

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange ('ASX') Listing Rule 4.2A and Appendix 4E for the Consolidated Entity ('OZ Minerals' or the 'Consolidated Entity') comprising OZ Minerals Limited ('OZ Minerals Limited' or the 'Company') and its controlled entities for the year ended 31 December 2012 (the 'financial year') compared with the year ended 31 December 2011 ('comparative year').

Highlights

- Safety programs continue to drive improved safety performance at Prominent Hill
- A solid operational performance for the year with OZ Minerals':
 - Revenue of \$985.7 million;
 - Underlying EBITDA¹ of \$334.1 million; and
 - Net profit after tax of \$152.0 million
- Net cash inflows from operating activities of \$318.8 million with a cash balance at 31 December 2012 of \$659.0 million
- Significant work underway to extend the life of mining operations at Prominent Hill
 - Ankata underground mine commenced operating at full capacity in 2012 with the Reserve now increased by 2.9Mt extending Ankata mine life by approximately two years
 - Mine development of Malu Underground commenced with Phase 1 of the decline complete, with the mine expected to be in production in 2014
- Drilling program at Carrapateena conducted during 2012
 - Increased Resource by 43 percent to 292Mt (at 0.7% Cu cut-off)
 - New Khamsin prospect represents an exciting regional discovery ten kilometres from Carrapateena
- Exploration decline at Carrapateena being fast tracked, using a Tunnel Boring Machine starting in 2013
- Unfranked dividend of 10 cents per share paid in September 2012
- A further unfranked dividend of 20 cents per share declared in February 2013
- On-market share buyback of \$200 million completed, with \$100.1 million of shares bought in 2012

Consolidated results

	31 December 2012 \$m	31 December 2011 \$m	Movement \$m	Movement percent
Revenue	985.7	1,115.9	(130.2)	(11.7)
Profit after tax attributable to equity holders of OZ Minerals Limited	152.0	274.5	(122.5)	(44.6)
Net tangible assets per share	\$8.35	\$8.08		

The Ankata mine at Prominent Hill operations was commissioned in August 2012, with development costs capitalised until July 2012. The current year results include five months of Ankata mine operation.

1. OZ Minerals financial results are reported under International Financial Reporting Standards ('IFRS'). This Financial Report and Results for Announcement to the Market include certain non-IFRS measures including Underlying EBITDA, Underlying EBIT, Underlying EBT and Underlying NPAT. These measures are presented to enable understanding of the underlying performance of the Company without the impact of non-trading items such as litigation settlement expense and impairment of assets (which were incurred in the comparative year). Non IFRS measures have not been subject to audit or review. Underlying EBITDA, Underlying EBIT, Underlying EBT and Underlying NPAT are included in Note 3 Operating Segments, which form part of the Financial Report. Refer Note 3 Operating Segments to the Financial Report for further details.

RESULTS FOR ANNOUNCEMENT TO THE MARKET – CONTINUED

In accordance with Chapter 19 of the ASX listing rules, net tangible assets per share represent total assets less intangible assets less liabilities ranking ahead of, or equally with, ordinary share capital, divided by the number of ordinary shares on issue at end of the year.

The commentary on the consolidated results and outlook is set out in the Review of results and operations, changes in state of affairs, and likely developments section of the Directors' Report.

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 20 cents per share, to be paid on 12 March 2013. The record date for entitlement to this dividend is 26 February 2013. The financial impact of this dividend amounting to \$60.7 million has not been recognised in the Financial Statements for the year ended 31 December 2012 and will be recognised in subsequent Financial Statements.

The details in relation to dividends announced or paid since 1 January 2011 are set out below:

Record date	Date of payment	Cents per share	Total dividends \$m
26 February 2013	12 March 2013	20	60.7
11 September 2012	25 September 2012	10	30.3
24 February 2012	9 March 2012	30	94.3
29 August 2011	16 September 2011	30	97.2
23 February 2011	9 March 2011	40	129.5

For Australian income tax purposes, all dividends were unfranked and were declared to be conduit foreign income.

The dividend of 40 cents per share paid on 9 March 2011 in the above table reflects the dividend amount per share after the one for ten share consolidation in June 2011.

The Company's Dividend Reinvestment Plan was suspended in 2010 and remains suspended.

Independent auditor's report

The Financial Statements upon which this Appendix 4E is based have been audited and the Independent Auditor's Report to the members of OZ Minerals Limited is included in the attached Annual Financial Report.

CHAIRMAN AND MANAGING DIRECTOR & CEO'S LETTER

Dear Shareholder,

In 2012, we had another solid year of production from Prominent Hill. We extended the life of the new Ankata underground mine, further increased our options for mine life extension and made great progress at Carrapateena. Most pleasingly, we continued to progress our safety strategy, resulting in improved safety performance.

Pursuing value for our shareholders remains our overall business objective. For 2012, we resolved to pay a total unfranked dividend of 30 cents per share, equating to a payout ratio of 60 percent of normal operating profits.

During the year, we reaffirmed our strategy after taking into consideration changes in market conditions and the outlook for our preferred commodities of copper and gold. Our strategy remains to focus on copper, maximise the potential of our assets, build a project pipeline, invest in exploration and disciplined evaluation of value adding acquisition opportunities.

We have detailed our vision for the future as part of our 'Conceptual Growth Vision' for OZ Minerals. Our vision includes mining from the open pit, Ankata underground and development, and subsequent mining of the Malu underground at Prominent Hill. We are also accelerating the exploration phase of the Carrapateena project. Although the timeline is conceptual and is by necessity subject to many variables, including regulatory and community approvals, suitable technical and cost outcomes, and favourable economic and market conditions, we are indicating potential for mining beyond 2020 at Prominent Hill from underground operations.

With the combined open pit and underground operation, revenue for the year was just below \$1 billion. The average London Metals Exchange (LME) average copper price during 2012 was US\$3.61 per pound, which is still a very good price historically and only slightly below the all-time record (LME) average copper price achieved in 2011 of US\$4.00 per pound. The outlook for copper remains very strong, with emerging economies providing the demand level that exceeds forecast mine supply.

As we move into Prominent Hill's fifth year of operations, we are able to reflect on an asset that has consistently achieved very good production. In 2012, we met our market guidance, with 101,737 tonnes of copper and 140,746 ounces of gold produced at Prominent Hill.

Many significant milestones were achieved in 2012, setting ourselves up for future growth. Our new Ankata underground mine at Prominent Hill was officially opened during the year by the Premier of South Australia, the Hon Jay Weatherill. The mine reached its full production rates by the end of 2012 and Ore Reserves were increased.

Our confidence in Carrapateena has grown following a drilling program, which led to a 43 percent increase in Mineral Resources. We have purchased a Tunnel Boring Machine (TBM) to accelerate the development of an exploration decline and allow further geotechnical testing of the deposit. It is anticipated that the TBM will be commissioned before the end of 2013. We also announced a regional discovery at the Khamsin prospect, approximately 10 kilometres north west of the Carrapateena deposit.

Our investment in our local communities was strengthened in 2012. We completed our eighth Pre-Employment Training Program, which continues to have success in enabling local people without prior experience to enter our workforce.

We currently have around 170 Aboriginal people working at Prominent Hill – one of the highest Aboriginal representations within Australian mining workforces.

In an industry with traditionally lower representation of women than men, OZ Minerals has a clear vision for improving diversity within our company, with measurable targets incorporated into company-wide key performance indicators. At present, women constitute 24 percent of OZ Minerals employees.

We have always seen 2012–2013 as transitional years for Prominent Hill as we move underground and mine significant volumes of waste. This will build a foundation for future production from Prominent Hill. From 2014 onwards, we will have access to ore in later stages of the open pit, obtaining the benefit from the investment in our 2013 waste movement campaign. Over the year, we will begin to develop the Malu underground mine with the objective of reaching first ore from stoping in 2014. We will also focus on drill testing of targets at Carrapateena.

With a strong balance sheet and no debt, OZ Minerals is in an excellent position to capitalise on growth from within our own portfolio and to continue our disciplined evaluation of further value-adding opportunities in copper.



Neil Hamilton
Chairman
28 March 2013



Terry Burgess
Managing Director and Chief Executive Officer
28 March 2013

CORPORATE GOVERNANCE STATEMENT

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

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

Principle 1: Lay solid foundations for management and oversight

The Board has adopted a Charter that sets out the specific powers and responsibilities that have been delegated to the Company's Executive Committee ('EXCO') and the executive management team and those that it has reserved for itself. EXCO, led by the Managing Director and Chief Executive Officer ('MD&CEO'), is responsible for the leadership and management of the Company as a whole. EXCO performs its role in consultation with, and obtains guidance from, the Board and the Board Committees. The other members of EXCO are the Chief Financial Officer and the General Counsel & Company Secretary.

In addition to attending the regular Board and Board Committee meetings, the Directors allocate time for strategy and risk review sessions and for inspecting the operations of the Company. Directors receive a comprehensive monthly performance report from the MD&CEO and Directors are briefed regularly by members of the executive management team and other senior managers. Time is also allocated throughout the year for continuing education on significant issues facing the Company and changes to the regulatory environment.

The Chairman communicates regularly with the MD&CEO to review strategic and business issues and to agree upon Board meeting agendas.

The Company also has in place a Delegations of Authority Manual which is approved by the Board and circulated throughout the Company that makes clear to every employee what is or is not within the scope of their authority.

Assessing senior executive performance

In accordance with clause 6.5 of its Charter, each year the Board approves the criteria for assessing the performance of the MD&CEO, and the executive management team.

The performance of the MD&CEO and the executive management team was reviewed and evaluated during 2012. During the year the Board established key performance indicators for Mr Terry Burgess to reflect the challenges of the organisation. The Board reviewed the MD&CEO's performance against these performance criteria in December 2012. The performance reviews of members of the executive management team are conducted regularly during the year by the MD&CEO, with a formal process conducted once a year.

Details of how the Company assesses the performance of the MD&CEO and the executive management team are set out in the Remuneration Report on pages 27 to 44.

Principle 2: Structure the Board to add value

Board composition

The Board strives to ensure that it is comprised of a diverse selection of strongly performing individuals of utmost integrity whose complementary skills, experience, qualifications and personal attributes are suited to the Company's needs. Following Mr Barry Lavin's resignation from the Board on 8 March 2013, OZ Minerals' Board comprises seven Directors – one executive Director being the MD&CEO, and six Non-Executive Directors ('NEDs'). The Company's Constitution provides for a minimum of three, and a maximum of fifteen Directors.

A profile of each Director, is set out in the Directors' Report.

Independence

The Board is comprised of a majority of independent NEDs. All NEDs, including the Chairman whose role is separate to the MD&CEO, are independent and free of any relationship which may conflict with the interests of the Company. In order to ensure that any 'interests' that a Director has in a matter to be considered by the Board are known by all Directors, 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 any related financial interests or details of other interests in the Company. At the beginning of each Board Meeting, Directors are requested to report whether there are any conflicts that other Directors should be aware of. The Board is also guided by the OZ Minerals Director's Conflicts of Interest Policy which provides a framework to assist Directors in managing and disclosing any conflicts of interest that may arise.

CORPORATE GOVERNANCE STATEMENT – CONTINUED

Selection and appointment of Directors

The Board, with the assistance of the Nomination & Board Governance Committee, regularly reviews its membership to ensure that it has the appropriate mix of skills and experience required to meet the needs of the Company. When the Board determines the need to appoint a new Director, external professional advisers are engaged to assist with identifying potential candidates to ensure that a diverse range of candidates is considered.

Retirement and re-election of Directors

In accordance with the ASX Listing Rules and the Company's Constitution, no Director may hold office without re-election beyond the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election, however the Board will review and assess the performance of a retiring Director before giving a recommendation on whether a retiring Director should be re-elected.

The Company's Constitution also requires that Directors, excluding the MD&CEO who have been appointed by the Board must retire and stand for re-election at the next annual general meeting following their appointment.

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 its Directors.

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

Evaluating Board and Committee performance

The Board, with the assistance of the Nomination & Board Governance Committee, regularly monitors its performance and the performance of the Directors and Board Committees throughout the year and conducts a formal review of their performance on an annual basis. This may occur through a process of internal review led by the Chairman, or be performed with the assistance of external advisers, as considered appropriate.

For the 2012 year, the Board undertook a review of the performance of all the Directors, including Messrs. Dowd and Lenegan, who are standing for re-election at the May 2013 Annual General Meeting. The review was led by the Chairman with the assistance of an independent external third party facilitator. The review was based on a formal questionnaire followed by interviews with each of the Directors. The outcomes of the review were discussed and considered by all the Directors.

Board Committees

The standing Committees of the Board are the Audit Committee, Sustainability Committee, the Remuneration Committee and the Nomination & Board Governance Committee. Each Committee is entitled to the resources and information it requires to carry out its duties, including direct access to advisers and employees. Committee papers and minutes of Committee meetings are circulated to all Directors and any Director is welcome to attend any meeting. Each Committee reports its deliberations to the next Board Meeting.

The Committee Charters and the membership details of each Committee can be located on the Company's website. Details of the number of Board and Committee meetings held during the year, and each Director's attendance at those meetings are set out in the Directors' Report.

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. The Company has developed a number of policies to help Directors and employees understand what is expected of them. Below is a summary of the Company's core policies which apply to Directors and employees.

Code of Conduct

The Code of Conduct describes standards for appropriate ethical and professional behaviour for all Directors, employees and contractors working for the Company. The Code of Conduct, which is reviewed regularly by the Board, 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 and employees are made aware of the Code of Conduct through regular training programs. In addition to the Code of Conduct, the Company has introduced an Anti-Bribery and Corruption Policy.

CORPORATE GOVERNANCE STATEMENT – CONTINUED

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 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 and to have such concerns properly investigated, without being subject to victimisation, harassment or discriminatory treatment. The Whistleblower Policy, which is reviewed regularly, provides a mechanism by which all employees can confidentially report improper or illegal conduct without fear of discrimination. Where the complaint relates to suspected improper or illegal conduct of the MD&CEO or any other member of EXCO, the matter must be reported to the Chairman of the Board and the Chairman of the Audit Committee.

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's securities.

The policy establishes 'black out periods' during which Directors and employees must not trade in the Company's securities and it also prevents Directors, executives and employees from entering into any hedging arrangements over unvested securities issued pursuant to any share scheme, performance rights plan or option plan. In addition, the policy prevents participants in the Company's Long Term Incentive Plan from entering into financial arrangements such as margin loans, stock lending or any other arrangements involving OZ Minerals securities where a lender (or other third party) is granted a right to sell (or compel the sale of) all or part of an employee's OZ Minerals securities.

Diversity Policy

The Company believes that embracing diversity, by providing fair and equal access for employees to all employment opportunities, inevitably leads to a more effective workplace. The Company's approach to achieving diversity objectives is outlined in the Diversity Policy. The Diversity Policy has a particular focus on further improving gender diversity within the Company through an active attraction, engagement and retention strategy. This policy also outlines the Company's overall commitment to establishing programs and setting measurable targets to develop a diverse workforce that is representative of the broader society. The Board with the assistance of the Remuneration Committee is overseeing the implementation and approval of programs and measurable targets which are set out in more detail below.

Measurable Targets

The measurable targets set out in the OZ Minerals Diversity Policy assist in managing diversity and ensuring that diversity is integrated into business and workforce planning. The table below sets out the measurable targets for 2012 and provides details of the progress of the Company towards these targets.

Women comprise approximately 24 percent of the workforce directly employed by OZ Minerals and 17 percent of employees at the Prominent Hill mine site. This compares well to the industry average of 14 percent and a lower percentage based at mine sites.

The Company's key challenge remains within the middle management group. Training and development efforts are concentrated on providing our highly capable women with the tools to be successful to move into superintendent and senior specialist level positions.

In line with the Diversity Policy, several programs have been developed to support women at OZ Minerals including the female-specific Leading My Career Program, as well as the Emerging Leaders Program and a range of professional development opportunities that target both high performing female and male employees.

Leading My Career has assisted the Company in working towards achieving its diversity goals by increasing the profile of women within the Company and providing a platform for women to openly discuss their career goals with their managers.

The Company is pleased with its overall progress. However it will continue to work to improve diversity within its business to reach its target of 25 percent across all job bands.

CORPORATE GOVERNANCE STATEMENT – CONTINUED

Diversity measurable targets and performance for 2012:

Measureable Target	Results
1. At least one female Board Director at all times	Target achieved
2. At least 25% in Job Band A, B, C, D, E and F	Bands A, B, E/F* had a minimum of 25 percent female representation. Bands C and D have increased rates of female participation since 2011. Results across the Job Bands as at 31 December 2012 compared to 31 December 2011 are set out in the table below.*

Gender representation across job bands

2011 gender representation (values are in percentage)*

	Business and Functional Leadership	Departmental Managers	Superintendents / Senior Specialists	Tertiary / Supervisor	Individual Contributors
Female	40	15	14	31	24
Male	60	85	86	69	76

2012 gender representation (values are in percentage)*

	Business and Functional Leadership	Departmental Managers	Superintendents / Senior Specialists	Tertiary / Supervisor	Individual Contributors
Female	33	20	16	26	25
Male	67	80	84	74	75

* The calculation for gender representation across job bands has been revised to include permanent full and part time employees only. Job bands E and F have been combined due to low numbers of employees within senior management positions. 2011 figures have been restated using this methodology.

In 2013, the Company will continue to pursue improved gender diversity in addition to its ongoing commitment to Aboriginal employment programs. Details on progress against these commitments, in addition to detailed workforce statistics, can be found in the OZ Minerals annual Sustainability Report which is available on the Company's website.

Aboriginal Employment

As part of our commitment to diversity, the Company has a continuing focus on providing employment opportunities for Aboriginal people. There are currently approximately 170 Aboriginal people working at Prominent Hill – one of the highest representations of Aboriginal people within Australian mining workforces.

In 2012 the Company completed its eighth Pre-Employment Training Program, which continues to have success in enabling local people that do not have experience within the industry to enter our workforce. Nine people from the nearby towns of Coober Pedy and Oodnadatta graduated from the program this year and have taken up various positions at Prominent Hill, including positions with some of our major contractors. To date, 68 people have obtained permanent positions at Prominent Hill through this program, of which 70 percent are Aboriginal people. The Company has a number of support services in place to assist its Pre-Employment Training Program graduates as they enter the workforce, including a Language, Literacy and Numeracy Program and an on-site Indigenous Mining Mentor.

Principle 4: Safeguard integrity in financial reporting

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 and management, the internal and external audit functions and the effectiveness of the Company's risk management framework. The Audit Committee Charter and the membership details of the Committee can be located on the Company's website. The experience and qualification of each member of the Audit Committee can be found on pages 16 to 18 of the Director's Report. In addition, information on procedures for the selection and appointment of the Company's external auditor can be found in clause 6.2 of the Audit Committee Charter.

CORPORATE GOVERNANCE STATEMENT – CONTINUED

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 2001 (Cth)*.

The Company has a Continuous Disclosure Policy and Continuous Disclosure Protocols and Procedures, which outline the processes, and protocols and procedures for identifying information for disclosure. The policy and the protocols and procedures aim to ensure that timely and accurate information is provided equally to all shareholders and market participants, consistent with the Company's commitment to its continuous disclosure obligations.

The policy and the protocols and procedures are reviewed annually by the Board and updates are made where considered appropriate. The Company's Continuous Disclosure Policy is available on the Company's website.

Principle 6: Respect the rights of shareholders

The Board aims to ensure that shareholders are provided with all of the information necessary to assess the performance of the Company. To achieve this, the Company has 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.

In addition to releasing information to the ASX, the Company communicates to shareholders using a number of mediums including the Company's Annual General Meeting (AGM), the Company's website, email notifications and in published reports. Shareholders are able to elect to receive email communications from the Company which include notifications by email of dividend payment information.

Principle 7: Recognise and manage risk

The Board recognises that risk management and robust internal controls are fundamental to sound management, and it is a key responsibility of the Board to review and monitor all the principal risks of the Company and its internal compliance and control systems in relation to material business risks. The Board is assisted by the Audit Committee in monitoring the Company's financial risks and the processes and controls underlying the identification and monitoring of risks. The Sustainability Committee assists the Board in monitoring the Company's environmental, health, safety and community related risks.

Management is responsible for the design and implementation of risk management and internal control systems in relation to material business risks. Management ensures that procedures exist (including utilisation of the Company's Business Improvement Program where appropriate) to monitor and review risks and, through observation and audit, gain assurance on at least an annual basis that effective controls are implemented and consistently being applied.

Management of risks

The Company's approach is to embed risk management into all the Company's business systems, mining operations and exploration activities, including its business improvement program, where appropriate. The Company's risk framework is applied to all risk aspects of the Company's business and is used to identify, assess, evaluate, treat, monitor and communicate risks, using a common methodology. The framework is aligned with ISO Standard 31000. Risks are ranked both pre-mitigating controls and post mitigating controls and the rankings reflect different likelihoods and consequences arising from risks, including metrics for Safety and Health, Environment, Community and Government, Reputation, Financial, Production, Organisational Effectiveness, Compliance and Project Management. The Company is exposed to numerous risks across its business, most of which are common to the mining industry. During 2012 the Board reviewed and updated the Company's Risk Management Policy, which details the Company's approach to managing risks.

The risk framework and the consideration of the Company's risk appetite is reviewed at least half-yearly by the Board and on a quarterly basis by EXCO.

Internal control framework

The key controls that the Company has in place to ensure that its risks are managed effectively and to protect the Company's interests and ensure the integrity of its financial reporting include the following:

- a robust planning and budgeting process for delivering a five year strategic plan and annual budgets with at least monthly reporting against performance targets;
- a delegations of authority manual that sets out authority levels for expenditure and commitments for different levels of management within the Company, including detailed policies for the management of investment of surplus cash, debt (if any) and foreign currency;
- a capital approval process that controls the authorisation of capital expenditure and investments;
- appropriate due diligence procedures for acquisitions and divestments; and
- regular and timely reporting on safety incidents and actions to improve safety performance.

CORPORATE GOVERNANCE STATEMENT – CONTINUED

Internal audit

The Company has an internal audit function that provides assurance that the financial risks of the business are being identified and monitors compliance with the Company's policies and procedures. The function has been outsourced to Deloitte. The firm conducts internal audit reviews in accordance with an audit plan approved by the Audit Committee. The internal audit plan is formulated following identification of key risks in the areas of financial and information technology controls, compliance with applicable laws and regulations and policies, fraud prevention and detection, plus specific services, as directed by the Company, to ensure an effective control environment. During 2012 the internal audit function reviewed the Company's risk maturity including the Company's processes and procedures with regard to risk management. Senior executives are responsible for implementing corrective actions recommended as a result of internal audit reviews. Key findings from internal audit reviews are reported to the Audit Committee. The internal audit function and the Audit Committee have direct access to each other and have the necessary access to management and the right to seek information and explanations.

Management assurance

Prior to the Board approving the Company's 2012 full year financial results, certifications from the MD&CEO and the CFO were provided in relation to the Company's system of risk oversight and management and compliance with internal controls in relation to financial reporting risks.

The MD&CEO and CFO certifications included declarations in accordance with section 295A of the *Corporations Act 2001 (Cth)* that the financial statements have been prepared in conformity with the accounting standards and that they give a true and fair view, in all material respects, of the financial position and performance of the Company for the 2012 financial year. The MD&CEO and CFO certifications also provided assurances that the declarations provided in accordance with section 295A of the *Corporations Act 2001* were founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects.

The MD&CEO and CFO declarations and assurances were supported by management certifications, which included management certifications provided by General Managers responsible for the operations and key functions.

Principle 8: Remunerate fairly and responsibly

The Remuneration Committee provides recommendations and direction for the Company's remuneration practices. The Committee ensures that a significant proportion of each member of the executive management team's remuneration is linked to his or her performance and the Company's performance. Performance reviews are conducted regularly 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 NEDs may not exceed the limit set by the shareholders at an Annual General Meeting (currently \$2.7 million). The remuneration of the NEDs is fixed rather than variable.

