the Group to further extend the refinancing date or refinance these facilities by 31 March 2009.

Note 1(c)(i) states that whilst the Directors have undertaken a thorough review of all operations, instituted measures to improve operating costs and deferred several capital projects to preserve cash, material uncertainties exist over the future operating results and cash flows of the Company and the Group. In addition, the Group continues to pursue certain financing alternatives, including potential asset sales, to address its short term cash requirements and allow it to work with its lenders towards extending or refinancing its banking facilities as follows:

- On 16 February 2009 China Minmetals Non-ferrous Metals Company Limited ('Minmetals') and the Group announced that they have entered into a conditional agreement for Minmetals to acquire all outstanding shares of the Company (refer to Note 37 for a summary of the conditions). As part of the agreement, Minmetals will refinance the Group's outstanding debt at scheme completion.
- Since 31 December 2008, the Group has disposed of its investment in Nyrstar NV that was classified as held for sale at 31 December 2008, as set out in Notes 5 and 37. The Group continues to pursue other asset sales as indicated in Notes 1(c)(i) and 37.

Note 1(c)(i) and the Directors Declaration in relation to the financial statements state that the Directors are aware that a material uncertainty exists due to the above events which may cast doubt upon the Group's ability to continue as a going concern. After making enquiries, the Directors have stated in Note 1(c)(i) and their Declaration that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and that they have a reasonable expectation that the Group has potential sources of financing, through asset sales and alternative funding proposals (including the Minmetals proposal), and expected future operating cashflows, to adopt the going concern basis in preparing the annual financial statements.

Whilst the Directors note material uncertainty about the ability of the Group to extend the refinancing date or refinance the Group's bank facilities by 31 March 2009, the Directors state in their Declaration that constructive negotiations are ongoing with the Group's lenders and prospective purchasers of certain of the Group's assets, and that, as at the date of their declaration, there are reasonable grounds to believe that those lenders will agree, as they have in the past, to extend those facilities.

These conditions and future events, in relation to the completion of documentation to give effect to the extension of banking facilities given by the Group's lenders on 27 February 2009, the further extension of the facilities by 31 March 2009, the Minmetals agreement, potential asset sales and future operating cash flows, indicate the existence of a material uncertainty which casts significant doubt about the Group's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business at the amounts recognised in the financial statements. In particular, the carrying value of assets classified as held for sale (Note 5), property, plant and equipment (Note 18) and deferred tax assets (Note 11) may not be fully recoverable, and liabilities classified as non-current may become current, should the Group not be able to continue as a going concern.

INDEPENDENT AUDIT REPORT



Report on the remuneration report

We have audited the remuneration report included in pages 23 to 43 of the directors' report for the year ended 31 December 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of OZ Minerals Limited for the year ended 31 December 2008 complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature of the KPMG partner, Michael Bray, in black ink. The signature is written in a cursive, flowing style.

KPMG

A handwritten signature of Michael Bray, the partner, in black ink. The signature is written in a cursive, flowing style.

Michael Bray
Partner

Melbourne

27 February 2009

SHAREHOLDER INFORMATION

Capital

Share capital comprised 3,121,339,800 fully paid ordinary shares on 27 March 2009.

Shareholder details

At 27 March 2009 the Company had 122,637 shareholders. There were 17,204 shareholdings with less than a marketable parcel of \$500 worth of ordinary shares.