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

DIRECTORS' REPORT

Your directors present their report for OZ Minerals for the year ended 31 December 2012 together with the Annual Consolidated Financial Statements. 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 2012 and up to the date of this report are:

Neil Hamilton (Non-executive Director and Chairman)

Terry Burgess (Managing Director and Chief Executive Officer)

Paul Dowd

Brian Jamieson

Barry Lavin

Charles Lenegan

Rebecca McGrath

Dean Pritchard

Principal activities

The principal activities of the Consolidated Entity during the financial year were the mining of copper, gold and silver, undertaking exploration activities and development of mining projects.

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 20 cents per share, to be paid on 12 March 2013. The record date for entitlement to this dividend is 26 February 2013. The financial impact of this dividend amounting to \$60.7 million has not been recognised in the Financial Statements for the year ended 31 December 2012 and will be recognised in subsequent Financial Statements.

The details in relation to dividends announced or paid since 1 January 2011 are set out below:

Record date	Date of payment	Cents per share	Total dividends \$m
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The Company's Dividend Reinvestment Plan was suspended in 2010 and remains suspended.

DIRECTORS' REPORT – CONTINUED

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

Overview

OZ Minerals continued its consistent performance at Prominent Hill with production of copper at 101,737 tonnes and gold at 140,746 ounces, both within the Company's stated guidance for 2012. This production was achieved at a C1 cash cost ('C1 cost') of US\$120.0 cents per pound, at the upper end of the revised C1 cost guidance of US\$1.10 to US\$1.20 per pound. The completion of the \$200 million on-market share buyback demonstrated our commitment to capital management. An unfranked final dividend of 20 cents per share was announced in February 2013, which was double the interim dividend of 10 cents per share paid in September 2012, bringing the total dividend in respect of 2012 earnings to 30 cents per share. This equates to a payout ratio of 60 percent of net profit from normal operations and is at the top of the payout range.

During 2012, the development of the Ankata underground mine was completed at a capital cost of \$148 million and this was in line with the overall project budget. The Ankata underground mine will augment copper production from the open pit where the waste movement program will continue into 2013. Resource drilling for the twelve month period ended 30 June 2012 in the Ankata underground has proven successful with an increase of 2.9Mt in 2012 Ore Reserves over 2011, representing about two additional years of mining from this underground orebody.

Development of Phase 1 of the decline for the Malu Underground Mine was completed at the end of 2012, having been used for exploration in this zone to this point. This decline is now being used to provide access to allow further delineation of the resources beneath the open pit and for underground mine development with the objective of producing first stoping ore from the Malu Underground Mine in 2014.

At Carrapateena, during 2012 a focused infill exploration drilling program was largely completed, with drilling results providing extensions of mineralisation both laterally and at depth. An updated 2012 Mineral Resource was announced in January 2013 which led to a 43 percent increase over the 2011 Mineral Resources estimate at a 0.7% copper cut-off. At a 0.3% copper cut-off, the 2012 Carrapateena Indicated and Inferred Mineral Resources increase to 760Mt at 0.78% copper and 0.30g/t gold, which demonstrates that this is a large mineralised system. The decision to buy a tunnel boring machine to develop the exploration decline is indicative of the Company's growing confidence in the Carrapateena resource and the intention to accelerate the project towards a decision to mine.

Regional exploration at Carrapateena also proved to be successful with an exciting regional discovery being made at the Khamsin prospect, approximately ten kilometres northwest of the Carrapateena deposit. Further exploration holes are being drilled into this prospect in 2013.

2012 delivered robust earnings for the OZ Minerals Group with Underlying EBITDA of \$334.1 million and Underlying NPAT of \$152.0 million.

Prominent Hill Mining Operations

Safety performance

OZ Minerals' strategy for safety is based on the Company's commitment to achieving Zero Harm by Choice. This commitment is supported by the Company's core values – Respect, Integrity, Action, Results – which underpin the behaviour of all OZ Minerals' employees and contractors. OZ Minerals safety performance in 2012 continued the year-on-year improvement achieved since 2010. For the full year, Total Recordable Injury Frequency Rate ('TRIFR') per million hours worked was 10.49 (2011: 19.73), an improvement of over 47 percent. The 2012 Lost Time Injury Frequency Rate ('LTIFR') also decreased to 1.46 compared to a LTIFR of 1.50 in 2011.

As part of the safety performance and improvement strategy that commenced in 2010, a behavioural based safety program, the Peer Observation Program, commenced in 2012 to improve safety behaviour. OZ Minerals Peer Observation Program provides our workforce with the tools to approach each other in a constructive way, to have a conversation about the task that the person is performing and to identify ways to make it safer.

While the program is supported by management, the program's strength lies in its ability to empower the workforce to take proactive steps to drive positive safety behaviour. Employees have an increased awareness of potential exposure to risk and are supported in seeking to eliminate the sources of risk in their working environment.

The Peer Observation Program to date has over 140 employee Peer Observers and has been successful in eliminating at-risk behaviours that have previously caused injuries and incidents. In its first year, the program has facilitated over 1,350 'observations' and has seen an overall increase in the percentage of safe behaviours across the entire workforce.

Production from the Malu Open Pit and Ankata Underground

The Prominent Hill mining operations continued to deliver consistent production performance during 2012. Production and C1 cost for 2012 met annual guidance with production of 101,737 tonnes of copper and 140,746 ounces of gold at a C1 cost of US\$120.0 cents per pound, which was at the upper end of the revised guidance of US\$1.10 to US\$1.20 per pound.

During 2012, total material mined of 80.3Mt comprised 7.3Mt of ore and 73.0Mt of waste, a material movement record for the operation. The increased productivity is mainly the result of several initiatives leading to improved availability, utilisation and efficiencies within the open pit operations. Further identified opportunities to improve mining productivity will be implemented in 2013.

DIRECTORS' REPORT – CONTINUED

The Ankata mine at Prominent Hill operations was commissioned in August 2012. The total capital costs for the development of the Ankata underground mine of \$148 million was in line with the budget for the project. The current year results include five months of Ankata mine operation from commissioning. Production from Ankata for the year was 424,965 tonnes of ore mined at an average copper grade of 2.89%.

Production guidance for 2013 is between 90,000 and 95,000 tonnes of copper and between 130,000 and 150,000 ounces of gold. 2013 represents a significant investment in the future production capacity of the Malu open pit. Activity levels in the Malu open pit will peak in 2013 with over 90 million tonnes expected to be mined in waste and ore, primarily from Stage 3 of the pit. Thereafter, this rate of waste mining will significantly decline, in line with the long term mine plan. C1 cost in 2013 is expected to be in a range of US\$1.50 to US\$1.65 per pound. The increase in C1 cost over 2012 is primarily due to a full year of operations from the Ankata underground mine, increased mining costs due to mining more basement waste from deeper in the open pit (compared to previous mining of lighter overburden higher in the pit) and lower copper production leading to lower payable metal.

Development at the Ankata Underground Mine

Underground resource delineation and grade control diamond drilling continued to improve definition and increase confidence in the known mineral resource. Resource drilling shows high grade intercepts outside the Measured and Indicated Resource areas as defined in the 2012 Prominent Hill Mineral Resource Statement. The Ankata Reserve increased by 2.9Mt for 30kt of copper and 16koz of gold, which represents about two additional years of mining from this underground orebody. Further drilling will be carried out in 2013 with the objective of expanding the resource and extending the life of the Ankata mine.

Development of the Malu Underground

Development of Phase 1 of the exploration decline for the Malu Underground Mine was completed during the fourth quarter. The decline is now being used as access for further resource delineation drilling being undertaken beneath the Malu open pit, specifically targeting known higher grade copper zones. Malu resource drilling will ramp-up throughout 2013 as hanging wall collar positions are developed.

The scope of work in 2013 for the Malu Underground Mine project is to extend underground development to provide an improved access location to conduct resource delineation drilling in the western part of the Resource. This will also see the commencement of development of the first ore levels and subsequent pre-production activities such that first stoping ore can be delivered during 2014.

The expected development costs including resource delineation drilling is expected to be around \$60-\$70 million for 2013. As this 2013 expenditure will be directly related to the development of the Malu Underground, these costs will be capitalised in the balance sheet.

Exploration project at Carrapateena

Exploration drilling during 2012 at Carrapateena continued with the objective to convert previously announced Inferred Resources to Indicated Resources and to also further expand the resources envelope both laterally and at depth. Exploration drilling was also undertaken in the northern exploration target area to bring this into Inferred Resource status. This work led to the release of an updated Resource Statement on 21 January 2013. A significant part of the original (April 2011) Inferred Resource and also part of the northern exploration target area has now been converted to Indicated Resource status. Additional Inferred Resources have also been defined within the northern exploration target area and also directly beneath the main body of the Indicated Resource. At a 0.7% cut-off the Mineral Resource increased by some 43 percent over the April 2011 estimate, from 203Mt at 1.3% copper, 0.56g/t gold to 292Mt at 1.29% copper, 0.48g/t gold. At a 0.3% cut-off the 2012 Mineral Resource estimate increases to 760Mt at 0.78% copper and 0.30g/t gold.

The OZ Minerals Board approved the construction of an exploration decline at the Carrapateena exploration project to allow the assessment of the in-situ rock structures and competency. In December 2012, OZ Minerals signed a contract to purchase a Tunnel Boring Machine (TBM). The TBM will accelerate development of the exploration decline to allow further geotechnical testing to be undertaken. The total cost of the TBM including commissioning is expected to be between \$12-\$15 million. Commissioning of the TBM should be complete before the end of 2013. Expected development rates of the TBM are anticipated to be between 350 and 550 metres per month. The TBM is expected to be at approximately 625 metres below surface by the end of 2014 which will allow geotechnical testing, a time saving of approximately twelve months over traditional drill and blast method.

The overall cost of the exploration decline is expected to be \$100-\$110 million, including the cost of purchasing, remanufacturing and contract operation of the TBM.

DIRECTORS' REPORT – CONTINUED

Review of consolidated financial results and operations

	Prominent Hill operations 2012 \$m	Other operations 2012 \$m	Total 2012 \$m	Total 2011 \$m
Revenue from sale of metal in concentrate:				
Copper	744.5	–	744.5	817.7
Gold	222.6	–	222.6	282.5
Silver	18.6	–	18.6	15.7
Total revenue	985.7	–	985.7	1,115.9
Net gain on sale of assets in Cambodia	–	18.8	18.8	–
Other income	1.6	6.3	7.9	1.3
Net foreign exchange (losses)/gains	(1.0)	(10.3)	(11.3)	5.3
Cost of goods sold including employee benefit expenses	(491.4)	(8.0)	(499.4)	(403.4)
Exploration and evaluation expenses	(43.4)	(70.7)	(114.1)	(77.7)
Other expenses	(25.0)	(28.5)	(53.5)	(55.8)
Underlying EBITDA	426.5	(92.4)	334.1	585.6
Depreciation and amortisation expenses	(152.0)	(2.9)	(154.9)	(164.2)
Underlying EBIT	274.5	(95.3)	179.2	421.4
Net financing income			19.9	34.1
Income tax expense on underlying profit before tax			(47.1)	(132.8)
Underlying NPAT			152.0	322.7
Litigation settlement expense			–	(42.2)
Impairment losses			–	(15.2)
NPAT from continuing operations			152.0	265.3
Profit from discontinued operations			–	9.2
NPAT attributable to equity holders of OZ Minerals Limited			152.0	274.5

Revenue from sale of concentrates was \$985.7 million for the year. Copper prices remained very healthy in 2012, with the average London Metal Exchange ('LME') price being US\$3.61 per pound. However, this was lower than the record LME average of US\$4.00 per pound achieved in 2011 and this was the main contributor to 2012 revenue being \$130.2 million (11.7 percent) less than revenue in 2011. Lower revenue from gold sales was due to lower gold content in concentrates sold, with payable gold sales approximately 20 percent lower than in 2011.

Revenue from sale of concentrate of \$985.7 million for the year does not include net revenue of \$24.9 million from sale of concentrate produced from Ankata pre-commissioning activity. This net revenue has been offset against Ankata capitalised development cost in property, plant and equipment.

During the financial year OZ Minerals divested its Cambodian exploration assets to Renaissance Minerals Limited ('Renaissance'), resulting in an after tax profit of \$18.8 million. In addition to the fair value of the consideration recognised of \$19.6 million, the Sale and Purchase Agreement with Renaissance provides for two further contingent receipts which are not recognised in the income statement.

Costs of goods sold including employee benefit expenses increased by \$96.0 million year on year. This was mainly due to the following factors; a drawdown of concentrate and ore inventories, increased open pit mining costs, higher transport costs, and operating costs associated with the Ankata underground mine which was not operating in the prior year.

As sales of concentrate exceeded the 2012 year's production, concentrate stock was drawn from stockpiles built in the prior year. This drawdown resulted in a stockpile expense of \$8.7 million.

The lower ore mined in 2012 was due to the increased movement of waste in line with the long term mine plan. In order to maintain mill feed rates and so copper production, ore mined in 2012 was supplemented from ore drawn from the run of mine stockpile. This drawdown of ore stock resulted in an ore inventory movement expense of \$28.0 million, as compared to an increase in ore stockpiles of \$46.4 million in 2011.

DIRECTORS' REPORT – CONTINUED

Open pit mining costs increased in 2012, primarily due to the increase in depth of the pit and the hardness of material mined, as the open pit transitioned from removal of overburden to removal of basement waste. However, this increase in costs was largely matched by the deferral of mining costs associated with waste stripping in excess of the life of mine waste stripping ratio to the balance sheet. These deferred costs will be then matched against future ore production from the open pit.

The Ankata underground mine commenced production in August 2012 and incurred operating costs of \$19.9 million.

Transport and logistics costs increased by \$13.8 million primarily reflecting higher road and rail costs in 2012.

Exploration expense for the year was \$114.1 million, which included \$27.5 million of exploration infrastructure costs related to the Carrapateena project. Exploration at Prominent Hill was \$43.7 million. Exploration expenditure on the Carrapateena exploration project during the year was \$31.2 million. During the year, \$3.5 million was spent on exploration of the IMX joint venture area. A further \$8.2 million was spent in global project generation activities.

Corporate costs of \$51.0 million for the year are largely in line with the comparative year. Corporate costs include various group-wide activities such as the costs associated with insurance premiums and departments which manage functions for Prominent Hill, Carrapateena and Exploration including information technology, strategic sourcing and sales and marketing.

The net foreign exchange loss of \$11.3 million in 2012 compares to the foreign exchange gain of \$5.3 million in 2011. The end of year A\$:US\$ exchange rate strengthened by approximately two percent resulting in the foreign exchange loss.

During 2012, OZ Minerals foreign exchange conversions totalled US\$900.6 million in order to meet Australian dollar expenses and maintain the Company's cash management policy.

Underlying EBITDA of \$334.1 million for 2012 is lower than the underlying EBITDA of \$585.6 million in 2011 mainly due to the revenue and cost factors discussed above together with increased exploration associated with Carrapateena during the year compared with 2011.

Depreciation and amortisation expense of \$154.9 million was lower in 2012 compared to 2011 mainly due to lower ore tonnes mined. Mine property and development is depreciated based on units of production of ore mined while fixed processing plant is depreciated based on units of ore processed. Depreciation of infrastructure is on a straight line basis over the life of mine.

Net financing income for the year was \$19.9 million, comprising interest income of \$23.5 million earned on cash deposits, partially offset by bank charges on borrowing facilities of \$2.4 million, and the unwind of the net present value discount on the provision for mine rehabilitation of \$1.2 million.

The property, plant and equipment balance at 31 December 2012 was \$1,357.6 million, an increase of \$114.2 million from 31 December 2011. The movement in property, plant and equipment during the financial year was mainly attributable to expenditure capitalised in relation to the Ankata Mine and sustaining capital expenditure of \$125.2 million, a net increase in capitalised deferred mining of \$165.0 million, offset by net revenue from sale of Ankata pre commissioning ore of \$24.9 million and depreciation expense of \$154.9 million.

OZ Minerals held a cash balance of \$659.0 million at the end of December 2012 compared to \$886.1 million as at 31 December 2011. The significant items contributing to this movement were payment of dividends of \$124.6 million, payments for the share buyback of \$100.1 million, payments for acquisition of property, plant and equipment of \$290.2 million, payments for assets purchased and leased back to Thiess of \$63.7 million, offset by net cash inflows from operating activities of \$318.8 million.

Other matters

Dividend and share buyback

In line with its Dividend Policy of paying dividends between 30 to 60 percent of net profit after tax from normal operations on an annual basis, the Company paid dividends of \$94.3 million in March 2012 relating to profit for the year ended 31 December 2011 and \$30.3 million in September 2012 relating to profit for the six months to 30 June 2012. The total dividend for 2012 of 30 cents per share represents 60 percent of NPAT and therefore at the top end of the Dividend Policy range.

Since the end of the financial period, the Board of Directors has resolved to pay an unfranked dividend of 20 cents per share, to be paid on 12 March 2013. The record date for entitlement to this dividend is 26 February 2013. The financial impact of this dividend amounting to \$60.7 million has not been recognised in the Financial Statements for the year ended 31 December 2012 and will be recognised in subsequent Financial Statements. This dividend has been declared to be conduit foreign income for Australian income tax purposes.

During the year, OZ Minerals completed the \$200 million on-market share buyback program which had commenced in August 2011. The total amount of shares bought back was 20,407,492 at an average price of \$9.80 per share. During the year, 10,901,828 shares amounting to \$100.1 million were bought back and cancelled. Following the cancellation of the shares bought back, OZ Minerals has 303,470,022 ordinary shares on issue as at 31 December 2012.

DIRECTORS' REPORT – CONTINUED

Management of train derailment incident

Following the incident in late December 2011, when a mixed freight rail train was derailed at Edith River, Northern Territory, OZ Minerals recovered a significant volume of the spilled concentrates back to Prominent Hill. There have been no measurable effects on the Edith River environment from the concentrates' spillage.

Transport and logistics for Prominent Hill concentrates

As part of OZ Minerals risk management initiatives during 2010 and 2011, the introduction of a concentrate transportation system using containers and a rotainer device, enabling the unloading of concentrates from the container directly into ships' holds, had been planned. In early 2012, OZ Minerals commenced transportation and export of concentrates from the Port of Adelaide using this system and this has been in operation since that time.

Thiess contract and property plant and equipment

In February 2012, a new six year contract was entered into with Thiess Pty Ltd ('Thiess') for the provision of mining services to OZ Minerals' Prominent Hill mining operations. Ancillary to this contract, OZ Minerals agreed to purchase certain mining equipment from Thiess and effectively lease this back to Thiess on an interest free basis to be used in the provision of the mining services. Upon termination of the mining services contract, Thiess has agreed to re-purchase this equipment. This is expected to result in overall cost savings compared to the provision of this equipment through the mining services contract. During the year, twelve trucks were acquired from Thiess at a total cost of \$60.0 million before stamp duty. The amount paid will be recovered by OZ Minerals progressively over the mining services contract through a reduced mining services charge by Thiess to OZ Minerals. Upon termination of the mining services contract, any carrying value of lease receivable will be recovered by resale of the equipment to Thiess.

DIRECTORS' REPORT – CONTINUED

Information on directors and officers

Particulars of the qualifications, experience and special responsibilities of each person who was a Director during the year ended 31 December 2012 and up to the date of this report are set out below:

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities
<p>Neil Hamilton Independent Non-Executive Chairman Appointed as a Non Executive Director on 9 February 2010 and Chairman on 13 April 2010 LLB</p>	<p>Mr Hamilton is an experienced professional Company Director and Chairman. He has over 35 years' experience in the legal profession and in business with substantial experience in a number of industries including investment/funds management, insurance, banking and resources.</p> <p>Mr Hamilton has broad directorship experience across a range of ASX listed companies. Besides the other listed directorships listed in the next column, he is also a Senior Advisor to UBS.</p>	<p>Chairman of Miclyn Express Offshore Limited since February 2010</p> <p>Non-Executive Director of Metcash Limited since February 2008</p>	<p>Chairman of IRESS Market Technology Limited from August 2001 to May 2010 Joined as a Non-Executive Director in September 2000.</p> <p>Chairman of Mount Gibson Iron Limited from April 2007 to November 2010</p> <p>Chairman of Northern Iron Limited from November 2007 to April 2010</p>	<p>Chairman of OZ Minerals Limited Board</p> <p>Chairman of Nomination & Board Governance Committee</p> <p>Member of Remuneration Committee</p>
<p>Terry Burgess Managing Director and Chief Executive Officer Appointed on 1 August 2009 BSc, FAusIMM, FIMM, ACMA, CEng</p>	<p>Mr Burgess joined OZ Minerals Limited as Managing Director and Chief Executive Officer ('MD&CEO') in August 2009. Prior to this, he was the Head of Business Development for AngloBase, the base metals business of Anglo American plc. Mr Burgess was formerly Global Head of Metals and Mining at ABN AMRO, Managing Director and CEO of Delta Gold, and its successor AurionGold. Mr Burgess' earlier experience includes a number of senior mining management and operational roles in Australia, Africa and Europe.</p> <p>Mr Burgess is also a Non-Executive Director of AMMA (Australian Mines and Metals Association), a councillor of SACOME (South Australian Chamber of Mines and Energy) and a Director of the Minerals Council of Australia.</p>	<p>None</p>	<p>Non-Executive Director of Magma Metals Limited from January 2009 to June 2012</p>	<p>MD&CEO of OZ Minerals Limited</p>

DIRECTORS' REPORT – CONTINUED

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities
<p>Paul Dowd Independent Non-Executive Director Appointed on 23 July 2009 BSc (Eng)</p>	<p>Mr Dowd is a mining engineer and has been in mining for more than 40 years, primarily in the private sector, but also serving in the Public Sector as head of the Victorian Mines and Petroleum Departments. He has held senior executive positions with Newmont and prior to that Normandy, including as Managing Director of Newmont Australia Limited and Vice President Australia and New Zealand Operations for Newmont Mining Corporation. Mr Dowd currently has various advisory positions with SA Minerals and Petroleum Expert Group, Advisory Councils of CSIRO (MRSAC), the University of Queensland - Sustainable Minerals Institute, SA Training and Skills Commission (TaSC).</p> <p>Mr Dowd is also Chairman of RESA, (the SA Resources & Engineering Skills Alliance).</p>	<p>Non-Executive Director of Phoenix Copper Limited since April 2012 and previously Managing Director from 2008</p>	<p>Chairman of Adelaide Resources Limited from August 2006 to June 2010</p> <p>Non-Executive Director of Macarthur Coal Limited from October 2011 to December 2011</p> <p>Non-Executive Director of Northgate Minerals Corporation from November 2008 to October 2011</p>	<p>Member of Nomination & Board Governance Committee</p> <p>Member of the Sustainability Committee</p>
<p>Brian Jamieson Independent Non-Executive Director Appointed on 27 August 2004 FCA</p>	<p>Mr Jamieson was Chief Executive of Minter Ellison Lawyers Melbourne from 2002 until he retired at the end of 2005. Prior to joining Minter Ellison, he was with KPMG for over 30 years holding the positions of Chief Executive, Managing Partner 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. Further, Mr Jamieson is a Deputy Chairman and Treasurer of the Bionics Institute and a Director and Treasurer of the Sir Robert Menzies Foundation.</p>	<p>Chairman of Mesoblast Limited since November 2007</p> <p>Chairman of Sigma Pharmaceuticals Limited since June 2010 and Non-Executive Director since December 2005</p> <p>Non-Executive Director of Tatts Group Limited since May 2005</p> <p>Non-Executive Director of Tigers Realm Coal Limited since February 2011</p>	<p>None</p>	<p>Chairman of the Audit Committee</p>

DIRECTORS' REPORT – CONTINUED

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities
<p>Barry Lavin Independent Non-Executive Director Appointed on 1 July 2011 BSc (Hons), MBA, MIMM, C Eng</p>	<p>Mr Lavin was appointed to the Board of OZ Minerals in July 2011. He is a mining engineer and an accomplished senior mining executive who spent 18 years with the Rio Tinto Group until 2009. While at Rio Tinto Mr Lavin was the Managing Director of the Northparkes Mines JV and held the role of Managing Director of Technical Services. Mr Lavin is a Director of privately owned companies Teviot Resources Pty Ltd an Australian diversified junior mining company, Barminco, an Australian underground mining contractor, and of Ferrum Americas Mining Inc., a Canadian iron ore explorer.</p>	None	None	<p>Member of Remuneration Committee</p> <p>Member of the Sustainability Committee</p>
<p>Charles Lenegan Independent Non-Executive Director Appointed on 9 February 2010 BSc (Econ)</p>	<p>Mr Lenegan was a former Managing Director of Rio Tinto Australia. Mr Lenegan had a distinguished 27 year career with Rio Tinto where he held various senior management positions across a range of commodities and geographies. Mr Lenegan was formerly the Chairman of the Minerals Council of Australia and a former board member of the Business Council of Australia.</p>	Non-Executive Director of Turquoise Hill Resources since August 2012	Chairman of Rey Resources Limited from November 2010 to November 2012	<p>Member of the Audit Committee</p> <p>Member of Nomination & Board Governance Committee</p>
<p>Rebecca McGrath Independent Non-Executive Director Appointed on 9 November 2010 BTP (Hons), MA (Ap.Sc)</p>	<p>Ms McGrath was the former Chief Financial Officer and a member of BP's Executive Management Board for Australia and New Zealand. Ms McGrath was also the former Vice President Operations BP Australia and Pacific and General Manager, Group Marketing Performance BP Plc (London). Ms McGrath is also a senior advisor to JP Morgan. Ms McGrath is a former Director of Big Sky Credit Union and in addition to her Bachelor and Master Degrees, Ms McGrath is a graduate of the Cambridge University Business and Environment program.</p>	<p>Non-Executive Director of Incitec Pivot since September 2011</p> <p>Non-Executive Director of CSR Limited since February 2012</p> <p>Non-Executive Director of Goodman Group since April 2012</p>	None	<p>Member of the Audit Committee</p> <p>Chairman of Remuneration Committee</p>
<p>Dean Pritchard Independent Non-Executive Director Appointed on 20 June 2008 BE, FIE Aust, CP Eng, FAICD</p>	<p>Mr Pritchard has over 30 years of experience in the engineering and construction industry. He was previously Chairman of ICS Global Limited, a Director of Railcorp, Zinifex Limited, Eraring Energy and the Spotless Group and Chief Executive Officer of Baulderstone Hornibrook 1991 to 1997.</p>	<p>Non-Executive Director of Arrium Limited (previously One Steel Limited) since October 2000</p> <p>Director of Steel & Tube Holdings Limited since May 2005, which is a New Zealand listed company.</p>	<p>Non-Executive Director of Spotless Group Limited from May 2007 to August 2012</p> <p>Chairman of Steel Tube & Holdings Limited from May 2005 to October 2012.</p>	<p>Chairman of the Sustainability Committee</p>

DIRECTORS' REPORT – CONTINUED

Company secretary

Ms Francesca Lee General Counsel and Company Secretary

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

Ms Lee joined OZ Minerals as General Counsel and Company Secretary in June 2008 from Zinifex Limited ('Zinifex'). She is a member of the OZ Minerals Limited Executive Committee. Before joining Zinifex she was Group Counsel at BHP Billiton Limited and has also held a number of senior positions at Rio Tinto Limited including Group Counsel, General Manager Internal Audit and Risk Review and was Vice President of Structured Finance at Citibank Limited. She has been a member of the Board of Metropolitan Waste Management Group, a Victorian Statutory Authority since its inception in 2006 and was appointed a member of the Australian Takeovers Panel in May 2009.

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 2012, and the number of meetings attended by each director is set out below.

	Board meetings		Board Committee meetings							
	A	B	Audit		Nomination and Board Governance		Remuneration		Sustainability	
	A	B	A	B	A	B	A	B	A	B
Neil Hamilton	11	11	2	–	1	1	5	5	–	–
Terry Burgess	11	11	6	–	–	–	5	–	4	–
Paul Dowd	11	11	3	–	1	1	–	–	4	4
Brian Jamieson	11	11	6	6	–	–	–	–	–	–
Barry Lavin	11	11	3	–	–	–	5	5	4	4
Charles Lenegan	11	11	6	6	1	1	–	–	–	–
Rebecca McGrath	11	11	6	6	–	–	5	5	1	–
Dean Pritchard	11	11	2	–	–	–	–	–	4	4

A Number of meetings attended. Note that directors may attend Committee meetings without being a member of that Committee.

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.

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 number	Performance rights number
Neil Hamilton	22,500	–
Terry Burgess	94,253	249,860
Paul Dowd	7,500	–
Brian Jamieson	108,527	–
Barry Lavin	2,300	–
Charles Lenegan	13,500	–
Rebecca McGrath	5,750	–
Dean Pritchard	12,720	–
Total	267,050	249,860

Each performance right granted before the capital return in June 2011 is convertible into 1.0904 ordinary shares upon vesting.

DIRECTORS' REPORT – CONTINUED

Environmental regulation

OZ Minerals 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 overseas activities, the Company's Prominent Hill operations, Australian exploration activities and its concentrate shipping activities operate under various licences and permits under the laws of the Commonwealth, States and Territories.

Compliance with the Company's licenses and permits is monitored on a regular basis and in various forms, including environmental audits conducted by the Company, regulatory authorities and other third parties. A documented process is used by the Company to classify and report any exceedance of a licence condition or permit condition, as well as any incident reportable to the relevant authorities. As part of this process, all reportable environmental non-compliances and significant incidents are reviewed by the Executive Committee and the Sustainability Committee of the OZ Minerals 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 taken to prevent any reoccurrence.

During 2012, recovery works at the Edith River train derailment were completed and the Northern Territory Environment and Protection Agency and the Department of Lands, Planning and the Environment (formerly Department of Natural Resources, Environment, the Arts and Sport ('NRETAS')) completed and closed their environmental investigations concluding, in December 2012, that there was no evidence of environmental harm.

OZ Minerals commenced the licence and permitting process for the Company's Carrapateena Project with the Department for Manufacturing, Innovation, Trade, Resources and Energy ('DMITRE') under the *South Australian Mining Act 1971* and other necessary state legislation. The application for a Retention Lease was made in September 2012 and will continue into 2013. In August 2012 the Department for Sustainability, Environment, Water, Population and Communities ('SEWPAC') completed their assessment of the project and determined that activities proposed were not controlled actions under the *Environmental Protection and Biodiversity Conservation Act 1999* (Cth) requirements and that no further assessment under the Act was required.

During the year, OZ Minerals completed its fourth report under the *National Greenhouse and Energy Report Act 2009* ('NGERS'). Prior to the submission of the report, a comprehensive independent audit by Net Balance Management Group Pty Ltd was conducted on the processes that OZ Minerals has developed to meet the requirements of the NGERS Act. The audit provided assurance that the reported emissions, energy production and energy consumption were prepared in accordance with the NGERS Act. OZ Minerals continues to participate in the Australian Government's Energy Efficiency Opportunities program and has commenced its second five year cycle.

Insurance and indemnity

The Consolidated Entity has granted indemnities under Deeds of Indemnity with each of its current and former Non-Executive Directors and members of the Executive Committee, the Company Secretary, the Group Treasurer and each employee who is a director or officer of a controlled entity of the Consolidated Entity, in conformity with Rule 10.2 of the OZ Minerals Limited Constitution.

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

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 – CONTINUED

Audit and non-audit services

KPMG continues in office in accordance with 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 40 and forms part of the Directors' Report.

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 Consolidated Entity are important, and where these services does not impair the external auditor's independence.

Details of the amounts paid or payable to the external auditor (KPMG) and its network firms for audit and non-audit services provided during the year are set out below and in Note 29 of the Financial Statements.

2012
\$

Audit services provided by KPMG

Audit and review of financial reports and other audit work under the *Corporations Act 2001* including audit of subsidiary Financial Statements

KPMG Australia	438,000
Overseas KPMG firms	27,395
Total fees for audit services provided by KPMG	465,395

Other services provided by KPMG Australia

Taxation compliance and other taxation advisory services	178,000
IT advisory services	30,000
Total fees for other services provided by KPMG Australia	208,000
Total fees	673,395

In accordance with the advice received from the Audit Committee, the Board 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 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 did not impact the integrity and objectivity of the external auditor; and
- None of the services undermined the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, 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.

Matters subsequent to the end of the financial year

In January 2013, OZ Minerals announced to the ASX the updated Mineral Resources and Ore Reserves Statement for the Prominent Hill operations and an Ore Resources update for Carrapateena.

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 20 cents per share, to be paid on 12 March 2013. The record date for entitlement to this dividend is 26 February 2013. The financial impact of this dividend amounting to \$60.7 million has not been recognised in the Financial Statements for the year ended 31 December 2012 and will be recognised in subsequent Financial Statements.

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.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, ('ASIC') 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 dollar. All amounts are in Australian dollars only, unless otherwise stated.

Remuneration Report

The Remuneration Report which has been audited by KPMG is set out on pages 27 to 44 and forms part of the Directors' Report.

DIRECTORS' REPORT – CONTINUED

Competent person statement

Information in this report which refers to Prominent Hill Ore Reserves is a summary of information relating to Ore Reserves as set out in the Prominent Hill Mineral Resources and Ore Reserves Statement as at 30 June 2012. This information has been approved for release in the form and context in which it appears by Mr Justin Taylor who is a full time employee of OZ Minerals and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a competent person as defined in the 2004 edition of the Australasian Code For Reporting Of Exploration Results, Mineral Resources and Ore Reserves.

Within this release are references to exploration results relating to Carrapateena are based on information compiled by Mr Marcel Van Eck Msc who is a full-time employee of OZ Minerals, is a member of the Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as a competent person as defined by the JORC code (2004).

Mr Van Eck has consented to the inclusion of the material in the form and context in which it appears.

The information in this report (including the Remuneration Report) which refers to Carrapateena Mineral Resources is based on information compiled by Stuart Masters who is a member of the Australasian Institute of Mining And Metallurgy (AusIMM) (108430). Stuart Masters is employed by CS-2 Pty Ltd and is a consultant to OZ Minerals. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2004 edition of the Australasian Code For Reporting Of Exploration Results, Mineral Resources And Ore Reserves (JORC 2004). Stuart Masters consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Stuart Masters Bsc (Geology), CFSG, has over 26 years of relevant experience as a geologist including 9 years in iron-oxide-copper-gold style deposits. Stuart Masters has visited site on many occasions since OZ Minerals acquired the project. All other references to exploration results within this release are based on information compiled by Mr Anthony Houston Bsc who is a full-time employee of OZ Minerals, a member of the Australian Institute Of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as a competent person as defined by the JORC Code (2004). Mr Houston has consented to the inclusion of the material in the form and context in which it appears within this release to exploration results relating to Prominent Hill and Carrapateena.

For full details of the 2012 Prominent Hill Mineral Resources and Ore Reserves Statement and details relating to the 2012 Carrapateena Mineral Resources Statement for 2012 visit www.ozminerals.com.

Signed in accordance with a resolution of the Directors.



Neil Hamilton
Chairman
Melbourne
13 February 2013



Terry Burgess
Managing Director and Chief Executive Officer
Melbourne
13 February 2013

REMUNERATION OVERVIEW

This general overview should be read in conjunction with the attached Remuneration Report. Its purpose is to provide an executive summary of some of the Company's remuneration arrangements during the year.

The Company's remuneration arrangements have been designed to maintain alignment with the shareholders' interests (both short term and long term) and to ensure remuneration remains competitive. This is to enable the Company to retain and attract talented people, who are vital to delivering a sustainable and prosperous future, and therefore achieve its strategic objectives and maximise shareholder value. The Company's remuneration policy and structure for its senior executives who are key management personnel ('Executive KMPs') is unchanged from the previous year and comprises two main components:

- a **fixed component** which is the total base salary and, for Australian employees, includes compulsory employer superannuation contributions; and
- a **variable 'at risk' component** which is performance based and comprises a cash short term performance incentive ('STI') plan that is linked to both the performance of the Company and individual performance, and an Executive Long Term Incentive ('LTI') program under which executives, at the discretion of the Board, are offered performance rights which vest if the Company achieves certain hurdles over a three year period linked to Total Shareholder Return ('TSR') against a comparator group of companies.

During 2012 the Board, with the assistance of the Remuneration Committee and external remuneration consultants, undertook a number of reviews of the remuneration structure and components of the remuneration package of the Managing Director and Chief Executive Officer ('MD&CEO'). Apart from a number of minor refinements that are planned to be made to the STI and LTI programs for 2013 as described below, these reviews confirmed that Mr Burgess' remuneration package is largely in line with the current practices of comparable companies and is consistent with the Company's remuneration policy and guiding principles as set out in the attached Remuneration Report. Details of the reviews are set out below. Details of the appointment of external remuneration consultants are also set out in the Remuneration Report.

- A detailed review was undertaken of the current structure of the STI plan. Following this review, a determination was made that the current STI plan arrangements are largely set at the right level of remuneration opportunity, and that the performance measures that were set for 2012 appropriately align the MD&CEO's performance with key business objectives. There was some tightening of the measures from those set for 2011, to ensure that there is even greater clarity about the level of reward provided for varying levels of achievement. The performance measures for the 2013 KPIs have been further developed as described in the Remuneration Report.
- As part of the STI review the Board once again considered whether any portion of the MD&CEO's STI payment should be converted into equity and deferred to encourage consideration being given to matters beyond the twelve month performance period. The Board confirmed its view that it was neither appropriate nor necessary to require such deferral or conversion into equity bearing in mind the strategy and philosophy behind the STIs; the industry in which the Company operates and the nature of the KPIs that are set which are based largely on factual measurable outcomes that have little chance of manifesting a different outcome over a deferral period; and the fact that Mr Burgess continues to voluntarily elect to set aside each month \$20,000 of his after tax salary towards the purchase of OZ Minerals shares under the Company's Regular Share Acquisition Plan. The shares are held in trust for him and cannot be sold except with the consent of the Chairman.
- A comprehensive review was undertaken of the current LTI Program to ensure the program achieved the long term incentive and shareholder alignment objectives of the program and was consistent with remuneration governance standards and guidelines, and current practices of comparable companies. The scope of the review included a review of the structure and design of the program, the performance and service conditions including whether relative TSR either alone or in combination with some other internal or external measure should be used, terms of offer, frequency and timing of offer, and whether the Good Leaver and Change of Control provisions continued to be appropriate. The Board also determined that TSR relative to a selected comparator group of companies continued to be the most appropriate performance condition as it is simple and transparent in its application and is best aligned to the long term interests of the shareholders, and that the Good Leaver provisions and Change of Control provisions, which were subject to the discretion of the Board, continued to be applicable. It considered that it would be desirable for greater transparency and administrative reasons, to more closely align the timing of the issue of the performance rights to a date after the annual general meeting and that this change is planned to be implemented from July 2014, with only a 50 percent allocation of Long Term Incentive Plans ('LTIP') in December 2013 (December being the existing month for allocation) to take into account the earlier date for issue in 2014. For the 2012 LTIPs, a new comparator group has been selected as set out in the Remuneration Report. The basis for selection was to maximise the number of copper companies in the group where possible and, having regard to the limited number globally, include some significant gold and diversified metals companies, but exclude companies which are predominately smelting companies or with material government interests or influences.
- The Board undertook a review of whether the proportion of fixed remuneration, short term incentives and long term incentives as part of the total remuneration package continued to be appropriate and concluded that no change should be made as the proportions continued to be appropriate, but determined that this would be monitored regularly.

REMUNERATION OVERVIEW – CONTINUED

Remuneration packages of Executive KMPs

The following table shows the annual remuneration packages of the Executive KMPs during the year ended 31 December 2012.

Name	Fixed annual remuneration (including superannuation contributions) \$	STI as percentage of fixed annual remuneration %	LTI as percentage of fixed annual remuneration (maximum) %
Terry Burgess, MD&CEO	1,081,575	0 – 100	80
Andrew Coles, Chief Financial Officer (CFO)	560,000	0 – 80	80
Francesca Lee, General Counsel and Company Secretary (GC&CS)	550,000	0 – 80	80

Remuneration details prepared in accordance with the *Corporations Act 2001* and accounting standards are set out in Table 7 in the Remuneration Report.

Following a Company-wide review of remuneration packages, it was determined that there would be no increase in the fixed annual remuneration of senior staff including the Executive KMPs for 2013.

Remuneration Outcomes for Executive KMPs received for 2012

Outlined in the unaudited table below are details of the remuneration delivered to the Executive KMPs for the financial year 2012, after taking into account their performance. It includes all fixed and at risk components to which the Executive KMPs have become entitled (i.e. those that have vested upon satisfaction of relevant performance conditions). This table does not comply with the accounting standards. It has been prepared to disclose the value of remuneration received by the MD&CEO and the other two Executive KMPs ('Other Executive KMPs'), including the amount (if any) 'realised' in the current financial year with respect to long term incentive grants awarded in prior years.

For full details of the audited cost to the Company of the remuneration of the MD&CEO and Other Executive KMPs, calculated in accordance with the accounting standards and the *Corporations Act 2001*, refer Table 7 of the Remuneration Report.

The *Corporations Act 2001* requires information in Table 7 of the Remuneration Report to incorporate the relevant definitions and classifications from the accounting standards, that are based upon accrual accounting and which require a valuation to be placed upon LTIPs that have not vested in the year and which may not vest in future years, unless the performance conditions are met. Unlike Table 7 of the Remuneration Report the table below does not include the value of any LTIPs that have not vested in the year. For accounting purposes, the value of performance-based or 'at risk' remuneration in the form of share based long term incentives grants is calculated at the time of the grant. As noted above, this is in advance of the determination of the actual remuneration received by the Executive KMPs which is contingent on performance outcomes. The table below also, unlike Table 7 of the Remuneration Report which reflects the requirements under the accounting standards, does not include any accrued long service leave which the Executive KMPs are only entitled to receive upon reaching the qualifying period or accrued annual leave that has not been cashed out or taken.

KMP	Cash salary ^(a) \$	Short term incentive ^(b) \$	Long term incentive ^(c) \$	Other ^(d) \$	Company contributions to superannuation \$	Total \$
Terry Burgess						
2012	1,065,105	540,788	–	1,729	16,470	1,624,092
2011	1,029,225	836,000	–	1,729	15,775	1,882,729
Andrew Coles						
2012	543,530	224,000	–	4,100	16,470	788,100
2011	565,763	360,000	–	3,211	15,775	944,749
Francesca Lee						
2012	533,530	220,000	–	10,446	16,470	780,446
2011	514,225	350,000	–	9,385	15,775	889,385

(a) The cash salary reflects the total amount of fixed pay received by the Executive KMP during 2012, as set out in Table 7 in the Remuneration Report.

(b) The STI amount represents the value of STI which will be paid to executives in mid-February 2013 that relates to the achievement of the relevant performance conditions in respect of the 2012 financial year, as set out in Table 7 of the Remuneration Report. While the STI for the 2011 financial year was paid during 2012 this amount is not included in the table for 2012 as it relates to the achievement of performance conditions in respect of the 2011 financial year and was included in the calculation of the STI for 2011.

(c) For the value of share based long term incentives calculated in accordance with the accounting standards, refer to Table 7 in the Remuneration Report. This Long Term Incentive column is unaudited and records the actual value realised by the Executive KMP rather than the value calculated according to the accounting standards. As no rights vested during 2012 and 2011, the amount is nil for those years.

REMUNERATION OVERVIEW – CONTINUED

(d) Other amounts include the value (where applicable) of benefits such as compulsory annual health checks, car parking or other benefits that are available to all employees of OZ Minerals. These amounts have been determined in accordance with the accounting standards, are inclusive of Fringe Benefits Tax where applicable and are consistent with the amounts disclosed in the total remuneration in Table 7 of the Remuneration Report. They do not include net accruals for long service leave or accrued annual leave.

Performance of the OZ Minerals Group

The Company measures the success of its operations by the achievement of superior TSR and performance based remuneration is determined by the achievement of overall Group performance and strategic objectives. These objectives include financial, production, growth, sustainability and reputational improvement objectives. These principles were considered when setting each Executive KMP's Key Performance Indicators ('KPIs') and when reviewing their performance and determining the amount of STI that would be paid to each of them for 2012.

Table 3 of the Remuneration Report reflects the performance of the OZ Minerals Group for 2012. As evident from the Remuneration Report the Company has had a satisfactory earnings performance during 2012. OZ Minerals remains in a strong financial position with a cash balance as at 31 December 2012 of \$659 million. This is notwithstanding the fact that over the last two years, it has returned significant funds to shareholders through a range of capital management initiatives and dividend payments. The Company paid dividends to shareholders in 2012 of a total amount of 40 cents per share equivalent to approximately \$124.6 million and has announced that it will pay a further dividend of 20 cents per share to be paid in March 2013. In 2011 it also returned share capital totalling \$388.6 million and announced an on-market share buyback program of up to \$200 million which was completed in June 2012.

Copper production of 101,737 tonnes and gold production of 140,746 ounces were within the Company's stated guidance at 100,000 to 110,000 tonnes of copper and between 130,000 and 150,000 ounces of gold production. However, total targeted waste movement was not achieved in 2012 primarily due to weather related events in the first quarter of 2012. A number of successful initiatives to increase open pit mining rates were implemented with further productivity improvement initiatives planned for 2013.

In the area of Sustainability there has been continued improvement in safety performance with the total recordable injury frequency rate per one million hours reduced from 19.73 in 2011 to 10.49 in 2012 and the lost time injury frequency rate slightly reduced from 1.50 to 1.46. There were no permanent or serious disabling injuries in 2012. The framework for safety leadership and cultural change that was developed in 2011 was successfully rolled out at Prominent Hill operations in 2012.

Despite recruitment of a relatively large number of underground personnel, the percentage of female employees has not reduced in 2012. There are also a number of examples of positive initiatives for female advancement such as the Leading My Career program for 2012. Increasing female participation in general operations supervisor levels remains a priority for 2013.

In the area of Growth, the Company's business development activities and investments have been highly disciplined with regard to the core requirement of seeking value-adding opportunities, while at the same time meeting the Company's criteria of commodity, scale, geography and project status. There was a reaffirmation of the Company's strategy on 24 January 2013 where a review was undertaken of the Company's strategy and the Company's progress in delivering against this strategy. While the Company has reviewed a significant number of projects in 2012 at various stages including formal due diligence, neither Management nor the OZ Minerals Board was prepared to proceed with transactions on terms that were not regarded to be value-adding or in line with the Company's strategic objectives. The Executive KMPs' performance in this area is assessed primarily on the quality of growth opportunities submitted to the Board, rather than the number of transactions entered into by the Company.

There has been good progress at Carrapateena with key milestones achieved and initiatives introduced to accelerate the timeline for potential development of the resource. The infill exploration drilling program at Carrapateena has produced some outstanding results and seen mineralisation extending beyond the 2011 resource both laterally and at depth. On 21 January 2013, OZ Minerals released an updated Mineral Resource statement for the Carrapateena project which indicated a 43 percent increase in the Mineral Resource at a 0.7% copper cut-off grade. There has also been good progress with the Malu decline and development of the Malu Underground. This program will be accelerated in 2013 with the objective to produce first stoping ore from the Malu Underground in 2014. The Board has considered the Company's performance as described above, each Executive KMP's individual performance against their Key Performance Indicators (KPIs), and their contribution towards achieving the Company's performance, in assessing the amount of STI payable to the executive for 2012. A description of the KPIs for the Executive KMPs is set out in the Remuneration Report and the Board's assessment of the performance of these Executive KMPs against their KPIs.

REMUNERATION OVERVIEW – CONTINUED

Developments for 2013

A review was undertaken by the Board of the MD&CEO's remuneration with the assistance of the Remuneration Committee, following which the Board determined not to increase his remuneration for 2013 in light of the current market conditions. No external remuneration consultants were engaged to assist with this review however the Remuneration Committee took into account published market data including reported remuneration for key management personnel of the top one hundred ASX listed companies.

Mr Burgess' KPIs for 2013 have been set to further refine the structure that had been set for 2012 to take into account the areas of focus of the Company. There is a 40 percent weighting for targets relating to operational and financial performance (including achievement of EBITDA target); 35 percent weighting for targets relating to growth; and 25 percent weighting for targets relating to sustainability performance (including safety). The STI 'gate' has been modified to make it broader and less specific so that the availability of the Executive KMP STI pool is subject to the discretion of the Board. The performance outcomes for 2013 have also been refined for each measure so that budgeted performance which is set at a pre-determined challenging level ('target') is a 70 percent outcome; a 100 percent outcome is associated with outstanding performance set at a pre-determined stretch level ('stretch') and a below plan threshold is set at a pre-determined minimum level ('minimum') of 50 percent, with no payment below that threshold except at the Board's discretion. This refinement was made to ensure that the STI is positioned as a truly variable annual incentive, where challenging performance measures are set to incentivise superior performance, with specific targets or metrics in each.