Top 20 investors at 27 March 2009

Name	Number of shares	Issued capital %
National Nominees Limited	485,570,615	15.56
HSBC Custody Nominees (Australia) Limited	350,774,578	11.24
J P Morgan Nominees Australia Limited	317,240,491	10.16
Citicorp Nominees Pty Limited	113,934,002	3.65
ANZ Nominees Limited	103,608,727	3.32
HSBC Custody Nominees (Australia) Limited – A/C 2	34,386,415	1.10
HSBC Custody Nominees (Australia) Limited – GSCO ECA	32,210,850	1.03
Romadak Pty Ltd	25,400,000	0.81
Cogent Nominees Pty Limited	22,659,779	0.73
Citicorp Nominees Pty Limited <CFSIL Cwlth Aust SHS 19 A/C>	22,463,615	0.72
AMP Life Limited	22,270,070	0.71
UBS Nominees Pty Ltd	21,282,510	0.68
Queensland Investment Corporation	14,856,542	0.48
Debortoli Wines Pty Limited	14,468,260	0.46
Yarraandoo Pty Ltd	14,194,014	0.45
Citicorp Nominees Pty Limited <CFS WSLE Imputation Fund A/C>	12,712,569	0.41
Merrill Lynch (Australia) Nominees Pty Limited	12,586,399	0.40
UBS Wealth Management Australia Nominees Pty Ltd	12,201,811	0.39
RBC Dexia Investor Services Australia Nominees Pty Limited	11,265,079	0.36
Yarraandoo Pty Ltd	10,297,750	0.33
Total	1,654,384,076	52.66

Substantial shareholders at 27 March 2009

Holder Giving Notice	Number of shares	% of issued capital reported in notice	Date of notice
Morgan Stanley Investment Management Limited	214,987,557	6.89	2 December 2008
Merrill Lynch & Co., Inc.	214,970,416	6.89	23 July 2008
Blackrock Group	192,557,792	6.17	13 March 2009

Investor Categories at 27 March 2009

Ranges	Number of investors	Number of shares	Issued capital %
1 – 1,000	22,288	12,578,175	0.40
1,001 – 5,000	51,603	141,058,585	4.52
5,001 – 10,000	22,961	172,980,730	5.54
10,001 – 100,000	24,414	621,512,418	19.91
100,001 – and Over	1,371	2,173,209,892	69.63
Total	122,637	3,121,339,800	100.00

SHAREHOLDER INFORMATION

Voting rights

On a show of hands, every member present in person or by attorney or by proxy or by representative shall have one vote for every share held by the member. Upon a poll, every member present in person or by attorney or by proxy or by representative shall have one vote for every share held by the member. Where more than one proxy, representative or attorney is appointed, none may vote on a show of hands.

Other securities on issue

The Company has a number of other securities on issue in addition to ordinary shares. The details of the securities held as at 27 March 2009 are as follows:

Class of security	Number of holders	Number of securities
Options	40	19,272,288
Performance rights	1,022	6,678,822
Sign on equity rights	1	139,752
Zinifex Long Term Incentive Opportunities	18	340,105

The Zinifex Long Term Incentive Opportunities (LTIO) are convertible, upon the satisfaction of vesting conditions, to 3.1931 OZ Minerals shares for each LTIO held. The Company also has 1,050 Convertible Bonds on issue that are convertible into OZ Minerals shares at US\$0.9180 per share representing 114,379,085 shares to be issued.

No voting rights attach to the above securities, however, any ordinary shares that are allotted to the holders of the securities upon vesting or conversion of the above mentioned securities will have the same voting rights as all other ordinary OZ Minerals shares.

Dividends

The Company did not declare a final dividend for the year ended 31 December 2008. The Company previously declared an interim dividend with respect to the six months ended 30 June 2008 of 5 cents per share unfranked, which was paid to shareholders on 29 September 2008.

Dividend payments

Your dividend payments may be credited directly into any nominated bank, building society or credit union account in Australia.

Share registry information

The OZ Minerals share registry is maintained by Link Market Services Limited.

Visit Link Market Services' website www.linkmarketservices.com.au and access a wide variety of holding information, change your personal details and download forms. You can:

- check your current and previous holding balances
- elect to receive financial reports electronically
- update your address details
- update your bank details
- confirm whether you have lodged your Tax File Number (TFN), Australian Business Number (ABN) or exemption
- check transaction and dividend history
- enter your email address
- check the share prices and graphs
- download a variety of instruction forms.

You can access this information via a security login using your Security Holder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

Contact information

Shareholder enquiries about their shareholding should be addressed to Link Market Services. You can also contact the Company's share registry by calling 1300 306 089 or from outside Australia +61 2 8280 7763. Share registry contact details are contained in the inner back cover of this report.

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