A review was also undertaken of the Board and Committee fees and it was resolved by the Board not to increase the fees for 2013. No external remuneration consultants were engaged to assist with this review.

REMUNERATION REPORT

The Directors of OZ Minerals Limited present the Remuneration Report for the Company and the Consolidated Entity for the year ended 31 December 2012. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

1. Details of Key Management Personnel

The Remuneration Report sets out remuneration information for OZ Minerals for 2012. The Consolidated Entity's KMPs are listed in Tables 1.1 and 1.2 below, and consist of the Non-Executive Directors ('NEDs'), and the Executive KMPs comprising the Managing Director and Chief Executive Officer ('MD&CEO'), Chief Financial Officer ('CFO') and General Counsel & Company Secretary ('GC&CS') who are accountable for planning, directing and controlling the affairs of the Company and its controlled entities.

Table 1.1 - Executive KMPs during 2012

Name	Position	Period as KMP
Terry Burgess	MD&CEO	All of 2012
Andrew Coles	CFO	All of 2012
Francesca Lee	GC&CS	All of 2012

Table 1.2 - Non-Executive Directors during 2012 and Board Committees to which they belonged in 2012

Name	Position	Remuneration	Committees		
			Nomination & Board Governance	Audit	Sustainability
Neil Hamilton	Chairman	Member	Chairman		
Paul Dowd	Director		Member		Member
Brian Jamieson	Director			Chairman	
Barry Lavin	Director	Member			Member
Charles Lenegan	Director		Member	Member	
Rebecca McGrath	Director	Chairman		Member	
Dean Pritchard	Director				Chairman

All Board and Committee positions were held for the entire year.

Non-Executive Directors of OZ Minerals are Independent Directors pursuant to the terms of the ASX Corporate Governance Principles and Recommendations, as detailed in Box 2.1 of those Recommendations and the Board's Charter.

REMUNERATION REPORT – CONTINUED

2. Remuneration policy

Overview of remuneration policy and practices

The remuneration policy outlined below demonstrates the linkage between remuneration and business strategies and the impact that those imperatives have on the actual remuneration arrangements of the Company. The overriding business objective is to achieve superior returns compared to its peers in the resources sector.

The Company's remuneration policy is underscored by the following guidelines on remuneration:

Business needs and market alignment

OZ Minerals' remuneration policy is designed to facilitate the achievement of corporate objectives. It is based on current remuneration practices and is aligned with the achievement of TSR.

Simplicity and equity

OZ Minerals' remuneration philosophy, policy, principles and structures are simple to understand, communicate and implement, and are equitable across the Company and its diverse workforce.

Performance and reward linkages

Well designed remuneration policy supports and drives Company and team performance and encourages the demonstration of desired behaviours. Performance measures and targets are few in number, outcome-focused and customised at an individual level to maximise performance, accountability and reward linkages.

Market positioning and remuneration mix

Remuneration comprises fixed remuneration, and incentive (or 'at-risk') remuneration, which is determined by corporate and individual performance. Fixed remuneration is competitive, positioned to have regard to the challenges of attracting and retaining high contributors in business critical roles, particularly in the mining industry. Additional remuneration incentives are delivered through 'at risk' remuneration programs. The Company targets fixed remuneration plus 'at target' remuneration incentives at the 75th percentile of relevant external market rates, for business critical roles.

Talent management and reward linkages

Remuneration policy is tightly linked with the performance and talent management frameworks in order to reward and recognise the achievement of role accountabilities and to support the engagement of future leaders.

Governance, transparency and communication with shareholders

OZ Minerals is committed to developing and maintaining remuneration policy and practices that are targeted at the achievement of corporate objectives and the maximisation of shareholder value. It will openly communicate this to shareholders and other relevant stakeholders, and will always be within the boundaries of legal, regulatory and industrial requirements. The Board has absolute discretion in the development, implementation and review of the key aspects of remuneration.

Key principles of Executive KMP remuneration

Executive remuneration is comprised of fixed remuneration and at-risk incentive based remuneration. At-risk remuneration is that part of executives' and other employees' remuneration which is tied to achievement of a combination of Company, site, team and individual performance objectives, to the creation of shareholder value and, for some executives, the satisfaction of retention conditions. There are two components of at-risk remuneration - the STI and LTI.

To ensure that executive remuneration remains consistent with the Company's remuneration policy and guiding principles, remuneration is reviewed annually by the Board with the assistance of the Remuneration Committee and, where needed, external remuneration consultants. In conducting the remuneration review the Board considers:

- the remuneration policy and practices;
- the core skills and experience required of each role in order to grade positions accurately;
- market benchmarks using salary survey data from the Australian Industrials and Resources sectors;
- individual performance against key job objectives as specified in the person's annual performance contract, and with comparison against their peers; and
- business plans and budgets.

REMUNERATION REPORT – CONTINUED

Box 2.1 - Questions and answers about Executive KMP remuneration

Remuneration mix	
What is the balance between fixed and 'at risk' remuneration?	<p>The mix of fixed and at-risk remuneration varies depending on the role and grading of executives (being the MD&CEO, direct reports to the MD&CEO and heads of divisions), and also depends on the performance of the Company and individual executives. More senior positions have a greater proportion of at risk remuneration.</p> <p>For all Executive KMPs, it is possible that no at-risk remuneration will be earned and that fixed remuneration will represent 100 percent of total remuneration.</p> <p>If maximum at-risk remuneration is earned, the ratio percentage of fixed to at-risk remuneration would be:</p> <ul style="list-style-type: none"> • MD&CEO: 35.7 percent fixed, 64.3 percent at-risk; and • Other Executive KMPs: 38.5 percent fixed and 61.5 percent at risk.
Fixed remuneration	
What is included in fixed remuneration?	<p>Fixed remuneration provides a regular base reward that reflects the job size, role, responsibilities and professional competence of each executive, according to their knowledge, experience and accountabilities and considering external market relativities.</p> <p>An Executive KMP'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.</p>
When and how is fixed remuneration reviewed?	<p>Fixed remuneration is reviewed annually. Any adjustments to the fixed remuneration for the MD&CEO and the Other Executive KMPs must be approved by the Board after recommendation by the Remuneration Committee. The Company seeks to position the fixed remuneration at between the 50th and 75th percentile of salaries for comparable companies within the mining market and, where appropriate, the broader general industry market.</p>
STI	
What is the STI Plan?	<p>The STI plan is a variable, performance based, annual cash incentive scheme designed to reward high performance against challenging, clearly defined and measurable objectives that are based on a mixture of targets and are set to incentivise superior performance, with specific targets or metrics in each category.</p>
Why does the Board consider an STI Plan is appropriate?	<p>Variable performance based remuneration strengthens the link between pay and performance. The purpose of these programs is to make a large proportion of the total market reward package subject to meeting various targets linked to OZ Minerals' business objectives. The use of variable performance based remuneration avoids much higher levels of fixed remuneration and is designed to focus and motivate employees to achieve outcomes beyond the standard expected in the normal course of ongoing employment. A reward structure that provides variable performance based remuneration is also necessary as a competitive remuneration package in the Australian and global marketplace for executives.</p>
Does the STI take into account different levels of performance compared to objectives?	<p>Yes, the STI plan has both target and maximum performance outcomes. To achieve 'target' performance, an executive had to achieve agreed business and individual objectives. To achieve 'maximum' performance, the executive must have achieved exceptional business and individual performance outcomes. Weightings are applied by the Board to a range of specific performance categories which are monitored during and assessed at the end of the relevant financial year. Subject to performance, the range of outcomes for the STI will be zero - 100 percent of fixed annual remuneration for the MD&CEO and zero – 80 percent for Other Executive KMPs.</p>

REMUNERATION REPORT – CONTINUED

What are the performance conditions?	<p>The performance conditions ('KPIs') are set at the beginning of each year and are designed to drive successful and sustainable financial and business outcomes and are set with reference to the Board approved corporate objectives, plans and budget.</p> <p>The KPIs for the MD&CEO for 2012 comprised:</p> <ul style="list-style-type: none">• growth performance of the Company with a weighting of 40 percent which was assessed against implementation of approved strategy; quality and strategic alignment of acquisition and other growth opportunities presented to the Board; reserve and resource development through completion of the exploration decline below the Malu open pit; and extent of progress in the Prominent Hill regional exploration program;• production performance of the Company with a weighting of 30 percent which was assessed against achievement of production related targets that include volume of ore and waste mined at the open pit and underground mines, ore milled, ore grades and cost to concentrate; and• safety and sustainability performance of the Company with a weighting of 30 percent which was assessed against achievement of safety targets (such as ability to demonstrate progressive actions against cultural change goals, improvements in lost time injury ('LTI') and lost time injury frequency rate ('LTIFR')), no significant community incidents nor environmental non-compliances nor significant incidents; and improvement in female gender diversity at all management and operational levels. <p>The functional KPIs for the CFO related to the achievement of targets and objectives in the functional areas over which he has responsibility being finance, tax, treasury, commercial services, information technology and business systems and sales & marketing, and the KPIs for his individual performance related to his contribution as a member of the Executive Committee, towards the development and implementation of the Company's strategy in all areas of the Company.</p> <p>The functional KPIs for the GC&CS related to the achievement of targets and objectives in the functional areas over which she has responsibility being the general oversight of legal issues relating to the Company and company secretarial and Board governance matters and remuneration benefits, and the KPIs for her individual performance related to her contribution as a manager of the functional areas over which she has responsibility and as a member of the Executive Committee towards the development and implementation of the Company's strategy in all areas of the Company.</p>
Is there an overriding financial performance condition or other condition?	<p>Yes there is. In addition to the three categories of KPIs described above, the Board had the discretion to refuse to pay any 2012 STI, or to reduce the STI that would otherwise be payable, to the MD&CEO, CFO and GC&CS, if, having regard to matters within the control of Management, the Board is not satisfied with the EBIT outcome of the Company for 2012 measured against 80 percent budgeted EBIT for the year (in recognition of the stretch nature of the EBIT target) or a catastrophic safety, environmental or community event has occurred.</p>
How were the performance conditions determined?	<p>The KPIs were set and weighted by the Board to ensure that the MD&CEO's 2012 STIs were linked to the Company's performance against its key business and strategic objectives and key areas of focus for the year, such as further progressing the Company's growth objectives and improving the Company's safety performance and culture. Regard is also had to the specific performance of the MD&CEO and his ability to influence the outcome of the Company's performance. See Table 4A for a description of the KPIs that were achieved and the percentage of STI rewarded in respect of each KPI.</p> <p>The KPIs for each of the Other Executive KMPs were determined by the MD&CEO after consultation with them and endorsement by the Board. As stated above, the KPIs are determined having regard to the performance conditions set for the MD&CEO and the key areas of focus within their functional responsibilities as contemplated in the business plan and Company's strategy. The weighting for the Other Executive KMPs was 30 percent relating to the Company's performance, 30 percent relating to functional performance, and 40 percent relating to individual performance. See Table 4B for a description of the KPIs that were achieved and the percentage of STI rewarded in respect of each KPI for those Other Executive KMPs.</p>
What is the value of the STI opportunity?	<p>For 2012, the STI reward opportunity for the MD&CEO at 'target' was 50 percent of the total fixed remuneration, and up to 100 percent of the total fixed remuneration for 'maximum' performance.</p> <p>The STI reward opportunity for the Other Executive KMPs at 'target' was 40 percent of the total fixed remuneration and up to 80 percent for 'maximum' performance. If the executive leaves OZ Minerals then the Good Leaver Policy may apply (subject to the executive's contract) and, if the requirements are met, the STI may be granted on a pro rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the relevant executive.</p>

REMUNERATION REPORT – CONTINUED

How is STI assessed?	<p>The MD&CEO assesses the business performance of the executive team throughout the year for progress and improvement, to arrive at a summary assessment at year end for discussion with the Remuneration Committee and the Board.</p> <p>As a higher level review, the Board also reviews the performance assessment of all executives who report directly to the MD&CEO, with a view to understanding, endorsing and/or discussing individual circumstances and potential.</p> <p>The Remuneration Committee and the Board assess the performance of the MD&CEO against the performance targets and objectives set for that year.</p>
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LTIP

What is the LTI Program (LTIP)?	The LTIP is the equity component of the at-risk reward opportunity and is linked to the Company's medium to long term TSR performance.
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Why does the Board consider a LTIP is appropriate?	<p>The Company believes that a LTIP can:</p> <ul style="list-style-type: none"> • focus and motivate employees to achieve outcomes beyond the standard expected in the normal course of ongoing employment; • 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; • be consistent and competitive with current practices of comparable companies; and • create 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.
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What types of equity may be granted under the LTIP?	Performance Rights are granted under the OZ Minerals LTIP as further detailed in the table below.
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Was a grant made in 2012?	A grant was made on 21 December 2012 to all continuing participants in the LTIP. The number of performance rights granted to each executive was calculated by reference to the volume weighted average share price on the five trading days up to and including the grant date being \$7.00 per share. The terms and conditions of the grant are similar to the previous grants issued since 2009.
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What are the performance conditions?	<p>The performance conditions are: (a) the executive meeting the Service Condition; and (b) OZ Minerals meeting the LTIP Performance Condition. The two conditions are referred to as the Vesting Conditions.</p>
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Service condition

The service condition is met if employment with OZ Minerals is continuous for three years commencing on the grant date ('performance period'). If the executive leaves the Company as a good leaver before the end of the service condition period then the Good Leaver Policy will apply and, if the requirements are met, unvested performance rights may vest on a pro rata basis in relation to the service completed, subject to the discretion of the Board.

LTIP performance condition

The LTIP Performance Condition is the Company's TSR as measured against a comparator group. The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to 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.

The performance rights will only vest where the TSR performance of the Company relative to the selected Comparator Group measured over the Performance Period is at the 50th percentile or above.

TSR ranking versus Comparator Group	Percentage of maximum award
Below the 50 th percentile	0 percent vest
At the 50 th percentile	50 percent vest
Between the 50 th and 75 th percentile	Between 50 percent and 100 percent vest progressively by using a straight line interpolation
At or above the 75 th percentile	100 percent vest

REMUNERATION REPORT – CONTINUED

Why were the performance conditions chosen? The approach to linking individual executive performance (including mandatory service periods) and Company performance to the vesting of equity rights is standard market practice. The conditions are aimed at linking the retention and performance of the executives directly to rewards, but only where shareholder returns are realised. The focus on employee-held equity is also part of a deliberate policy to strengthen engagement and direct personal interest to the achievement of returns for shareholders.

What is the comparator group? The comparator companies selected are considered to be alternative investment vehicles for local and global investors and are impacted by commodity prices and cyclical factors, in a similar way to OZ Minerals. The list of comparator group companies appears in the following table.

Companies	OZ Minerals LTIP (Dec 2012)	OZ Minerals LTIP (Dec 2009, Dec 2010 and Dec 2011)
Anglo American Plc	✓	✓
Antofagasta Plc	✓	✓
Barrick Gold Corporation	✓	✓
BHP Billiton Limited	✓	✓
Boliden AB	✓	✓
Capstone Mining Co	✓	
First Quantum Minerals Ltd.	✓	✓
Freeport McMoran Copper & Gold, Inc.	✓	✓
HudBay Minerals, Inc.	✓	✓
Inmet Mining Corporation	✓	✓
Ivanhoe Australia Limited	✓	✓
Kagara Ltd		✓
Katanga Mining Limited	✓	
Kazakhmys Plc	✓	
KGHM International Ltd	✓	
Lundin Mining Corporation	✓	✓
Mercator Minerals Ltd.	✓	
Newcrest Mining Limited	✓	✓
Newmont Mining Corporation	✓	✓
PanAust Limited	✓	✓
Rio Tinto Limited	✓	✓
Sandfire Resources NL	✓	
Southern Copper Corporation	✓	✓
Taseko Mines Limited	✓	
Vedanta Resources Plc	✓	
Western Areas NL		✓
Xstrata Plc	✓	

REMUNERATION REPORT – CONTINUED

What happens to equity rights granted under the LTI program when an executive ceases employment?	<p>If an executive ceases employment with OZ Minerals before the performance condition is tested, then his or her unvested equity rights will generally lapse unless the Good Leaver Policy applies.</p> <p>Under the terms of the Good Leaver Policy, at the time of termination (unless by reason of death or disability) a pro rata number of performance rights, calculated in accordance with the proportion of the performance period worked, may continue to be subject to performance conditions as set by the Board.</p> <p>If, and when these rights vest, they will be exercisable up until their original expiry date. If cessation is due to death or disability, all unvested performance rights will vest at that time.</p>
What happens in the event of a change of control?	<p>In the event of a takeover or change of control of OZ Minerals, any unvested equity rights may vest at the Board's discretion. Factors that the Board may consider when exercising its discretion to vest any outstanding performance rights include pro-rata awards for the period from the date of grant until the date change of control occurs.</p>
Do shares granted upon vesting of equity rights granted under the LTIP dilute existing shareholders' equity?	<p>Generally, there is no dilution of shareholders' pre-existing equity as shares allocated to the participants in the LTIP upon vesting of equity rights are usually satisfied by purchases by the plan trustee on market.</p>
Does the Company have a policy in relation to margin loans and hedging at risk remuneration?	<p>Under the Company's Securities Trading Policy, all executives, directors and officers are prohibited from entering to financing arrangements where the monies owed to the lender are secured against a mortgage over OZ Minerals' shares. Transactions entered into prior to 19 November 2009, when the prohibition was introduced, are exempted from the policy. The Company's Securities Trading Policy also prohibits executives and employees from entering into any hedging arrangement over unvested securities issued pursuant to any share scheme, performance rights plan or option plan.</p>

REMUNERATION REPORT – CONTINUED

The table below summarises the LTIPs which were in operation during the year:

Box 2.2 - Details of LTIPs

Element	Equity rights granted under the OZ Minerals LTIP –December 2012, December 2011 December 2010 and December 2009 ^{(a)(b)}	
Type of equity rights granted	Performance rights	
Number of shares which underlie the performance rights	2012 – 1 share	
	2011 – 1 share	
	2010 – 1.0904 share	
	2009 – 1.0904 share	
Calculation of value of equity rights granted	80 percent of executives' personal total fixed remuneration	
Grant date	2012 : 21 December 2012	
	2011 : 22 December 2011	
	2010 : 10 December 2010	
	2009 : 22 December 2009	
Performance and vesting period	2012 : 21 December 2012 – 20 December 2015	
	2011 : 22 December 2011 – 21 December 2014	
	2010 : 10 December 2010 - 9 December 2013	
	2009 : 23 November 2009 – 22 November 2012	
Expiry date	2012 : 28 February 2016	
	2011 : 28 February 2015	
	2010 : 28 February 2014	
	2009 : 28 February 2013	
Vesting conditions	TSR ranking versus Comparator Group	Percentage of maximum award
	Below the 50 th percentile	0 percent vest
	At the 50 th percentile	50 percent vest
	Between the 50 th and 75 th percentile	Between 50 percent and 100 percent vest progressively by using a straight line interpolation
	At or above the 75 th percentile	100 percent vest
Exercise price for performance rights	Not applicable – provided at no cost	

(a) Performance rights granted under the OZ Minerals LTIP (last grant made in December 2012) are granted for no consideration. The performance measurement period is three years. Performance rights granted under the plan carry no dividend or voting rights. The shares when issued on vesting of a performance right rank equally in all respects with previously issued fully paid ordinary shares.

(b) For performance rights granted prior to 2011, the number of shares underlying each performance right granted to all participants under the OZ Minerals LTIPs were amended to incorporate an adjustment formula, as set out in Resolution 6 of the Notice of Annual General Meeting dated 7 April 2011, to adjust the number of shares underlying each performance right in the event of a return of capital and to give effect to the intent contemplated by the rules. This amendment was effective at the date the resolution was passed at the 2011 AGM on 18 May 2011 and applies to all historical grants that have been made under the Company's LTIP and to any new grants made under the LTIP. In particular, as previously disclosed in the 2011 Notice of Annual General Meeting, the adjustment formula has been applied to those performance rights that were on issue at the time of the capital return made to shareholders in June 2011 in order to adjust the number of shares underlying those performance rights so that holders receive an additional number of shares if and when their performance rights vest. Consistent with ASX Listing Rule 7.22.3, the additional number of shares reflects the value of the cash amount per share returned to shareholders in the capital return. This ensures that performance rights holders are not disadvantaged relative to ordinary shareholders and that the value of their performance rights is not eroded by the capital return. Importantly, no shares will be received in respect of, and no additional shares will be received as a result of an adjustment to, any performance rights that do not vest (for instance because performance and/or service conditions are not met).

REMUNERATION REPORT – CONTINUED

3. Executive KMPs' employment arrangements

The remuneration arrangements for Executive KMPs are formalised in employment contracts. Each of these agreements provide for the payment of fixed remuneration, performance-related cash bonuses under the STI program (as discussed above), other benefits include living away from home allowances, and participation, where eligible, in the Company's LTIP (as discussed above).

Table 2 - Termination provision of Executive KMPs - during 2012

Name	Term of contract	Notice period by either party	Termination benefit
Terry Burgess	Permanent - ongoing until notice has been given by either party.	<p>Twelve months notice by the Company.</p> <p>Company may elect to make payment in lieu of notice.</p> <p>No notice requirements for termination by Company for cause.</p> <p>Six months notice by Terry Burgess.</p>	<p>Twelve months fixed remuneration in the case of termination by the Company.</p> <p>No termination benefits (other than accrued entitlements) in the case of termination by the Company for cause.</p> <p>Upon the occurrence of a fundamental change in his role or position, he is entitled to receive twelve months fixed annual remuneration plus at the discretion of the Board, STI and LTI treatment in accordance with the Good Leaver Policy.</p>
Andrew Coles Francesca Lee	Permanent – on going until notice has been given by either party.	<p>Three months notice by either party.</p> <p>Company may elect to make payment in lieu of notice.</p> <p>No notice requirements for termination by Company for cause.</p>	<p>Nine months fixed remuneration in the case of termination by the Company.</p> <p>No termination benefits (other than accrued entitlements) in the case of termination by the Company for cause.</p> <p>Upon the occurrence of a fundamental change in the role, the executive may terminate his or her employment within thirty days of the event giving rise to the fundamental change and receive the same payments from the Company as if it was a termination by the Company for no cause, plus at the discretion of the Board, STI and LTI treatment in accordance with the Good Leaver Policy.</p>

Executives are eligible for a termination benefit, other than when dismissed for gross misconduct. Where an Executive KMP leaves the Company as a Good Leaver then the Good Leaver Policy may apply at the discretion of the Board (refer Box 2.1).

REMUNERATION REPORT – CONTINUED

4. Company performance and remuneration

Company performance

A summary of OZ Minerals' business performance as measured by a range of financial and other indicators is outlined in the table below.

Table 3 - Company performance ^(a)

Measure	2012	2011	2010	2009	2008
Earnings before interest, income tax, depreciation and amortisation from continuing operations - \$m	334.1	510.1	786.6	221.9	38.9
Earnings/(losses) before interest and income tax from continuing operations - \$m	179.2	345.9	634.0	136.2	(368.9)
Net profit/(loss) after income tax - \$m	152.0	274.5	586.9	(517.3)	(2,501.7)
Cash and cash equivalents attributable to continuing operations at year end - \$m	659.0	886.1	1,334.2	1,076.2	69.8
Net cash inflow/(outflow) from operating activities - \$m	318.8	647.1	616.1	176.6	(98.6)
Basic earnings/(loss) per share - cents	49.5	85.6	187.2	(166.0)	(1,046.0)
Share price at beginning of year - \$ ^(b)	10.01	17.20	11.80	5.50	34.80
Share price at end of year - \$ ^(b)	6.70	10.01	17.20	11.80	5.50
Dividends per share - cents ^(b)	30	70	30	–	50
Capital return per share - \$ ^(b)	–	1.20	–	–	–
Shares bought back on market and cancelled - \$m	100.1	99.9	–	–	–

(a) Refer to the Review of results and operations, changes in state of affairs, and likely developments section on the Directors Report for a commentary on the consolidated results.

(b) Where applicable, amounts in the table above, have been adjusted for the 1:10 share consolidation completed in 2011.

REMUNERATION REPORT – CONTINUED

5. Determining STI Outcomes and STI Payments to Executive KMPs in 2012

At the end of 2012, a review of the performance of each Executive KMP was undertaken against each of their 2012 performance measures having regard to the performance of the Company as described above, and individual performance. The amount of STI awarded to each Executive KMP was determined in accordance with the process described in Box 2.1.

MD&CEO's STI

In accordance with the procedure set out in Section 2, the Chairman and the Board, with the assistance of the Remuneration Committee, undertook a review of the MD&CEO's performance against each of his 2012 KPIs. Outlined in Table 4A below are the ratings awarded against each of the KPI targets using the OZ Minerals Rating Scale, descriptions of how the STI vesting percentages were assessed against the MD&CEO's KPIs and against the overriding EBIT KPI target.

Table 4A - STI Vesting Percentage for MD&CEO

Targets	Weighting Percent	Percentage vesting Percent	Weighted performance Percent	FY 2012 assessment against 2012 KPIs (highlights only)
Growth	40	48	19	<p>Good progress at Carrapateena with milestones met and initiatives introduced with the aim of accelerating the timeline for development of the resource.</p> <p>Resource drilling program at Carrapateena produced some outstanding results with mineralisation extending well beyond the 2011 Resource at depth.</p> <p>Good progress on Malu decline with conceptual plans developed for exploration and subsequent development of potential ore body.</p> <p>Quality growth opportunities presented to the Board in line with Company's growth strategy while maintaining disciplined and focused approach, with post audit review of rejected acquisitions supporting the process.</p>
Operations	30	43	13	<p>Production of copper and gold from the open pit met production guidance for the year but waste mining budget was not achieved. Underground mining project was brought in within the timetable and costs despite some early challenges.</p> <p>Overall costs were higher than budget leading to revised guidance being given in August 2012.</p>
Sustainability	30	60	18	<p>Improved safety performance in 2012 and the culture change efforts since 2010 are having a positive impact with a marked improvement in safety performance.</p> <p>Diversity initiatives for female advancement introduced and percentage of female employees maintained despite recruitment of a relatively large number of underground personnel.</p>
Overall Vesting Percentage			50	

No adjustment to the STI vesting percentage was made in view of fact that EBIT Target was met, after having regard to factors within the control of Management.

REMUNERATION REPORT – CONTINUED

Table 4B – STI Vesting Percentage for Other Executive KMPs

In accordance with the procedure set out in Section 2, an assessment was undertaken of the performance of each of the Other Executive KMP against their 2012 KPIs.

Targets	Weighting Percent	Vesting Percent	Weighted performance Percent
Andrew Coles			
Company performance	30	50	15
Functional performance	30	50	15
Individual performance	40	50	20
Overall vesting percentage			50
Francesca Lee			
Company performance	30	50	15
Functional performance	30	50	15
Individual	40	50	20
Overall vesting percentage			50

No adjustment to the STI vesting percentage was made in view of fact that EBIT Target was met, after having regard to factors within the control of Management. The functional and individual scores of the Other Executive KMPs were moderated as part of a wider Company exercise to contain STI payments at the lower end of the STI payment range.

Details of the amounts payable to the Executive KMPs appear in Table 4C below.

Table 4C - STI payments to Executive KMPs in 2012

Name	Payment \$	Maximum potential value of payment^(a) \$	Percentage of maximum grant awarded^{(b)(c)} Percent
Terry Burgess	540,788	1,081,575	50
Andrew Coles	224,000	448,000	50
Francesca Lee	220,000	440,000	50

(a) The minimum potential value of the payments was nil. The maximum payment refers to the 12 month period ended 31 December 2012.

(b) The payments set out in the above table take into account the responsibilities and salary relativities across the Executive KMPs as well as performance and contribution made by the individuals during the period.

(c) The percentage of this payment that was not achieved (and was therefore forfeited) was 100 percent less the percentage shown in this column.

REMUNERATION REPORT – CONTINUED

6. Equity rights held by and granted to Executive KMPs

As part of its remuneration policy, the Company granted equity rights to Executive KMPs during the year, as set out in Table 5 below. Details of equity rights granted in prior years to Executive KMPs that remain unvested at 31 December 2012 are also included in Table 5 below.

No performance rights held by Executive KMPs vested during the year and no performance rights were exercised by Executive KMPs during the year. Table 6 sets out details of the equity rights held by Executive KMPs that lapsed during the year.

Further details are also set out in Notes 31 and 32 to the Financial Statements.

Table 5 – Performance rights held by Executive KMPs as at 31 December 2012

Senior Executives	Grant date ^(d)	Performance rights ^(a) Number	Shares underlying performance rights if they were to vest ^{(b)(d)} Number	Fair value per performance right ^(e) \$	Maximum value of grant ^(c) \$
Terry Burgess	21 Dec 2012	123,693	123,693	4.05	1,422,470
	22 Dec 2011	80,356	80,356	6.55	924,094
	10 Dec 2010	45,811	49,952	11.10	574,448
Andrew Coles	21 Dec 2012	64,043	64,043	4.05	736,495
	22 Dec 2011	41,524	41,524	6.55	477,526
	10 Dec 2010	24,111	26,291	11.10	302,347
Francesca Lee	21 Dec 2012	62,900	62,900	4.05	723,350
	22 Dec 2011	40,755	40,755	6.55	468,683
	10 Dec 2010	24,111	26,291	11.10	302,347

(a) The grants made to Executive KMPs constituted 100 percent of the grants available for each year and were made on the terms summarised in Boxes 2.1 and 2.2. The expiry date for performance rights granted on 21 December 2012 is 28 February 2016. Refer to Box 2.2 for the expiry date of all other equity rights described above. In accordance with the plan rules, following the 1:10 consolidation of shares that occurred in June 2011, the number of performance rights issued prior to 2011 were consolidated in the same 1:10 ratio as the ordinary capital.

(b) This represents the number of shares underlying any vested performance rights calculated by applying the conversion factor of 1.0904 as calculated in accordance with the adjustment formula. As discussed above, the number of shares underlying rights granted to all participants under the OZ Minerals LTI Plans prior to 2011 were amended to incorporate the adjustment formula, as set out in Resolution 6 of the Notice of Annual General Meeting dated 7 April 2011. In accordance with the adjustment formula, the performance rights were adjusted following the capital return approved by shareholders at the 2011 AGM and paid in June 2011 so that holders of performance rights were not disadvantaged relative to ordinary shareholders. There was no change to the accounting value of the performance rights as a result of the changes which occurred in 2011.

(c) The maximum value of the grants has been estimated based on a 52 week high in the calendar year 2012, of \$11.50 per instrument. The minimum total value of each grant, if the applicable performance conditions are not met, is nil.

(d) The vesting date for each of the 2012, 2011 and 2010 grants is the date that OZ Minerals notifies the participants that the vesting conditions have been satisfied which will occur no later than 28 February 2016 for the 2012 grant, 28 February 2015 for the 2011 grant, and 28 February 2014 for the 2010 grant. Refer Box 2.2.

(e) The fair values were calculated as at the grant dates. In accordance with the requirements of applicable Accounting Standards, remuneration includes a proportion of the notional value of equity rights compensation granted or outstanding during the year. The notional value of equity rights instruments granted as compensation is determined as at the grant date and progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive. The values were calculated by an external third party based on the Black-Scholes pricing assumptions to produce a Monte Carlo simulation model.

REMUNERATION REPORT – CONTINUED

Table 6 - Movement in performance rights lapsed/ forfeited during 2012 for Executive KMPs

Executive KMPs	Grant date	Forfeited/ lapsed^(b) Number	Shares underlying lapsed instruments^(c) Number	Date of lapse	Share price at date of lapse \$	Forfeited/ lapsed value^(a) \$
Terry Burgess	22 Dec 2009	(58,906)	(64,231)	21 Dec 2012	6.81	(437,413)
Andrew Coles	22 Dec 2009	(31,003)	(33,806)	21 Dec 2012	6.81	(230,219)
Francesca Lee	22 Dec 2009	(31,003)	(33,806)	21 Dec 2012	6.81	(230,219)

(a) The value of each Performance Right on the date of lapse is based on the closing market price of OZ Minerals shares on the ASX on the trading date.

(b) No performance rights vested during the year.

(c) The number of securities that were forfeited or lapsed represents 100 percent of the number of securities available for forfeiture or lapsing for each particular grant included in the table, adjusted for the 1:10 share consolidation and return of capital which occurred during 2011 as described elsewhere in this report.

REMUNERATION REPORT – CONTINUED

7. Total Remuneration for Executive KMPs

Table 7 - Total rewards paid to Executive KMPs

	Short-term benefits				Long term benefits	Post employment benefits	Share-based payments		Total fixed and at risk remuneration	At risk remuneration as percentage of total fixed and at-risk remuneration Percent
	Cash salary \$	Incentive and bonus payments ^(a) \$	Accrued annual leave ^(d) \$	Other benefits ^(b) \$	Long term benefits other ^(e) \$	Company contributions to superannuation ^(f) \$	Termination Benefits \$	Value of options and performance rights ^(c) \$		
Terry Burgess										
2012	1,065,105	540,788	87,826	1,729	24,372	16,470	–	499,524	2,235,814	47
2011	1,029,225	836,000	66,527	1,729	(4,795)	15,775	–	340,354	2,284,815	51
Andrew Coles										
2012	543,530	224,000	8,675	4,100	14,069	16,470	–	261,181	1,072,025	45
2011	565,763	360,000	(22,210)	3,211	24,003	15,775	–	184,584	1,131,126	48
Francesca Lee										
2012	533,530	220,000	24,454	10,446	13,580	16,470	–	259,451	1,077,931	44
2011	514,225	350,000	(1,847)	9,385	20,971	15,775	–	187,513	1,096,022	49

(a) Data shown is the accrued STI attributable to 2012 (which is to be paid in mid-February 2013).

(b) Other benefits include the value (where applicable) of benefits such as compulsory annual health checks, car parking or other benefits that are available to all employees of OZ Minerals, and are inclusive of fringe benefits tax where applicable.

(c) The fair values were calculated as at the grant dates. In accordance with the requirements of applicable Accounting Standards, remuneration includes a proportion of the notional value of equity rights compensation granted or outstanding during the year. The notional value of equity rights granted as compensation which do not vest during the reporting period is determined as at the grant date and progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive. The values were calculated by an external third party based on the Black-Scholes pricing assumptions to produce a Monte Carlo simulation model. The percentage of each Executive KMP's remuneration for year ended 31 December 2012 that consisted of Performance Rights was as follows: Terry Burgess 22.3 percent, Andrew Coles 24.4 percent, Francesca Lee 24.1 percent.

(d) Annual leave has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the 12 month period. Any reduction in the annual leave benefits reflects more leave taken/cashed out than that which accrued in the period.

(e) Represents the net accrual movement for Long Service Leave (LSL) over the 12 month period which will only be paid if Executive KMPs meet the required service conditions.

(f) Represents direct contributions to superannuation funds. Amounts greater than the maximum superannuation level have been paid and included in cash salary.

REMUNERATION REPORT – CONTINUED

8. Non-Executive Director remuneration

8.1 Non-Executive Director remuneration policy

Non-Executive Director ('NED') remuneration is reviewed annually by the Board. NEDs receive a fixed fee remuneration consisting of a base fee rate and additional fees for committee roles.

Consistent with best practice, NEDs do not receive any form of equity incentive entitlement, bonuses, options, other incentive payments or retirement benefits. In the past the Company 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. Details are set out in Table 10.

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.

As approved at the OZ Minerals General Meeting on 18 July 2008, the maximum fees payable per annum is \$2,700,000 in total. Total fees received by NEDs in 2012 was \$1,535,075, which was below the maximum approved amount. The fees that applied for 2012 are outlined below. The Chairman was paid a flat fee, with no additional fees for service on Committees.

As foreshadowed in the 2011 Remuneration Report, following a review undertaken by the Board of the Board and Committee fees, the Board determined to increase the Board and Committee fees by 3.5 percent for 2012, in line with the broader inflation rate as measured by the CPI which rose by 3.5 percent in the twelve months to September 2011. The Board determined not to increase the fees for 2013.

Table 8 - Details of NED remuneration

	Chairman \$ per annum	NED \$ per annum
Base fee rate	363,285	145,314

In addition to the fees specified above, all directors (including the Chairman) are entitled to superannuation contributions equal to nine percent calculated on base Board and Committee fees, 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.

Table 9 - Additional fees for NEDs other than the Chairman

	Committee chair \$ per annum	Committee member \$ per annum
Audit	43,056	21,528
Sustainability	21,528	10,764
Remuneration	21,528	10,764
Nomination & Governance	–	5,382

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. See Table 1.2 for details of the composition of the Committees. This composition changed from last year.

REMUNERATION REPORT – CONTINUED

8.2 Total Fees paid to NEDs

Total fees received by NEDs in 2012 was \$1,535,075 (2011: \$1,406,208) compared with the maximum approved fees payable of \$2,700,000. Payments and non monetary benefits received by NEDs individually are set out in the following table:

Table 10 - Total remuneration paid to NEDs

	Director's fees			Post-employment benefits		Total fixed remuneration
	Board fees and cash benefits	Committee fees	Non monetary benefits	Retirement benefit adjustment ^(a)	Company contributions to superannuation ^(b)	
	\$	\$	\$	\$	\$	\$
Neil Hamilton						
2012	379,633	–	–	–	16,348	395,981
2011	366,799	–	–	–	15,787	382,586
Paul Dowd						
2012	145,314	16,146	–	–	14,531	175,991
2011	140,400	17,333	2,376	–	14,196	174,305
Brian Jamieson						
2012	146,361	43,056	–	1,017	15,906	206,340
2011	142,184	48,533	–	1,035	15,220	206,972
Barry Lavin						
2012	145,314	21,528	–	–	15,016	181,858
2011	70,200	6,933	5,865	–	6,942	89,940
Charles Lenegan						
2012	145,314	26,910	–	–	15,500	187,724
2011	140,400	27,733	6,396	–	15,132	189,661
Rebecca McGrath						
2012	145,425	43,056	–	–	16,842	205,323
2011	140,400	17,326	–	–	14,195	171,921
Dean Pritchard						
2012	145,314	21,528	–	–	15,016	181,858
2011	141,266	34,667	–	–	14,890	190,823

(a) In the past OZ Minerals paid retirement benefits to NEDs, however, these benefits were frozen at 31 December 2005. As advised in previous years, the value at that date is adjusted each year at a bank interest rate and the increase in value from the previous year is accrued in the retirement benefit adjustment. Retirement benefits were adjusted for 2012 at an average bank interest rate of 3.67 percent per annum (3.88 percent in 2011). A retirement benefit, including the retirement benefit adjustment for 2012 has been accrued for Brian Jamieson of \$28,717.

(b) Represents direct contributions to superannuation funds. Amounts greater than the maximum superannuation contribution level have been paid and included in board fees and cash benefits.

REMUNERATION REPORT – CONTINUED

9. Engagement of Remuneration Consultants

The Board and Remuneration Committee seek and consider advice from independent remuneration consultants to ensure that it has at its disposal information relevant to the determination of all aspects of remuneration relating to the KMPs. The Board, with the assistance of the Remuneration Committee, has protocols to formalise the arrangements for the engagement of remuneration consultants and the parameters around the interaction between management and the consultants ('Protocols') with a view to minimising the risk of any undue influence occurring and ensuring compliance with the requirements of the *Corporations Act 2001*.

Under the Protocols adopted by the Board and Remuneration Committee:

- remuneration consultants are engaged by and report directly to the Board or the Remuneration Committee;
- the Committee must in deciding whether to approve the engagement have regard to any potential conflicts of interest including factors that may influence independence such as previous and future work performed by the Committee, any relationships that exist between any KMP and the consultant;
- communication between the remuneration consultants and KMPs is restricted to minimise the risk of undue influence on the remuneration consultant; and
- where the consultant is also engaged to perform work that does not involve the provision of a remuneration recommendation, prior approval of the Board or Remuneration Committee must be obtained in certain circumstances where than consultant continues to be engaged to provide remuneration recommendations.

Having regard to the protocols and the fact that each of the consultants is required to confirm that their recommendations were provided free from any undue influence, the Board is satisfied that the remuneration recommendations of each of the consultants listed in the table below were made free from undue influence by the KPMs to whom the recommendations relate.

The advice and recommendations of remuneration consultants are used as a guide by the Board and the Remuneration Committee. Decisions are made by the Board after its own consideration of the issues but having regard to the advice of the Remuneration Committee and the consultants. Details of the remuneration consultants used in 2012 are set out in the table below.

Table 11 – Remuneration Consultants

	Remuneration advice sought and provided	Other work provided	Amount paid for remuneration advice \$	Amount paid for other work \$
CRA Plan Managers Pty Ltd (Boardroom Group Company)	To review the structure and design of the reward programs, the performance and service conditions including whether relative TSR either alone or in combination with some other internal or external measure should be used, terms of offer, frequency and timing of offer, and whether the Good Leaver and change of control provisions terms continued to be appropriate.	Management of the performance rights plans of the Company.	19,699	131,584
Chris Ryan	To advise on the current structure of the STI Plan and whether the current STI plan arrangements are set at the right level of remuneration opportunity, whether the approach to the setting of performance measures appropriately align the MD&CEO's performance with key business objectives and are set and measured to appropriately incentivise the MD&CEO.	None	6,160	Nil
Godfrey Remuneration Group	To present data, findings and recommendations in relation to market benchmarking of the competitiveness of the Company's remuneration package for the role of MD&CEO.	None	10,285	Nil

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 2012 there have been:

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



KPMG



Penny Stragalinos
Partner
Melbourne
13 February 2013

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012	Notes	2012 \$m	2011 \$m
Revenue from sale of concentrates	3	985.7	1,115.9
Net gain on sale of assets in Cambodia	8	18.8	–
Other income	4	7.9	1.3
Net foreign exchange (losses)/gains		(11.3)	5.3
Changes in inventories of ore and concentrate		(36.7)	31.5
Consumables and other direct costs		(319.2)	(317.0)
Employee benefit expenses		(79.2)	(66.6)
Exploration and evaluation expenses		(114.1)	(77.7)
Freight expenses		(47.4)	(33.6)
Royalties expense		(14.8)	(16.5)
Share of net loss of investment in Toro	12	(2.1)	(1.2)
Depreciation and amortisation expenses	16	(154.9)	(164.2)
Litigation settlement expense	34	–	(60.3)
Impairment of investment in Toro	12	–	(15.2)
Other expenses		(53.5)	(55.8)
Profit before net financing income and income tax from continuing operations		179.2	345.9
Financing income	6	23.5	37.0
Financing expenses	6	(3.6)	(2.9)
Net financing income	6	19.9	34.1
Profit before income tax from continuing operations		199.1	380.0
Income tax expense	7	(47.1)	(114.7)
Profit from continuing operations		152.0	265.3
Profit from discontinued operations after income tax	35	–	9.2
Profit for the year attributable to equity holders of OZ Minerals Limited		152.0	274.5
Basic and diluted earnings per share		Cents	Cents
Continuing operations	24	49.5	82.7
Discontinued operations	24	–	2.9
	24	49.5	85.6

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012	Notes	2012 \$m	2011 \$m
Profit for the year		152.0	274.5
Other Comprehensive Income			
Items that will not be reclassified to income statement			
Net change in fair value of investments in equity securities, net of tax	13	61.0	(60.1)
Total comprehensive income for the year attributable to equity holders of OZ Minerals Limited		213.0	214.4

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital \$m	Retained earnings \$m	Treasury shares \$m	Foreign currency translation reserve \$m	Total equity \$m
For the year ended 31 December 2012					
Balance as at 1 January 2012	2,159.0	638.2	(6.4)	3.4	2,794.2
Profit for the year	–	152.0	–	–	152.0
Other comprehensive income					
Net change in fair value of investments in equity securities, net of income tax	–	61.0	–	–	61.0
Total comprehensive income for the year	–	213.0	–	–	213.0
Transactions with owners, recorded directly in equity					
Dividends	–	(124.6)	–	–	(124.6)
Share buy-back	(100.1)	–	–	–	(100.1)
Share-based payment transactions, net of income tax	–	4.4	–	–	4.4
Purchase of treasury shares	–	–	(1.0)	–	(1.0)
Exercise of equity rights	–	(3.0)	3.0	–	–
Total transactions with owners	(100.1)	(123.2)	2.0	–	(221.3)
Balance as at 31 December 2012	2,058.9	728.0	(4.4)	3.4	2,785.9
For the year ended 31 December 2011					
Balance as at 1 January 2011	5,208.8	(2,024.4)	(9.9)	116.5	3,291.0
Profit for the year	–	274.5	–	–	274.5
Other comprehensive income					
Net change in fair value of investments in equity securities, net of income tax	–	(60.1)	–	–	(60.1)
Total comprehensive income for the year	–	214.4	–	–	214.4
Transactions with owners, recorded directly in equity					
Dividends	–	(226.7)	–	–	(226.7)
Dividends received on shares bought back	–	0.4	–	–	0.4
Return of capital	(388.6)	–	–	–	(388.6)
Share buy-back	(99.9)	–	–	–	(99.9)
Capital reduction	(2,561.3)	2,561.3	–	–	–
Reclassification pursuant to change in presentation	–	113.1	–	(113.1)	–
Share-based payment transactions, net of income tax	–	3.4	–	–	3.4
Exercise of equity rights	–	(3.3)	3.3	–	–
Allocation of employee gift shares	–	–	0.2	–	0.2
Total transactions with owners	(3,049.8)	2,448.2	3.5	(113.1)	(711.2)
Balance as at 31 December 2011	2,159.0	638.2	(6.4)	3.4	2,794.2

During the comparative year, a change in presentation was adopted to reclassify the Foreign Currency Translation Reserve ('FCTR') balance which related to certain operations that had changed their functional currency in 2009. Accordingly, an amount of \$113.1 million was transferred from FCTR to retained earnings during the year ended 31 December 2011.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012	Notes	2012 \$m	2011 \$m
Current assets			
Cash and cash equivalents	9	659.0	886.1
Trade and other receivables	10	171.7	86.8
Inventories	11	166.3	192.4
Current tax asset		5.1	–
Prepayments		5.9	7.1
Total current assets		1,008.0	1,172.4
Non-current assets			
Inventories	11	92.2	104.7
Investments accounted for using the equity method	12	27.4	29.5
Investments in equity securities	13	288.6	219.4
Intangible assets	14	252.2	253.1
Lease receivable	15	59.6	–
Property, plant and equipment	16	1,357.6	1,243.4
Total non-current assets		2,077.6	1,850.1
Total assets		3,085.6	3,022.5
Current liabilities			
Trade and other payables	17	108.3	90.5
Current tax liability		–	16.2
Provisions	18	8.2	6.6
Total current liabilities		116.5	113.3
Non-current liabilities			
Deferred tax liabilities	7	162.1	100.2
Provisions	18	21.1	14.8
Total non-current liabilities		183.2	115.0
Total liabilities		299.7	228.3
Net assets		2,785.9	2,794.2
Equity			
Issued capital	19	2,058.9	2,159.0
Retained earnings		728.0	638.2
Treasury shares	20	(4.4)	(6.4)
Foreign currency translation reserve	21	3.4	3.4
Total equity attributable to equity holders of OZ Minerals Limited		2,785.9	2,794.2

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012	Notes	2012 \$m	2011 \$m
Cash flows from operating activities			
Receipts from customers		904.9	1,227.3
Payments to suppliers and employees		(487.8)	(538.9)
Payments for exploration and evaluation		(114.1)	(77.7)
Income taxes paid		(6.5)	(0.8)
Financing costs and interest paid		(2.4)	(1.8)
Interest received		24.7	39.0
Net cash inflows from operating activities	22	318.8	647.1
Cash flows from investing activities			
Payment for property, plant and equipment	16	(290.2)	(115.5)
Net proceeds from sale of pre commissioning Ankata ore concentrates	16	24.9	–
Payment for acquired lease assets	15	(63.7)	–
Refund/(payment) for acquired intangible assets - Carrapateena	14	0.9	(253.1)
Proceeds from disposal of assets	8,13	7.8	3.8
Payments for investments	13	–	(13.0)
Net cash outflows from investing activities		(320.3)	(377.8)
Cash flows from financing activities			
Dividends paid to shareholders	23	(124.6)	(226.7)
Payments on share buy-back	19	(100.1)	(99.9)
Payments on purchase of treasury shares	20	(1.0)	–
Return of capital to shareholders	19	–	(388.6)
Net cash outflows from financing activities		(225.7)	(715.2)
Net decrease in cash held		(227.2)	(445.9)
Cash and cash equivalents at 1 January		886.1	1,334.2
Effects of exchange rate changes on foreign currency denominated cash balances		0.1	(2.2)
Cash and cash equivalents at the end of the year	9	659.0	886.1

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

The investment in Renaissance of \$8.0 million as set out in Note 8 to the Financial Statements constitutes non-cash investing activities and is not included in the Consolidated Statement of Cash Flows above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1 Summary of significant accounting policies

(a) Reporting entity

OZ Minerals Limited is a company domiciled in Australia. The registered office of the Company is at Level 10, 31 Queen Street, Melbourne, 3000, Victoria, Australia. The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries and the Consolidated Entity's interest in associates and jointly controlled entities (together referred to as the 'Consolidated Entity'). The Consolidated Entity is primarily involved in the mining of copper, gold and silver and the conduct of exploration and development projects.

(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 complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

This Financial Report was authorised for issue by the Directors on 13 February 2013.

(c) Basis of preparation of financial information

(i) Historical costs

These Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the following items which are measured at fair value:

- Financial instruments, including trade receivables, at fair value through profit and loss;
- Investments in equity securities; and
- Derivative financial instruments.

(ii) Mandatory standards adopted during the year

There were no mandatory accounting standards that were required to be adopted by the Consolidated Entity during the current year.

(iii) Early adoption of standards

The Consolidated Entity did not early adopt any accounting standards during the year.

(iv) Issued standards and pronouncements not early adopted

The following standards and amendments were available for early adoption but have not been adopted by the Consolidated Entity in these Financial Statements:

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* has been issued which is effective for accounting periods beginning on or after 1 January 2013. IFRIC 20 clarifies the accounting for production stripping costs in a surface mine and clarifies certain criteria that need to be met to enable capitalisation of stripping costs.
- AASB 2011-12 Amendments to Australian Accounting Standards - arising from IFRIC 20. The standard is applicable for annual reporting periods beginning on or after 1 January 2013.
- AASB 10 - *Consolidated Financial Statements* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 10 provides a revised approach to determine which investees should be consolidated.

The initial application of IFRIC 20 will result in reclassification of amounts recognised in the Financial Report and is not likely to have a significant impact on the net results of the Consolidated Entity.

The Consolidated Entity is currently determining the impact of the initial application of AASB 10 which may lead to a change in the accounting for certain investments.

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 a material impact on the Financial Report of the Consolidated Entity.

(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 to the Financial Statements for more detail on critical accounting estimates and judgements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than fifty percent 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 companies controlled by the Consolidated Entity are eliminated on consolidation. Unrealised losses are also eliminated on consolidation unless the transaction provides evidence of the impairment of the asset transferred.

While 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.

(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 percent 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.

(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

The Consolidated Entity classifies its financial assets into the following categories:

- Financial assets at amortised cost; and
- Financial assets at fair value.

A financial asset is classified at amortised cost if it is held within a business model in which the objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

The Consolidated Entity's trade receivables are recorded at fair value in accordance with the policy set out in Note 1(q) and 1(u).

Financial assets measured at amortised cost are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the carrying value of amortised cost instruments is determined using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Financial assets measured at fair value include investments in equity instruments which are not held for trading. The Consolidated Entity recognises the fair value changes in the Income Statement, unless it irrevocably elects at initial recognition to present the changes in Other Comprehensive Income. Amounts classified in Other Comprehensive Income are never reclassified to profit and loss at a later date. Dividends from investments in equity instruments are recognised in profit and loss as part of finance income, rather than Other Comprehensive Income, unless they clearly represent a partial recovery of the cost of the investment.

(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).

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 Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining term to maturity of the instrument is more than twelve months; it is classified as a current asset or liability when the remaining term to maturity of the instrument is less than twelve months. Trading derivatives are classified as a current asset or liability.

(i) Fair values hedges

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 expenses 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 'financing expenses'.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(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 Consolidated Entity's entities are measured using the currency of the primary economic environment in which the entity operates, the 'functional currency'.

(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.

(iii) Companies of the Consolidated Entity

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
- 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.

While 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.

During the comparative year, a change in presentation was adopted to reclassify the Foreign Currency Translation Reserve balance which related to certain operations that had changed their functional currency in 2009. Accordingly the FCTR balance related to these operations was transferred from FCTR to retained earnings.

(h) Inventories

Stores and consumables, ore and concentrate 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. Net realisable value assessment of ore and concentrates inventory considers the expected future ore blend rates, ore grades and existing market pricing conditions.

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 costs to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities.

Inventories expected to be processed or sold within twelve months after the balance sheet date are classified as current assets, all other inventories are classified as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(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 for 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.

OZ Minerals Limited and its wholly-owned Australian controlled entities are part of a tax consolidated group. OZ Minerals Limited is the head of the tax consolidated group. The tax contribution amounts paid, assumed, or receivable or payable under the tax funding agreement are recognised as a loans payable or receivable by the wholly-owned tax consolidated entities.

(j) Leases

At inception of an arrangement which requires the use of a specific asset and contains a right to use the asset, the Consolidated Entity determines whether such an arrangement is or contains a lease. The payments and other considerations required by such an arrangement relating to a lease and other elements is separated on the basis of relative fair values and recognised as a lease asset or liability.

Lessee

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 a reduction in 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.

If the Consolidated Entity concludes for a finance lease that it is not possible to separate payments reliably, an asset and a liability equal to the fair value of the underlying asset is recognised. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Consolidated Entity's incremental borrowing rate. The property, plant and equipment acquired under a finance lease is 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.

Lessor

Leases in which the Consolidated Entity transfers substantially all the risks and rewards of ownership of an asset are classified as finance leases. Where a finance lease is provided, the item of equipment is derecognised and the present value of the minimum lease payments receivable are recognised as a lease receivable. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(k) Property, plant and equipment

Items of 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. Income generated during the development or commissioning of an asset is recognised as a reduction from the costs incurred. Cost also includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

Land and buildings comprises freehold land and buildings and leasehold improvements including airstrips and earthworks.

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 year in which they are incurred.

The depreciation methods adopted by the Consolidated Entity are shown in the table below:

Category	Depreciation method
Freehold land	Not depreciated
Buildings and other infrastructure	Straight line over life of mine
Short term plant and equipment	Straight line over life of asset
Processing plant	Units of ore milled over mine reserves
Mine property and development	Units of ore extracted over mine reserves

The depreciation of mine, property and development commences when the mine starts commercial production.

Any gains and losses on disposals are determined by comparing proceeds with asset carrying amounts and are recognised as other income or other expense.

(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 mine reserves.

Costs incurred in the removal of waste 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 operation's total quantity of ore estimated to be mined.

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 assessed annually and accounted for prospectively from the date of change.

(ii) Exploration and evaluation expenditure

Exploration and evaluation expenditure is recognised in the Income Statement as incurred, unless the expenditure is expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, in which case it is recognised as an asset on an area of interest basis.

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 assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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 are not 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(l) Intangibles

(i) Acquired mineral rights

Acquired mineral rights comprise exploration and evaluation assets including ore reserves and mineral resources which are acquired as part of:

- business combinations recognised at fair value at the date of acquisition; and
- asset acquisitions recognised at cost.

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, in accordance with Note 1(k).

(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 or 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.

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

(i) 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 investments in equity 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 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.

The fair value of trade receivables is determined with reference to quoted market prices adjusted for specific settlement terms in sales contracts and estimated credit adjustments.

(ii) Non financial assets and liabilities

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 estimated costs of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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 global metal prices and exchange rates.

(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 twelve months of the reporting date are recognised in the provision for employee benefits 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 the 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 notes 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

The fair values of share-based payment transactions are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised as an expense over the period during which the employees become unconditionally entitled to the share-based payment transactions.

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the share-based payment transactions, 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 share-based payment transactions.

The fair value of the share-based payment transactions granted is adjusted to reflect market vesting conditions, but excludes the impact of any service or non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share-based payment transactions that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of share-based payment transactions 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 fair value of the share-based payment transactions does not necessarily relate to the actual value that may be received in future by the recipients. Information relating to these schemes is set out in Note 32 to the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(o) Mine rehabilitation, restoration and dismantling obligations

Provisions are made for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during mining and exploration operations up to the 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 costs include the current cost of rehabilitation necessary to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

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 remeasured 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 financing expenses 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.

(p) 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 can be 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 in the Income Statement as financing expenses.

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.

(q) 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 concentrate sales, represents the bill of lading date when the concentrate is delivered for shipment.

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 are separately reported as expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Contract terms for many of the Consolidated Entity's sales allow for a price adjustment based on a final assay of the concentrates by the customer to determine the metal 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. The selling price for metal in concentrate is based on prevailing spot prices at the time of shipment to the customer and adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement.

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.

(r) Financing income and expenses

Financing income includes:

- interest income on cash and cash equivalents; and
- dividend income from investments in equity securities.

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

Financing expenses include:

- interest on short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- the impact of the unwind of discount on long-term provisions for mine rehabilitation, restoration and dismantling.

Financing expenses are calculated using the effective interest rate 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 financing expenses are expensed as incurred.

The capitalisation rate used to determine the amount of financing expenses to be capitalised is the weighted average interest rate applicable to the Consolidated Entity's outstanding borrowings.

(s) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. 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, demand deposits, cash equivalents, net of any outstanding bank overdrafts which are recognised at their principal amounts.

(t) 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.

(u) 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. Provisional payments in relation to trade receivables are due for settlement within 30 days from the date of recognition, with any mark to market adjustment due for settlement usually within 60 days. Concentrate sales receivables are recognised in accordance with Note 1(q).

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are impaired. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(v) Interest-bearing loans and borrowings

Borrowings 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.

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.

(w) 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 arm's 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.

(x) 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 bought as part of a share buyback plan are cancelled. Repurchased shares bought and held by Employee Share Plan Trust 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 as and when they may vest, 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, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

When capital is returned by the Consolidated Entity to the shareholders, the amount of the capital returned is recognised as a deduction from equity.

When share capital is reduced, it is recognised as a deduction to issued capital against accumulated losses.

(y) 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.

(z) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(aa) 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 into segments has been ascertained by reference to direct identification of revenue/cost centres and where interrelated segment costs exist, an allocation has been calculated on a pro rata basis of the identifiable costs.

(ab) 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 offset by any notional depreciation for the intervening period. 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 derecognition.

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.

(ac) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, and is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Consolidated Entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operation or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of any previously held equity interest is remeasured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss or as a change to Other Comprehensive Income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(ad) 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.

(ae) 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 dollar is required.

(af) Comparatives

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

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 may differ from the actual results. 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.

Recoverability of assets

The recoverable amount of each 'cash-generating unit' or 'investment in associate', 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. Inventories are recognised at the lower of cost and net realisable value which is calculated in accordance with the accounting policy in Note 1(h). The computation of net realisable value involves significant judgements in relation to future ore blend rates, processing costs, commodity prices, foreign exchange rates, timing of sale and other assumptions.

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(o). 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.

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 including deferred mining expenditure, 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.

The Consolidated Entity defers stripping (waste removal) costs incurred during the production phase of its operations. This calculation requires the use of judgements and estimates relating to the expected tonnes of waste to be removed over the life of the mining area and the expected economically recoverable reserves to be extracted as a result. This information is used to calculate the average life of mine strip ratio (expected waste to expected mineral reserves ratio). Changes in reported reserves and resources estimates which impact a mine's life and design will usually result in changes to the average life of mine strip ratio. These changes are accounted for prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Income tax and 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 for which provisions are based on estimated amounts. 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.

Determining whether an arrangement contains a lease

The Consolidated Entity exercised significant judgement in application of AASB 117 *Leases and IFRIC Interpretation 4 Determining whether an arrangement contains a lease* in assessing the accounting for the arrangement entered into with Thiess Pty Ltd as described in Note 15 to the Financial Report.

Discontinued operations

The calculation of the profit/loss on sale of operations included estimates in the following key areas: determining the proceeds expected to be received to the extent that they were subject to working capital adjustments, the net assets including the net deferred tax balances of operations sold, and the translation of foreign currency denominated balances. Exchange rate differences which have previously been recognised in the foreign currency translation reserve have been reversed through the Income Statement as part of the profit/loss on sale.

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). Determination of an entity's functional currency requires management's 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.

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. Determination of the Consolidated Entity's contingent assets and liabilities disclosed in the Financial Report requires the exercise of significant judgement and the use of estimates regarding the outcome of future events.

3 Operating segments

Segments

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

The Prominent Hill Mine generates revenue from the sale of concentrate products containing copper, gold and silver to customers in Asia and Europe.

Other operations include the Consolidated Entity's Group Office (which includes all corporate expenses that cannot be directly attributed to the operation of the Consolidated Entity's operating segment), investment in Toro (refer Note 12 to the Financial Statements), other investments in equity securities and exploration projects including Carrapateena.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Segment results

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 which are reported under International Financial Reporting Standards ('IFRS'), and includes Underlying EBITDA, Underlying EBIT, Underlying EBT and Underlying NPAT which are used to measure segment performance. These measures are used internally by management to assess performance of the business, make decisions on allocating resources and assess operational management.

Presentation of the segment result for the current year has changed from the previous year and now discloses underlying results, before the impact of non-trading items such as litigation settlement expense and impairment of assets (incurred in the comparative year). The change in presentation reflects the internal reporting used by management to measure segment performance, and comparatives have been adjusted accordingly.

For the year ended 31 December 2012	Prominent Hill Mine 2012 \$m	Other Operations 2012 \$m	Total 2012 \$m	Prominent Hill Mine 2011 \$m	Other Operations 2011 \$m	Total 2011 \$m
Revenue from sale of concentrates	985.7	–	985.7	1,115.9	–	1,115.9
Net gain on sale of assets in Cambodia	–	18.8	18.8	–	–	–
Other income	1.6	6.3	7.9	0.1	1.2	1.3
Net foreign exchange (losses)/gains	(1.0)	(10.3)	(11.3)	11.0	(5.7)	5.3
Changes in inventories of ore and concentrate	(36.7)	–	(36.7)	31.5	–	31.5
Consumables and other direct costs	(319.2)	–	(319.2)	(317.0)	–	(317.0)
Employee benefit expenses	(59.1)	(20.1)	(79.2)	(49.7)	(16.9)	(66.6)
Exploration and evaluation expenses	(43.4)	(70.7)	(114.1)	(46.3)	(31.4)	(77.7)
Freight expenses	(47.4)	–	(47.4)	(33.6)	–	(33.6)
Royalties expense	(14.8)	–	(14.8)	(16.5)	–	(16.5)
Share of net loss of investment in Toro	–	(2.1)	(2.1)	–	(1.2)	(1.2)
Inter-segment (expense)/income	(14.2)	14.2	–	(13.9)	13.9	–
Other expenses	(25.0)	(28.5)	(53.5)	(24.8)	(31.0)	(55.8)
Underlying earnings before interest, income tax, depreciation and amortisation ('EBITDA') from continuing operations	426.5	(92.4)	334.1	656.7	(71.1)	585.6
Depreciation and amortisation expenses	(152.0)	(2.9)	(154.9)	(163.4)	(0.8)	(164.2)
Underlying earnings before interest and income tax ('EBIT') from continuing operations	274.5	(95.3)	179.2	493.3	(71.9)	421.4
Net financing (expense)/income	(1.3)	21.2	19.9	(1.1)	35.2	34.1
Underlying earnings before income tax ('EBT') from continuing operations	273.2	(74.1)	199.1	492.2	(36.7)	455.5
Income tax expense on underlying profit before tax			(47.1)			(132.8)
Underlying net profit after income tax from continuing operations			152.0			322.7
Litigation settlement expense net of income tax			–			(42.2)
Impairment of assets net of income tax			–			(15.2)
Net profit after tax ('NPAT') from continuing operations			152.0			265.3
Profit from discontinued operations			–			9.2
Profit for the year attributable to equity holders of OZ Minerals Limited			152.0			274.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Information about geographical areas and products	Australia \$m	Europe \$m	Asia \$m	Consolidated \$m
31 December 2012				
Sales of copper	–	247.7	496.8	744.5
Sales of gold	–	62.8	159.8	222.6
Sales of silver	–	5.2	13.4	18.6
Total revenue	–	315.7	670.0	985.7
31 December 2011				
Sales of copper	76.9	245.1	495.7	817.7
Sales of gold	24.5	85.6	172.4	282.5
Sales of silver	1.7	4.3	9.7	15.7
Total revenue	103.1	335.0	677.8	1,115.9

Major customers who individually accounted for more than 10 percent of total revenue contributed approximately 79 percent of total revenue (2011: 74 percent).

As at 31 December 2012 and 2011, no significant assets were located outside Australia.

	2012 \$m	2011 \$m
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4 Other income

Insurance claim recoveries	5.4	–
Other	2.5	1.3
Total other income	7.9	1.3

Refer Note 11 to the Financial Statements for details of the insurance claim recoveries which related to the Edith River incident during the comparative year.

5 Employee benefit expenses

The employee benefit expenses include contributions to defined contribution plans of \$5.3 million (2011: \$4.6 million).

6 Net financing income/(expenses)

Financing income

Interest income from cash and cash equivalents	23.5	37.0
Total financing income	23.5	37.0

Financing expenses

Bank charges on borrowing facilities	(2.4)	(1.8)
Discount unwind on provisions	(1.2)	(1.1)
Total financing expenses	(3.6)	(2.9)
Net financing income	19.9	34.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

7 Income tax

	2012 \$m	2011 \$m
Income tax expense recognised in the Income Statement		
Movement in current income tax	14.8	(19.7)
Movement in deferred income tax	(61.9)	(85.4)
Income tax expense	(47.1)	(105.1)
Income tax expense is attributable to:		
Profit from continuing operations	(47.1)	(114.7)
Profit from discontinued operations	–	9.6
Income tax expense	(47.1)	(105.1)
Numerical reconciliation of income tax expense to pre-tax net profit		
Profit from continuing operations	199.1	380.0
Loss from discontinued operations	–	(0.4)
Total profit before income tax	199.1	379.6
Income tax expense at the Australian tax rate of 30 percent	(59.7)	(113.9)
Adjustments to profit before income tax		
Gain on sale of assets in Cambodia	5.6	–
Non-deductible expenditure	(2.5)	(7.6)
Other non-assessable items	2.0	0.7
Revision for prior periods	7.5	15.7
Income tax expense	(47.1)	(105.1)

During the year, the income tax return for the year ended 31 December 2011 and an amendment in relation to the year ended 31 December 2010 were lodged with the Australian Tax Office ('ATO'). The resulting revision to tax computations for prior years has been recognised in the tax balances as at 31 December 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Deferred tax assets and liabilities

	Opening balance \$m	Recognised in income statement \$m	Closing balance \$m
2012			
Capital raising costs	1.4	(0.6)	0.8
Unrealised foreign exchange	0.8	(0.3)	0.5
Restricted tax losses	51.6	2.4	54.0
Depreciation and amortisation	(163.9)	(61.1)	(225.0)
Other	9.9	(2.3)	7.6
Net deferred tax assets/(liabilities)	(100.2)	(61.9)	(162.1)
2011			
Capital raising costs	5.8	(4.4)	1.4
Unrealised foreign exchange	24.7	(23.9)	0.8
Unrestricted tax losses	52.1	(52.1)	–
Restricted tax losses	55.0	(3.4)	51.6
Depreciation and amortisation	(156.7)	(7.2)	(163.9)
Other	4.3	5.6	9.9
Net deferred tax assets/(liabilities)	(14.8)	(85.4)	(100.2)

The Consolidated Entity recognises deferred tax assets for deductible temporary differences and unused tax losses only when it is probable that taxable amounts will be available in the near future to utilise those temporary differences and losses. The Consolidated Entity has assessed that it is probable that future taxable profits will be available to utilise the recognised deferred tax assets.

Recognised tax losses referred to as 'restricted' were transferred into the OZ Minerals Australian tax group on consolidation of the acquired Zinifex group in July 2008 and are subject to a restricted available fraction of current year taxable income which restricts the amount of these losses that can be utilised each year. Under the current tax legislation these restricted tax losses do not have an expiry date.

Restricted fractional tax losses of \$191.4 million tax effected (2011: \$191.4 million tax effected) continue to be unrecognised in the Balance Sheet at 31 December 2012.

Additionally gross capital losses on disposal of assets during 2009 of \$1,935 million (2011: \$1,956 million) continue to be unrecognised in the Balance Sheet at 31 December 2012.

8 Sale of assets in Cambodia

On 10 May 2012, OZ Minerals sold its assets in Cambodia through the sale of shares in OZ Minerals (Cambodia) Limited to Renaissance Minerals Limited ('Renaissance'), an Australian company listed on the ASX, and recognised a net gain of \$18.8 million.

The financial impact of the sale transaction as at the date of disposal is summarised below:

	\$m
Cash consideration received	7.8
Deferred cash consideration	5.0
Non cash consideration 26.4 million Renaissance shares	6.5
Non cash consideration 3.0 million Renaissance options	0.3
Fair value of consideration	19.6
Carrying value of assets sold	(0.8)
Gain on sale	18.8

Subsequent to the sale, OZ Minerals participated in the Renaissance share issue in November 2012 under which OZ Minerals received Renaissance shares to the value of \$1.5 million. This amount was deducted from the \$5.0 million deferred cash consideration in the table above which was receivable 12 months after completion of sale under the Sale and Purchase Agreement. The remaining \$3.5 million cash consideration was received in January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

In addition to the fair value of the consideration recognised of \$19.6 million, the Sale and Purchase Agreement with Renaissance provides for two further contingent receipts. The first receipt of \$10.0 million is contingent on a 1.25 million ounce gold resource being defined in relation to the assets sold or a decision to mine whichever is earlier. The second receipt of \$12.5 million is contingent on the first gold pour and is payable six months after the first gold pour.

The two possible receipts amounting to \$22.5 million are contingent on uncertain future events and in accordance with the Accounting Standards are not able to be recognised in the Financial Statements for the year ended 31 December 2012.

	2012 \$m	2011 \$m
9 Cash and cash equivalents		
Short term highly liquid cash deposits	595.9	835.3
Cash on hand and demand deposits	63.1	50.8
Total cash and cash equivalents	659.0	886.1

10 Trade and other receivables

Trade receivables	159.2	76.5
Other receivables	12.5	10.3
Total trade and other receivables	171.7	86.8

11 Inventories

Concentrates	34.7	43.4
Ore stockpile	110.2	125.7
Stores and consumables	21.4	23.3
Inventories – current	166.3	192.4
Ore stockpile – non current	92.2	104.7
Total inventories	258.5	297.1

All inventories at 31 December 2012 and 31 December 2011 are valued at cost. No inventories were written off or sold below cost during the financial year. In the comparative year, inventory costs of \$3.2 million (\$2.2 million after tax) were written off after concentrate was spilled in a train derailment. During the current year an insurance claim of \$5.4 million was received for the value of concentrate lost and related costs. This amount was recognised in other income as outlined in Note 4 to the Financial Statements.

Non-current inventories represent those ore stockpiles expected to be milled in the period greater than twelve months from 31 December 2012.

12 Investments accounted for using the equity method

Opening carrying amount	29.5	45.9
Share of net loss after tax of Toro	(2.1)	(1.2)
Impairment loss	–	(15.2)
Closing carrying amount	27.4	29.5

The Consolidated Entity accounts for its investment in Toro using the equity method. Toro is a uranium exploration company listed on the Australian Securities Exchange. The Consolidated Entity holds 410,259,378 shares in Toro, which equates to an interest of 39.4 percent at 31 December 2012 (31 December 2011: 42.1 percent). The share price of Toro as at 31 December 2012 was 11 cents per share (31 December 2011: 9 cents per share).

The share of losses after income tax of \$2.1 million (2011: \$1.2 million) recognised during the year represents the Consolidated Entity's share of the net loss after tax of Toro after adjustments for impairment losses of capitalised exploration expenditure recognised by Toro. The Consolidated Entity performs a separate impairment assessment of its investment in Toro and accordingly does not equity account any impairment losses of capitalised expenditure recognised by Toro.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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

Summarised financial information of Toro

At the date of this report, Toro has yet to complete its Interim Financial Statements as at 31 December 2012 and therefore summarised financial information on Toro at 31 December 2012 is not included in these Financial Statements. The following information is based on the Toro Financial Statements for the year ended 30 June 2012, which are Toro's latest audited Financial Statements:

	Assets \$m	Liabilities \$m	Revenue \$m	Net loss after tax \$m
Toro Energy Limited	99.0	3.6	1.0	(10.7)

	2012 \$m	2011 \$m
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13 Investments in equity securities

Opening carrying amount	219.4	270.3
Additions	8.2	13.0
Disposals	–	(3.8)
Net change in fair value recognised in other comprehensive income	61.0	(60.1)
Closing carrying amount	288.6	219.4

The carrying value of the investments in equity securities of \$288.6 million at 31 December 2012 was made up of investments in Sandfire Resources NL of \$258.2 million, in Beadell Resources Limited of \$12.5 million, in Renaissance Minerals Limited of \$6.6 million, in IMX Resources Limited of \$5.8 million and other minor investments amounting to \$5.5 million.

Refer Note 8 to the Financial Statements for details on the investment in Renaissance.

14 Intangible assets

Intangible assets	252.2	253.1
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During the comparative year, OZ Minerals acquired the Carrapateena copper-gold project in South Australia for a consideration of \$253.1 million, made up of payments to vendors of \$236.4 million (US\$250.0 million) and stamp duty of \$16.7 million. The acquisition of exploration and evaluation assets was classified as acquired mineral rights in accordance with OZ Minerals' accounting policy.

During the current year, OZ Minerals received refunds of stamp duty amounting to \$0.9 million which reduced the carrying value of the assets to \$252.2 million at 31 December 2012.

The terms of the acquisition provide for two further payments to vendors upon commercial production being reached. The first payment of US\$50.0 million is payable on first commercial production of copper, uranium, gold or silver. The second payment of US\$25.0 million is payable on first commercial production of rare earths, iron or any other commodity. The further payments amounting to US\$75.0 million do not constitute a liability in accordance with the accounting standards and hence were not required to be recognised in the Financial Statements for the year ended 31 December 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

15 Lease receivable

	2012 \$m	2011 \$m
Lease receivable	59.6	–

In February 2012 the contract with Thiess Pty Ltd for the provision of mining services to OZ Minerals' Prominent Hill mining operations was renewed for six years. Ancillary to this contract, OZ Minerals agreed to purchase certain mining equipment and effectively lease this back to Thiess on an interest free basis to be used in the provision of the mining services. Upon termination of the mining services contract, Thiess will re-purchase this equipment. This is expected to result in overall cost savings compared to the provision of this equipment through the mining services contract.

The consideration paid to acquire the mining equipment will be recovered by OZ Minerals progressively over the mining services contract through a reduced mining services charge by Thiess to OZ Minerals. Upon termination of the mining services contract, any carrying value of lease receivable will be recovered by resale of the equipment to Thiess.

The finance lease receivable of \$59.6 million as at 31 December 2012 comprises \$60.0 million of mining equipment purchased from Thiess and \$3.7 million of stamp duty paid, less \$4.1 million amortisation in the finance lease receivable during the year.

16 Property, plant and equipment

2012	Plant and equipment \$m	Mine property and development \$m	Freehold land and buildings \$m	Capital work in progress \$m	Total \$m
At cost	1,081.6	657.1	164.6	45.0	1,948.3
Accumulated depreciation	(403.5)	(138.4)	(48.8)	–	(590.7)
Closing carrying amount	678.1	518.7	115.8	45.0	1,357.6

Reconciliation of carrying amounts

Opening carrying amount	740.6	273.6	89.5	139.7	1,243.4
Additions and transfers	46.4	130.0	43.5	(94.7)	125.2
Movement in deferred mining	–	165.0	–	–	165.0
Ankata pre commissioning adjustment	–	(24.9)	–	–	(24.9)
Addition to mine rehabilitation asset	–	3.8	–	–	3.8
Depreciation expense	(108.9)	(28.8)	(17.2)	–	(154.9)
Closing carrying amount	678.1	518.7	115.8	45.0	1,357.6

2011	Plant and Equipment \$m	Mine property and development \$m	Freehold land and buildings \$m	Capital work in progress \$m	Total \$m
At cost	1,035.2	383.2	121.1	139.7	1,679.2
Accumulated depreciation	(294.6)	(109.6)	(31.6)	–	(435.8)
Closing carrying amount	740.6	273.6	89.5	139.7	1,243.4

Reconciliation of carrying amounts

Opening carrying amount	835.3	308.0	91.0	53.8	1,288.1
Additions and transfers	13.3	1.6	14.7	85.9	115.5
Movement in deferred mining	–	4.0	–	–	4.0
Depreciation expense	(108.0)	(40.0)	(16.2)	–	(164.2)
Closing carrying amount	740.6	273.6	89.5	139.7	1,243.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

17 Trade and other payables

	2012 \$m	2011 \$m
Trade payables and accruals	105.6	85.6
Other payables	2.7	4.9
Total trade, other payables and accruals	108.3	90.5

18 Provisions

Current

Employee benefits	8.2	6.6
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Non-current

Employee benefits	4.1	2.8
Mine rehabilitation	17.0	12.0
Total non-current provisions	21.1	14.8

Aggregate

Employee benefits	12.3	9.4
Mine rehabilitation	17.0	12.0
Total provisions	29.3	21.4

Mine rehabilitation

Opening carrying amount	12.0	10.9
Unwind of discount	1.2	1.1
Additions	3.8	–
Closing carrying amount	17.0	12.0

19 Issued capital

Issued and fully paid up ordinary shares

303,470,022 shares (2011: 314,371,850 shares)	2,058.9	2,159.0
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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.

Capital management strategy

The objective of the Consolidated Entity's capital management strategy is to maintain healthy liquidity in order to support its business and to achieve superior returns for its shareholders. The Consolidated Entity manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Consolidated Entity may adjust the dividend payment to shareholders and undertake other suitable capital management initiatives.

The Consolidated Entity's policy is to maintain a gearing ratio of up to a maximum of 20 percent. The gearing ratio as at 31 December 2012 is nil (2011: nil).

As part of its capital management policy, OZ Minerals completed in June 2012 the on-market buyback program of \$200.0 million which had been commenced in 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Movements in ordinary share capital

Movements in ordinary share capital for the financial year are reconciled below.

Date	Details	Number	\$m
2012			
01/01/2012	Opening balance	314,371,850	2,159.0
01/01/2012 to 30/06/2012	Shares bought back and cancelled	(10,901,828)	(100.1)
31/12/2012	Closing balance	303,470,022	2,058.9
2011			
01/01/2011	Opening balance	323,877,514	5,208.8
10/06/2011	Return of capital	–	(388.6)
17/08/2011 to 31/12/2011	Shares bought back and cancelled	(9,505,664)	(99.9)
13/12/2011	Capital reduction	–	(2,561.3)
31/12/2011	Closing balance	314,371,850	2,159.0

Share buyback

In June 2012, the Consolidated Entity completed a share buyback program for \$200.0 million which commenced in August 2011. The Consolidated Entity bought back and cancelled 10,901,828 shares amounting to \$100.1 million during the year as part of the share buyback program (2011: 9,505,664 shares amounting to \$99.9 million).

Share consolidation

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

Return of capital

The Consolidated Entity made a return of capital to its shareholders of \$1.20 per share (post the one for ten share consolidation) amounting to \$388.6 million in June 2011, following approval by shareholders in May 2011. The ATO confirmed by a class ruling in March 2011 that the return of capital did not constitute a dividend for Australian income tax purposes.

Capital reduction

In December 2011, OZ Minerals Limited reduced its share capital by \$2,561.3 million against accumulated losses based on the provisions contained in section 258F of the *Corporations Act 2001*.

20 Treasury shares

	2012 \$m	2011 \$m
404,801 shares (2011: 363,067 shares)	4.4	6.4

The treasury shares represents the Company's shares purchased and held by the Employee Share Plan Trust 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 as and when they may vest.

During the current year, OZ Minerals incurred \$1.0 million on acquisition of shares which has been recognised as treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

	2012 \$m	2011 \$m
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21 Foreign currency translation reserve

Foreign currency translation reserve	3.4	3.4
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Exchange differences arising on the translation of entities with a functional currency differing from the Consolidated Entity's presentation currency, are taken to the Foreign Currency Translation Reserve ('FCTR') as described in accounting policy Note 1(g).

During the comparative year, a change in presentation was adopted to reclassify the FCTR balance which related to certain operations that had changed their functional currency in 2009. Accordingly, an amount of \$113.1 million was transferred from FCTR to retained earnings during the year ended 31 December 2011.

22 Reconciliation of profit after income tax to net cash flows from operating activities

Profit for the year	152.0	274.5
Depreciation and amortisation	154.9	164.2
Lease amortisation	4.1	–
Foreign exchange (gains)/losses on cash holdings in US dollars	(0.1)	2.2
Share based payments expense	4.4	3.4
Profit on sale of discontinued operations, net of tax	–	(9.2)
Impairment losses	–	15.2
Net gain on sale of assets in Cambodia	(18.8)	–
Share of net loss of investment in Toro	2.1	1.2
Other non-cash items	4.0	(0.2)
Change in assets and liabilities:		
Trade and other receivables	(84.9)	92.0
Prepayments	1.2	(1.8)
Inventories	38.6	(37.6)
Trade and other payables	17.8	25.9
Provision for employee benefits	2.9	3.8
Net current and deferred tax assets/(liabilities)	40.6	113.5
Net cash inflow from operating activities	318.8	647.1

23 Dividends

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 20 cents per share, to be paid on 12 March 2013. The record date for entitlement to this dividend is 26 February 2013. The financial impact of this dividend amounting to \$60.7 million has not been recognised in the Financial Statements for the year ended 31 December 2012 and will be recognised in subsequent Financial Statements.

The details in relation to dividends announced or paid since 1 January 2011 are set out below:

Record date	Date of payment	Cents per share	Total dividends \$m
26 February 2013	12 March 2013	20	60.7
11 September 2012	25 September 2012	10	30.3
24 February 2012	9 March 2012	30	94.3
29 August 2011	16 September 2011	30	97.2
23 February 2011	9 March 2011	40	129.5

For Australian income tax purposes, all dividends were unfranked and were declared to be conduit foreign income.

The dividend of 40 cents per share paid on 9 March 2011 in the above table reflects the dividend amount per share after the one for ten share consolidation in June 2011.

The Company's Dividend Reinvestment Plan was suspended in 2010 and remains suspended.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

	2012	2011
24 Earnings per share		
Basic and diluted earnings per share - cents		
Continuing operations	49.5	82.7
Discontinued operations	–	2.9
Basic and diluted earnings per share	49.5	85.6
Reconciliation of earnings used in calculating basic and diluted earnings per share - \$ millions		
For basic and diluted earnings per share from continuing operations		
Profit after tax from continuing operations	152.0	265.3
For basic and diluted earnings per share from discontinued operations		
Profit after tax from discontinued operations	–	9.2
Weighted average number of ordinary shares - number		
Weighted average number of ordinary shares on issue used in the calculation of basic/diluted earnings per share	306,850,519	320,989,929

The performance rights and share options as set out in Note 32 that existed at 31 December 2012 and 31 December 2011 were not included in the calculation of diluted earnings per share because they were antidilutive.

25 Capital expenditure commitments

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

OZ Minerals has entered into contracts for supply of mining and related services in relation to the supply of a tunnel boring machine for the Carrapateena project and other ongoing capital projects. While these contracts are cancellable, termination payments are not reliably measurable as they are dependent on various factors such as redundancy costs and cost of goods and materials purchased by contractors attributable to the contract.

The minimum expected payments in relation to contracts for development of capital projects and equipment which were not required to be recognised as liabilities at 31 December 2012 amount to approximately \$13.0 million (undiscounted) (2011: \$75.6 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

26 Contingencies

Bank guarantees

OZ Minerals Group Treasury Pty Ltd and other controlled entities of the Consolidated Entity have provided certain bank guarantees to third parties, primarily associated with the terms of mining leases, exploration licences and office leases, in respect of which the relevant entity is obliged to indemnify the bank if the guarantee is called upon. At the end of the financial year, no claims have been made under any of these guarantees. The amount of some of these guarantees may vary from time to time depending upon the requirements of the recipient. These guarantees are backed by collateral deposits and amounted to \$30.1 million as at 31 December 2012 (2011: \$29.9 million).

Provision is made in the Financial Statements for the anticipated costs of the mine rehabilitation obligations under the mining leases.

Deeds of indemnity

The Company has granted indemnities under Deeds of Indemnity with each of its current and former Non-Executive Directors and members of the Executive Committee, the Company Secretary, the Group Treasurer and each employee who is a director of a controlled entity of the Consolidated Entity, in conformity with Rule 10.2 of OZ Minerals Limited's constitution.

Where applicable each Deed of Indemnity indemnifies the relevant director, officer or employee to the fullest extent permitted by law for liabilities incurred while acting as an officer of OZ Minerals, any of its related bodies corporate and any outside entity, where such an office is held at the request of the Company. Under these indemnities, the Company meets the legal costs incurred by Company officers in responding to investigations by regulators.

Employees

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

Auditor

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

Warranties and indemnities

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

Notification was received from one of the purchasers for a possible claim under one of the indemnities. The Company is disputing this notification. OZ Minerals is not in a position to calculate a sufficiently reliable estimate of the possible obligation, if found to exist, but in any event it is unlikely to be significant to the financial position of the Consolidated Entity.

Tax related contingencies

The Consolidated Entity is subject to the ATO's routine program of tax reviews and audits. The Consolidated entity may also be subject to routine tax reviews and audits in overseas jurisdictions. The final outcome of any tax review or audit cannot be determined with an acceptable degree of reliability. The Consolidated Entity believes that it is making adequate provision for its taxation liabilities and is taking reasonable steps to address potentially contentious issues with the ATO and tax authorities in overseas jurisdictions. However there may be an impact on the Consolidated Entity if any revenue authority review or audit results in an adjustment that increases the Consolidated Entity's taxation liabilities.

Stamp duty refund

OZ Minerals has a contingent asset of \$7.5 million refund of stamp duty which is before the Supreme Court of Western Australia, Court of Appeal. The initial judgement favourable to OZ Minerals has been appealed by the West Australian Office of State Revenue. The refund of the stamp duty is a possible asset at 31 December 2012 and is dependent on the final Court ruling.

Other

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

	2012 \$m	2011 \$m
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27 Parent entity disclosures

As at, and throughout the financial year ended 31 December 2012, the parent entity of the Consolidated Entity was OZ Minerals Limited.

Results of the parent entity

Profit for the year	142.5	630.3
Other comprehensive (loss)/income	–	(1.6)
Total comprehensive income for the year	142.5	628.7

Financial position of the parent entity

Assets

Current assets	9.8	3.5
Non-current assets	2,571.9	2,650.2
Total assets	2,581.7	2,653.7

Liabilities

Current liabilities	21.6	15.2
Non-current liabilities	1.3	0.9
Total liabilities	22.9	16.1
Net assets	2,558.8	2,637.6

Equity

Issued capital	2,058.9	2,159.0
Treasury shares	(4.4)	(6.4)
Retained earnings	504.3	485.0
Total equity	2,558.8	2,637.6

Refer to Note 26 for contingent liabilities, Note 28 for Deed of Cross Guarantee disclosures, and Note 19 for issued capital. The parent entity's capital expenditure commitment as at 31 December 2012 was nil (2011: nil).

Franking account details

Franking account balance at beginning of year	–	–
Franking debits arising as a consequence of capital return	–	(0.8)
Franking credits from income tax payments made during the year	6.5	0.8
Franking account balance at end of year	6.5	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Subsidiaries

The wholly owned controlled entities of the parent entity are listed below:

Entity	Country of incorporation
Minotaur Resources Holdings Pty Ltd	Australia
OZ Exploration Pty Ltd	Australia
OZ Minerals Agincourt Holdings Pty Ltd	Australia
OZ Minerals Agincourt Pty Ltd	Australia
OZ Minerals Equity Pty Ltd	Australia
OZ Minerals Europe Ltd	Channel Islands
OZ Minerals Finance (Holdings) Pty Ltd	Australia
OZ Minerals Finance Pty Ltd	Australia
OZ Minerals Golden Grove (Holdings) Pty Ltd	Australia
OZ Minerals Group Treasury Pty Ltd	Australia
OZ Minerals Holdings Limited	Australia
OZ Minerals Insurance Pte Ltd	Singapore
OZ Minerals International (Holdings) Pty Ltd	Australia
OZ Minerals Investments Pty Ltd	Australia
OZ Minerals Mexico SA de CV	Mexico
OZ Minerals Prominent Hill Operations Pty Ltd	Australia
OZ Minerals Prominent Hill Pty Ltd	Australia
OZ Minerals Reliance Exploration Pty Ltd	Australia
OZ Minerals Superannuation Pty Ltd	Australia
OZ Minerals Zinifex Holdings Pty Ltd	Australia
OZ Minerals Carrapateena Pty Ltd	Australia
OZ Exploration Chile Limitada	Chile
OZM Carrapateena Pty Ltd	Australia
OZ Exploration (USA) LLC	USA
ZRUS Holdings Pty Ltd	Australia

Entities over which control was lost during the year

The entities which were liquidated or over which control was lost during the year are set out below:

Name of entity	Date control lost or liquidated
OZ Minerals (Cambodia) Ltd	10 May 2012
Souvannaphoum Resources Pte Ltd	9 October 2012
Wasin Mining Co Ltd.	5 January 2012

28 Deed of cross guarantee

The Company and all its Australian domiciled subsidiaries are party to a Deed of Cross Guarantee ('Deed').

The Australian domiciled subsidiaries that are party to the Deed are listed in Note 27 to the Financial Statements.

In January 2012, OZ Minerals Equity Pty Ltd ceased to be a party to the Deed. In August 2012, the following entities entered into Revocation Deeds which will be effective in February 2013:

- OZ Minerals Finance Pty Ltd
- OZ Minerals Finance (Holdings) Pty Ltd
- OZ Minerals Golden Grove (Holdings) Pty Ltd and
- OZ Minerals Reliance Exploration Pty Ltd

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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.

Set out below is the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Balance Sheet of the entities within the Deed.

Consolidated Income Statement of the entities within the Deed of Cross Guarantee	2012 \$m	2011 \$m
Revenue from sale of concentrates	985.7	1,115.9
Net gain on sale of assets in Cambodia	18.8	–
Other income	7.2	0.4
Net foreign exchange (losses)/gains	(11.2)	5.2
Changes in inventories of ore and concentrate	(36.7)	31.5
Consumables and other direct costs	(319.2)	(317.0)
Employee benefit expenses	(79.2)	(66.6)
Exploration and evaluation expenses	(110.5)	(70.9)
Freight expenses	(47.4)	(33.6)
Royalties expense	(14.8)	(16.5)
Share of net loss of investment in Toro	(2.1)	(1.2)
Depreciation and amortisation expenses	(154.9)	(164.2)
Litigation settlement expense	–	(60.3)
Impairment of assets	–	(15.2)
Provision for receivable/investment in subsidiaries which are not within the Deed	(3.5)	(9.1)
Other expenses	(53.1)	(55.7)
Profit before net financing income and income tax from continuing operations	179.1	342.7
Financing income	23.5	37.0
Financing expenses	(3.6)	(2.9)
Net financing income	19.9	34.1
Profit before income tax from continuing operations	199.0	376.8
Income tax expense	(47.1)	(114.7)
Profit from continuing operations	151.9	262.1
Profit from discontinued operations after income tax	–	9.2
Profit for the year attributable to equity holders of OZ Minerals Limited	151.9	271.3

Consolidated Statement of Comprehensive Income of the entities within the Deed of Cross Guarantee	2012 \$m	2011 \$m
Profit for the year	151.9	271.3
Other Comprehensive Income		
Net change in fair value of investments in equity securities, net of tax	60.4	(58.4)
Total comprehensive income for the year attributable to equity holders of OZ Minerals Limited	212.3	212.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Consolidated Statement of Changes in Equity of the entities within the Deed of Cross Guarantee	Issued capital \$m	Retained earnings \$m	Treasury shares \$m	Foreign currency translation reserve \$m	Total equity \$m
Balance as at 1 January 2012	2,159.0	640.8	(6.4)	–	2,793.4
Profit for the year	–	151.9	–	–	151.9
Other comprehensive income					
Net change in fair value of investments in equity securities, net of income tax	–	60.4	–	–	60.4
Total comprehensive income for the year	–	212.3	–	–	212.3
Transactions with owners, recorded directly in equity					
Dividends	–	(124.6)	–	–	(124.6)
Share buy-back	(100.1)	–	–	–	(100.1)
Share-based payment transactions, net of income tax	–	4.4	–	–	4.4
Purchase of treasury shares	–	–	(1.0)	–	(1.0)
Exercise of equity rights	–	(3.0)	3.0	–	–
Total transactions with owners	(100.1)	(123.2)	2.0	–	(221.3)
Balance as at 31 December 2012	2,058.9	729.9	(4.4)	–	2,784.4
Balance as at 1 January 2011	5,208.8	(2,020.3)	(9.9)	113.1	3,291.7
Profit for the financial year	–	271.3	–	–	271.3
Other Comprehensive Income					
Net change in fair value of investments in equity securities, net of tax	–	(58.4)	–	–	(58.4)
Total comprehensive income for the financial year	–	212.9	–	–	212.9
Transactions with owners, recorded directly in equity					
Dividends	–	(226.7)	–	–	(226.7)
Dividend received on shares bought back	–	0.4	–	–	0.4
Return of capital	(388.6)	–	–	–	(388.6)
Share buyback	(99.9)	–	–	–	(99.9)
Capital reduction	(2,561.3)	2,561.3	–	–	–
Reclassification pursuant to change in presentation	–	113.1	–	(113.1)	–
Share-based payments expense, net of tax	–	3.4	–	–	3.4
Exercise of share options and rights	–	(3.3)	3.3	–	–
Allocation of employee gift shares	–	–	0.2	–	0.2
Total transactions with owners	(3,049.8)	2,448.2	3.5	(113.1)	(711.2)
Balance as at 31 December 2011	2,159.0	640.8	(6.4)	–	2,793.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Consolidated Balance Sheet of the entities within the Deed of Cross Guarantee	2012 \$m	2011 \$m
Current assets		
Cash and cash equivalents	654.8	882.0
Trade and other receivables	170.2	84.7
Inventories	166.3	192.4
Current tax asset	5.1	–
Prepayments	5.9	7.1
Total current assets	1,002.3	1,166.2
Non-current assets		
Inventories	92.2	104.7
Investments accounted for using the equity method	27.4	29.5
Investments in equity securities	284.4	216.2
Intangible assets	252.2	253.1
Lease receivables	59.6	–
Property, plant and equipment	1,357.6	1,243.3
Receivables from related entities which are not party to the Deed	–	0.4
Investment in subsidiaries which are not party to the Deed	6.0	6.0
Total non-current assets	2,079.4	1,853.2
Total assets	3,081.7	3,019.4
Current liabilities		
Trade and other payables	105.9	88.3
Current tax liability	–	16.2
Provisions	8.2	6.5
Total current liabilities	114.1	111.0
Non-current liabilities		
Deferred tax liabilities	162.1	100.2
Provisions	21.1	14.8
Total non-current liabilities	183.2	115.0
Total liabilities	297.3	226.0
Net assets	2,784.4	2,793.4
Equity		
Issued capital	2,058.9	2,159.0
Retained earnings	729.9	640.8
Treasury shares	(4.4)	(6.4)
Total equity attributable to equity holders of the OZ Minerals Limited	2,784.4	2,793.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

29 Remuneration of auditors

	2012 \$	2011 \$
Audit services provided by KPMG		
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	438,000	458,000
Overseas KPMG firms	27,395	51,090
Total fees for audit services provided by KPMG	465,395	509,090
Other services provided by KPMG Australia		
Taxation compliance and other taxation advisory services	178,000	115,000
IT advisory services	30,000	90,000
Other assurance services	–	29,300
Total fees for other services provided by KPMG Australia	208,000	234,300
Total fees	673,395	743,390

The taxation compliance and other taxation advisory service fee represent fees for research and development tax advice.

30 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 (a) below);
- Credit risk (refer Note (b) below); and
- Liquidity risk (refer Note (c) below).

This note presents information about the Consolidated Entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and quantitative disclosures.

Financial risk management is carried out by OZ Minerals' Group Treasury Function ('Group Treasury'). Group Treasury identifies, evaluates and manages financial risks in close co-operation with OZ Minerals' operating units. The Board approves principles for overall risk management, as well as policies covering specific risk areas, such as those identified above.

The Consolidated Entity holds the following financial instruments at the reporting date:

	Note	2012 \$m	2011 \$m
Financial assets			
Cash and cash equivalents	9	659.0	886.1
Trade and other receivables	10	171.7	86.8
Investments accounted for using the equity method	12	27.4	29.5
Lease receivables	15	59.6	–
Investments in equity securities	13	288.6	219.4
Total financial assets		1,206.3	1,221.8
Financial liabilities			
Trade and other payables	17	108.3	90.5
Total financial liabilities		108.3	90.5

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(i) Commodity price risk management and sensitivity analysis

The Consolidated Entity is exposed to commodity price volatility on concentrate sales made by its Prominent Hill Mine. This arises from sale of metal in concentrate products such as copper and gold, which are priced on, or benchmarked to, open market exchanges. OZ Minerals aims to realise average copper prices which are materially consistent with the prevailing average market prices for the same period. The Consolidated Entity attempts to manage any uneven exposure to price in any particular month by managing shipments or undertaking LME futures transactions.

The trade receivables are carried at fair value using a Level two valuation method as stipulated by AASB 7 *Financial Instruments: Disclosures* which involves observable market prices for commodities, adjusted for terms as per sales contracts.

The historical average five-year annual commodity price volatility as per the London Metals Exchange ('LME') for copper was 54 percent and as per the London Bullion Market Association ('LBMA') for gold and silver was 15 percent and 36 percent respectively.

At reporting date, if commodity prices increased/(decreased) by the historical average five-year annual commodity price movement as per the LME, and all other variables were held constant, the Consolidated Entity's after tax profit/(loss) would have increased/(decreased) by \$49.8 million (2011: \$24.4 million).

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 year, which were \$159.2 million (2011: \$76.5 million) and does not include the impact of the movement in commodity prices on the total sales for the year.

(ii) Foreign currency exchange risk management and sensitivity analysis

The Consolidated Entity is exposed to foreign currency exchange risk. This arises from the sale of metal in concentrate products denominated in US dollars and any assets and liabilities that are held in currencies other than the Australian dollar.

The Consolidated Entity has a policy of holding cash balances in a range of 60:40 to 40:60 of US dollars to Australian dollars.

The carrying amount of the Consolidated Entity's financial assets and financial liabilities by its currency risk exposure at the reporting date is disclosed below. The foreign currency exchange risk exposure at balance date mainly arises from US dollar denominated balances and minor exposures to other foreign currencies.

	Denominated in US\$ presented in A\$m	Other currencies presented in A\$m	Total A\$m
2012			
Cash and cash equivalents	355.9	–	355.9
Trade and other receivables	159.2	–	159.2
Trade and other payables	(2.2)	–	(2.2)
Investments in equity securities	–	4.2	4.2
Total	512.9	4.2	517.1
2011			
Cash and cash equivalents	442.7	–	442.7
Trade and other receivables	76.5	–	76.5
Trade and other payables	(4.3)	–	(4.3)
Investments in equity securities	–	3.2	3.2
Total	514.9	3.2	518.1

The US dollar exchange rates during the year were as follows:

	Average rate		31 December spot rate	
	2012	2011	2012	2011
A\$:US\$	1.0358	1.0332	1.0373	1.0137

At reporting date, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by 5 percent (2011: 5 percent), and all other variables were held constant, the Consolidated Entity's after tax profit from continuing operations would have increased/(decreased) by \$27.0 million (2011: \$27.1 million).

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 5 percent change in the foreign currency rate (2011: 5 percent). This percentage change reflects the variability management applies in forecast sensitivity analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(iii) Interest rate risk management and sensitivity analysis

Deposits and borrowings at variable interest rates expose the Consolidated Entity to cash flow interest rate risk.

The Consolidated Entity carries term deposits with fixed interest rates which mature in less than six months. These term deposits are recognised at amortised cost and therefore not subject to interest rate risk. The effect of a change in interest rates at balance date would not have a significant impact on the Consolidated Entity's after tax profit as substantially all cash deposits have fixed interest rate terms.

The Consolidated Entity does not have any borrowings at 31 December 2012 and therefore is not exposed to interest rate risk on borrowings.

The effective interest rate for each financial asset/liability is provided below:

	Notes	Effective average interest rate %	Total	\$m
2012				
Cash on hand and demand deposits	9	1.99	63.1	
Short-term highly liquid cash deposits	9	2.34	595.9	
Total			659.0	
2011				
Cash on hand and demand deposits	9	0.62	50.8	
Short-term highly liquid cash deposits	9	3.31	835.3	
Total			886.1	

(iv) Equity securities price risk management and sensitivity analysis

The Consolidated Entity is exposed to equity securities price risk which arises from investments held and classified on the Balance Sheet either as investments in equity securities or investments accounted for using the equity method, as set out in the table below:

	Notes	2012 \$m	2011 \$m
Financial assets			
Investments accounted for using the equity method	12	27.4	29.5
Investments in equity securities	13	288.6	219.4
Total		316.0	248.9

The Consolidated Entity's investments accounted for using the equity method relate to the investment in Toro, as set out in Note 12 to the Financial Statement. This investment is publicly traded on the Australian Securities Exchange.

The Consolidated Entity's investments in equity securities relate to investments in publicly listed entities. The Consolidated Entity does not actively trade these investments. These investments are carried at fair value using a Level 1 valuation method as stipulated by AASB 7 *Financial Instruments: Disclosures* which is based on quoted share prices.

The carrying value of the investment in Toro approximates its fair value at 31 December 2012 and 2011.

The carrying value of the investments in equity securities equates to their fair value at 31 December 2012 and 2011.

At reporting date, if the share prices of the entities in which the Consolidated Entity has equity investments which are carried at fair value increased/(decreased) by one percent, and all other variables were held constant, the Consolidated Entity's equity would have increased/(decreased) by \$2.9 million (2011: \$2.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(b) Credit risk management

Credit risk refers to the risk that any counterparty will default on its contractual obligations under a financial instrument resulting in financial loss to the Consolidated Entity. The Consolidated Entity is exposed to counterparty credit risk through sales of metal in concentrate on normal terms of trade, through deposits of cash, finance leases 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	2012 \$m	2011 \$m
Cash and cash equivalents	9	659.0	886.1
Trade and other receivables	10	171.7	86.8
Lease receivables	15	59.6	–
Total		890.3	972.9

The credit risk on cash and cash equivalents is managed by restricting dealing to banks which are assigned high credit ratings by international credit rating agencies and limiting the amount of funds that can be invested with a single counterparty in accordance with OZ Minerals' Credit Risk Management Policy.

Credit risk in trade receivables is managed by the Consolidated Entity by undertaking a regular risk assessment process and revising credit limits of customers. As there are a relatively small number of transactions, they are closely monitored to ensure payments are made on time.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region of the customer was:

	2012 \$m	2011 \$m
Europe	99.4	50.6
Asia	59.8	17.1
Australia	–	8.8
Total	159.2	76.5

The total revenue for the year ended 31 December 2012 was \$985.7 million (2011: \$1,115.9 million). Major customers who individually accounted for more than 10 percent of total revenue contributed approximately 79 percent of total revenue (2011: 74 percent). These customers also represent the trade receivables balance as at 31 December 2012 (2011: 81 percent).

Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of at least 90 percent of the estimated value of each sale. This is payable either promptly after vessel loading or upon vessel arriving at the discharge port. The balance outstanding is received usually within 60 days of the vessel arriving at the port of discharge. Additionally, several sales are covered by letter of credit arrangements with approved financial institutions.

The Consolidated Entity does not have any significant receivables which are past due at the reporting date. There were no impairment losses in relation to financial assets during the current or the comparative financial year.

(c) Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. OZ Minerals manages liquidity risk by conducting regular reviews of the timing of cash outflows and the maturity profiles of term deposits in order to ensure sufficient funds are available to meet its obligations.

(i) Financial liabilities

The following are the contractual maturities of the Consolidated Entity's financial liabilities as at 31 December 2012. The contractual cash flows reflect the undiscounted amounts and include both interest and principal cash flows.

	Notes	Carrying amount \$m	Contractual amount \$m
2012			
Trade and other payables	17	108.3	108.3
2011			
Trade and other payables	17	90.5	90.5

The contractual carrying amounts of all financial liabilities are due and payable within six months of the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(ii) Financing arrangements

The Consolidated Entity had access to two borrowing facilities which amount to US\$200 million (2011: US\$200 million) and were undrawn at the end of 31 December 2012. The details in relation to the two facilities are provided below:

	Expires on	Security	2012 US\$m	2011 US\$m
Revolving facility	1 September 2014	Unsecured	180.0	180.0
Working capital facility	11 September 2013	Unsecured	20.0	20.0
Total facilities			200.0	200.0

(d) Fair values

The carrying amount of all financial assets and liabilities recognised on the Balance Sheet approximates their fair value.

31 Key management personnel

(a) Key management personnel remuneration

The key management personnel of the Consolidated Entity for 2012 were Terry Burgess, Andrew Coles, Francesca Lee and all Directors of the Company.

The key management personnel remuneration for the Consolidated Entity was as follows:

	2012 \$	2011 \$
Short-term employee benefits	4,689,082	5,020,819
Other long-term benefits	52,021	40,179
Post-employment benefits	159,586	144,722
Share-based payments	1,020,156	712,451
Total	5,920,845	5,918,171

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. Apart from the details disclosed in Note 33 to the Financial Statements, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(b) Equity instrument disclosures relating to key management personnel

Shareholdings

The movement in the number of shares held by each KMP during the year is set out below:

	Balance at 1 January or date of becoming KMP	Changes during the year	Balance at 31 December
2012			
Neil Hamilton	22,500	–	22,500
Paul Dowd	7,500	–	7,500
Brian Jamieson	108,527	–	108,527
Barry Lavin	–	2,300	2,300
Charles Lenegan	13,500	–	13,500
Rebecca McGrath	2,100	3,650	5,750
Dean Pritchard	12,720	–	12,720
Terry Burgess	54,338	39,915	94,253
Andrew Coles	20,750	–	20,750
Francesca Lee	31,659	–	31,659
Total	273,594	45,865	319,459
2011			
Neil Hamilton	22,500	–	22,500
Paul Dowd	5,700	1,800	7,500
Brian Jamieson	108,527	–	108,527
Barry Lavin	–	–	–
Charles Lenegan	13,500	–	13,500
Rebecca McGrath	–	2,100	2,100
Dean Pritchard	12,720	–	12,720
Terry Burgess	37,982	16,356	54,338
Andrew Coles	20,650	100	20,750
Francesca Lee	31,659	–	31,659
Total	253,238	20,356	273,594

Performance rights holdings

The movement in the number of performance rights for KMP during the year is set out below:

	Balance at 1 January or date of becoming KMP	Granted	Exercised	Lapsed	Balance at 31 December
2012					
Terry Burgess	185,073	123,693	–	(58,906)	249,860
Andrew Coles	96,638	64,043	–	(31,003)	129,678
Francesca Lee	95,869	62,900	–	(31,003)	127,766
Total	377,580	250,636	–	(120,912)	507,304
2011					
Terry Burgess	104,717	80,356	–	–	185,073
Andrew Coles	60,839	41,524	–	(5,725)	96,638
Francesca Lee	63,938	40,755	–	(8,824)	95,869
Total	229,494	162,635	–	(14,549)	377,580

The number of performance rights in the table above has been restated for the one for ten share consolidation which was completed in June 2011. Additionally, each performance right granted before the capital return is convertible into 1.0904 ordinary shares upon vesting. The number of vested performance rights at 31 December 2012 that were unexercisable was nil (2011: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Option holdings

During the comparative year, 19,082 share options held by Andrew Coles and 29,412 held by Francesca Lee lapsed. There are no option holdings at 31 December 2012.

32 Share-based payments

Description of OZ Minerals' Performance Rights Plans ('PRP') and Long Term Incentive Plans ('LTIP') are provided below:

Element	Equity rights granted under PRP	Equity rights granted under LTIP
Type of equity rights granted	Performance rights	Performance rights
Calculation of value of equity rights granted	5 percent, 10 percent or 15 percent of employees' personal total fixed remuneration, according to job grade	80 percent or 60 percent of executives' personal total fixed remuneration, according to job grade
Grant date	<p>2012: 1 May 2012</p> <p>2011: 2 May 2011</p> <p>2010: 7 May 2010</p>	<p>2012: 21 December 2012</p> <p>2011: 22 December 2011</p> <p>2010: 10 December 2010</p> <p>2009: 22 December 2009</p>
Performance and vesting period	<p>2012: 1 May 2012 to 30 April 2013</p> <p>2011: 2 May 2011 to 1 May 2012</p> <p>2010: 7 May 2010 to 1 May 2011</p>	<p>2012: 21 December 2012 to 20 December 2015</p> <p>2011: 22 December 2011 to 21 December 2014</p> <p>2010: 10 December 2010 to 9 December 2013</p> <p>2009: 23 November 2009 to 22 November 2012</p>
Expiry date	<p>2012: 1 July 2013 and 1 July 2014</p> <p>2011: 1 July 2012 and 1 July 2013</p> <p>2010: 1 May 2011, 1 July 2011 and 1 January 2012</p>	<p>2012: 28 February 2016</p> <p>2011: 28 February 2015</p> <p>2010: 28 February 2014</p> <p>2009: 28 February 2013</p>
Number of shares for each equity right	<p>2012 - 1 share</p> <p>2011 - 1.0904 shares</p> <p>2010 - 1.0904 shares</p>	<p>2012 - 1 share</p> <p>2011 - 1 share</p> <p>2010 - 1.0904 shares</p> <p>2009 - 1.0904 shares</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Element	Equity rights granted under PRP	Equity rights granted under LTIP	
Vesting conditions	Percentage vesting based on individual performance against Key Performance Indicators	TSR performance measured against Comparator Group	Percentage of vesting
		75 th percentile or greater	100
		Between the 50 th and 75 th percentile	Between 50 percent and 100 percent vest progressively by using a straight-line interpolation
		50 th percentile	50
		Less than 50 th percentile	Nil
Exercise price	Not applicable – provided at no cost	Not applicable – provided at no cost	

In addition to the PRPs and LTIPs set out in the table above, the Consolidated Entity also had certain other share based payment plans that lapsed in the comparative year.

Performance rights granted under the PRPs or LTIPs are not entitled to dividend or voting rights. All performance rights under current performance rights plans are automatically exercised upon vesting which is dependent upon the meeting of both the service condition and the performance condition. The shares when issued on vesting of performance rights rank pari passu in all respects with previously issued fully paid ordinary shares.

The fair value of services received in return for share-based payments granted during the year is based on the fair value of the performance rights granted, measured using a Black-Scholes model, with the following inputs:

Grant date	Fair value at grant date \$	Share price at grant date \$	Expected volatility percent	Expected dividends percent	Risk-free interest rate percent
21 December 2012	4.1	6.8	37.0	5.7	2.7
1 May 2012	8.9	9.5	38.1	5.3	3.5
22 December 2011	6.6	10.4	39.4	4.8	3.1
2 May 2011	13.9	14.4	36.2	2.8	5.0
10 December 2010	11.1	16.3	39.5	2.8	5.1
7 May 2010	10.1	10.4	49.6	2.8	5.0
22 December 2009	8.1	11.3	64.0	2.8	4.7

The fair values in the table above have been restated for the one for ten share consolidation where applicable which was completed in June 2011.

The movement in the number of equity instruments granted to employees, including KMPs is provided below.

Performance rights

The movement in the number of performance rights during the year is set out below:

	2012 Number	2011 Number
Opening balance	981,038	1,021,253
Rights granted	1,045,329	561,958
Rights exercised	(154,889)	(178,301)
Rights forfeited	(266,425)	(423,989)
Additional rights issued due to rounding of entitlements	–	117
Closing balance	1,605,053	981,038

The number of performance rights in the table above has been restated for the one for ten share consolidation. Additionally, each performance right granted before the capital return in June 2011 is convertible into 1.0904 ordinary shares upon vesting.

Share options

During the year, 100,000 options expired and there are no options as at 31 December 2012. Proceeds received from employees on exercise of options during the year were nil (2011: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses was \$4.4 million (2011: \$3.4 million).

33 Related parties

(a) Parent entity

The ultimate parent entity within the consolidated entity is OZ Minerals Limited.

(b) Subsidiaries

The parent entity's interest in subsidiaries is set out in Note 27 to the Financial Statements.

(c) Associates

Information in relation to investments in associates (Toro) is set out in Note 12 to the Financial Statements.

(d) Transactions with related parties

A number of KMPs, or their related parties, hold positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. Where the consolidated entity transacts with the KMPs and their related parties, the terms and conditions of these transactions are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

34 Litigation settlement expense

During the comparative year, OZ Minerals settled two class actions brought against it by Maurice Blackburn and Slater & Gordon on behalf of certain shareholders who had acquired shares in OZ Minerals Limited in 2008, for an amount of \$60.3 million which included costs of \$4.9 million and interest of \$0.3 million.

35 Discontinued operations

During the comparative year, a gain of \$9.2 million from discontinued operations was recognised. This gain resulted from the reassessment of the estimated liability in relation to the settlement of working capital and taxation amounts under the sale agreement with Minmetals.

36 Events occurring after reporting date

In January 2013, OZ Minerals announced to the ASX the updated Mineral Resources and Ore Reserves Statement for the Prominent Hill operations and an Ore Resources update for Carrapateena.

Since the end of the financial year, the Board of Directors has resolved to pay an unfranked dividend of 20 cents per share, to be paid on 12 March 2013. The record date for entitlement to this dividend is 26 February 2013. The financial impact of this dividend amounting to \$60.7 million has not been recognised in the Financial Statements for the year ended 31 December 2012 and will be recognised in subsequent Financial Statements.

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

1. In the opinion of the directors of OZ Minerals Limited ('the Company'):
 - (a) the Consolidated Financial Statements and notes set out on pages 46 to 91 and the remuneration disclosures that are contained in the Remuneration Report on pages 27 to 44, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2012 and of its 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 Consolidated Financial Statements also comply with International Financial Reporting Standards as disclosed in Note 1 (b);
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.
2. There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 27 to the Financial Statements 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 2012.

Signed in accordance with a resolution of the directors.



Neil Hamilton
Chairman
Melbourne
13 February 2013



Terry Burgess
Managing Director and Chief Executive Officer
Melbourne
13 February 2013

INDEPENDENT AUDITOR'S REPORT



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 Consolidated Balance Sheet as at 31 December 2012, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Consolidated Entity comprising the Company and the entities it controlled at the 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 of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the Financial Report that is free from material misstatement whether due to fraud or error. In note 1(b), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the Financial Statements of the Consolidated Entity comply 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 of the Financial Report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Consolidated Entity's financial position and of its 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*.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Auditor's opinion

In our opinion:

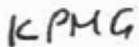
- (a) the Financial Report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 44 of the Directors' Report for the year ended 31 December 2012. 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 2012 complies with Section 300A of the *Corporations Act 2001*.



KPMG



Penny Stragalinos

Partner

Melbourne

13 February 2013

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SHAREHOLDER INFORMATION

Capital

Share capital comprised 303,470,022 fully paid ordinary shares on 15 March 2013.

Shareholder details

At 15 March 2013 the Company had 72,449 shareholders. There were 8,454 shareholdings with less than a marketable parcel of \$500 worth of ordinary shares.

Top 20 investors at 15 March 2013

Name	Number of shares	Issued capital %
HSBC Custody Nominees (Australia) Limited	73,804,726	24.32
J P Morgan Nominees Australia Limited	57,470,858	18.94
National Nominees Limited	38,503,197	12.69
Citicorp Nominees Pty Limited	13,001,090	4.28
JP Morgan Nominees Australia Limited <Cash Income A/C>	12,475,017	4.11
BNP Paribas Noms Pty Ltd	3,292,431	1.08
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	3,284,203	1.08
Romadak Pty Ltd <Romadak Super Fund A/C>	2,540,000	0.84
AMP Life Limited	1,204,137	0.40
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,099,354	0.36
M F Custodians Ltd	985,700	0.32
Mr Jose Manuel Do Rego Medeiros	850,000	0.28
HSBC Custody Nominees (Australia) Limited –GSCO ECA	781,467	0.26
Argo Investments Limited	701,342	0.23
Bond Street Custodians Limited <Macquarie Alpha Opport A/C>	569,173	0.19
QIC Limited	564,800	0.19
Romadak Pty Ltd <Romadak Super A/C>	526,123	0.17
ECapital Nominees Pty Limited	516,914	0.17
Merrill Lynch (Australia) Nominees Pty Limited	505,788	0.17
Bond Street Custodians Limited (Macq High Conv Fund) & Bond Street Custodians Limited <Macq High Conv Fund A/C>	468,783	0.15
Total	213,145,103	70.24

Substantial shareholders of OZ Minerals Limited

M&G Investment Funds advised that as at 01 March 2013, it and its associates had an interest in 51,429,500 shares, which represented 16.94% of OZ Minerals capital at that time.

Blackrock Group advised that as at 8 November 2012, it and its associates had an interest in 23,433,056 shares, which represented 7.72% of OZ Minerals capital at that time.

Merrill Lynch & Co advised that as at 17 July 2008, it and its associates had an interest in 21,497,042 shares, which represented 6.89% of OZ Minerals capital at that time. (Please note that the number of shares has been restated for the one for ten share consolidation that was undertaken by OZ Minerals during 2011).

Vanguard Precious Metals and Mining Fund advised that as at 29 March 2012, it had an interest in 18,800,000 shares, which represented 6.06% of OZ Minerals capital at that time.

JCP Investment Partners Ltd advised that as at 27 February 2013, it had an interest in 15,861,408 shares, which represented 5.23% of OZ Minerals capital at that time.

SHAREHOLDER INFORMATION – CONTINUED

Investor categories at 15 March 2013

Ranges	Number of investors	Number of shares	Issued capital %
1 – 1,000	55,576	19,197,971	6.33
1,001 – 5,000	14,319	31,194,286	10.28
5,001 – 10,000	1,594	11,603,634	3.82
10,001 – 100,000	898	19,877,126	6.55
100,001 – and Over	62	221,597,005	73.02
Total	72,449	303,470,022	100.00

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 15 March 2013 are as follows:

Class of security	Number of holders	Number of securities
Performance Rights	425	1,598,295

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 announced a dividend of 20 cents per share unfranked with respect to the year ended 31 December 2012 which was paid to shareholders on 12 March 2013. The Company previously announced an interim dividend with respect to the six months ended 30 June 2012 of 10 cents per share unfranked, which was paid to shareholders on 25 September 2012.

Dividend payments

Your dividend payments are credited directly into any nominated bank, building society or credit union account in Australia.

On Market Share Buy-Back

The Company commenced an on-market share buyback program on 17 August 2011 for up to \$200 million ending no later than 16 August 2012. The buyback was completed on 27 June 2012 with a total buyback of 20,407,492 shares amounting to \$199,999,836.08. During 2012 a total of 10,901,828 shares amounting to \$100,093,985.96 were bought back.

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 contact the Company's share registry by calling 1300 306 089 or from outside Australia +61 2 8767 1182. Share registry contact details are contained in the inner back cover of this report.