**OZ MINERALS LIMITED**
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21 August 2008

The Manager, Companies
Australian Securities Exchange
Companies Announcement Centre
Level 4
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Sydney NSW 2000

**Release of Financial Results**

In addition to our releases today regarding the OZ Minerals 2008 Half Year Report, attached is the OZ Minerals Holdings Limited Financial Report for year ended 30 June 2008. OZ Minerals Holdings Limited (formerly known as Zinifex Limited) was acquired by OZ Minerals Limited (formerly known as Oxiana Limited) on 1 July 2008 as part of the merger between the two companies and was delisted on 2 July 2008.

Yours faithfully,

**Francesca Lee**
General Counsel & Company Secretary

# OZ MINERALS HOLDINGS LIMITED
## (formerly Zinifex Limited)
## ABN 29 101 657 309

# Financial Report
## for the year ended
## 30 June 2008

# Directors' report

Your Directors present their report on the consolidated entity comprising OZ Minerals Holdings Limited ('the Company') and its controlled entities for the year ended 30 June 2008 (the 'financial year'). OZ Minerals Holdings Limited is a company limited by shares that is incorporated and domiciled in Australia.

**Directors**

The Directors of the Company throughout the entire year or up to the date of this report were:

Peter J Mansell (Chairman)

Andrew G Michelmore (appointed as Managing Director on 3 March 2008 and Chief Executive Officer on 1 February 2008)

Peter W Cassidy

Richard Knight

Anthony C Larkin

Dean A Pritchard

**Principal activities**

The principal activities of the consolidated entity during the 2008 financial year were zinc and lead mining, exploration and development in Australia, and exploration and development projects in other international locations. The consolidated entity disposed of its zinc refining and lead smelting operations during the current year. Information relating to these discontinued operations are set out in Note 4 of the financial statements.

| Consolidated results | 2008 $m | 2007 $m |
|---|---|---|
| Consolidated entity profit attributable to the members of OZ Minerals Holdings Limited | 895.7 | 1,334.8 |

| Dividends | Cents per share | Consolidated $m | Payment date |
|---|---|---|---|
| Fully franked dividends on ordinary shares provided for or paid are: | | | |
| For the year ended 30 June 2008 | 35.0 | 170.4 | 21 April 2008 |
| For the year ended 30 June 2007 | 70.0 | 340.8 | 16 November 2007 |
| For the year ended 30 June 2007 | 70.0 | 340.8 | 20 April 2007 |

**Significant changes in the state of affairs**

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

On 17 March 2008, the consolidated entity obtained control of Allegiance Mining NL ("Allegiance") when it acquired more than 50 per cent of the issued ordinary shares of Allegiance. As at 30 June 2008, the consolidated entity had acquired approximately 98 per cent of the issued ordinary shares of Allegiance, and had moved into compulsory acquisition of the remaining shares. Acquisition of these remaining shares was completed on 14 July 2008. Details of the acquisition of Allegiance are set out in Note 5 of the financial statements.

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

**Review of operations**

OZ Minerals Holdings Limited continued to report a solid financial performance during 2008, albeit down on 2007 as a result of the lower zinc price and the successful divestment of the downstream zinc refining and lead smelting operations. Net profit after tax attributable to members was $895.7 million. This represents a decrease in net profit after tax of 33 per cent from the 2007 financial year. A significant event during the fiscal year was the transition from an integrated mining and smelting business to a pure mining company with the divestment of OZ Minerals Holdings Limited's zinc refining and lead smelting operations to Nyrstar, an entity formed to merge OZ Minerals Holdings Limited's zinc refining and lead smelting operations with the smelting and alloying businesses of Umicore SA/NV, to create the world's largest producer of zinc metal. The sale of the smelters contributed $978.5 million to the profit of OZ Minerals Holdings Limited for the year. This divestment also injected a significant amount of cash into OZ Minerals Holdings Limited, some of which was spent on the Allegiance acquisition.

# Directors' report

The contribution of OZ Minerals Holdings Limited's continuing mining operations was $226.7 million before the impact of significant one off items, comprising the write-down of certain assets, reversal of deferred tax liabilities, costs incurred as a result of the merger, and profit from the sale of investments. The zinc refining and lead smelting operations contributed $67.9 million, until its sale to Nyrstar on 31 August 2007.

OZ Minerals Holdings Limited's revenues from the sale of concentrates of $1,282.3 million suffered from significantly lower zinc and lead prices. Partially offsetting the lower metal prices was higher zinc and lead concentrate production and, therefore, sales from Century. This higher production was a result of slightly higher zinc grades although both lead and silver grades were lower. At Rosebery, while copper concentrate production was flat, production of zinc and lead concentrates were slightly lower than in 2007 with improved processing of ore largely offset by lower ore grades.

As with other companies in the resource sector, higher operating costs were experienced during the year. Global oil prices continued to increase which directly impacted diesel fuel and indirectly other energy inputs. The consolidated entity also experienced increased prices for specific items associated with the boom in the resources sector, such as chemicals and spare parts. Shortages of skilled mining employees and certain specialist services also increased costs.

The acquisition of Allegiance, which owns the Avebury nickel mine in Tasmania, moved towards compulsory acquisition at the end of the financial year and post year end, this operation produced its first high grade nickel concentrate.

Expenditure on exploration during the year focused on areas proximate to the Century mine, further progressed the high potential Canadian assets, continued to successfully prove up additional ore grade material at Rosebery, further refined the potential at Dugald River as well as other areas of interest both within Australia and internationally.

Significant non-cash items for the period were dominated by higher depreciation and amortisation charges, increased waste stripping costs for the Century ore body.

Income tax expense attributed to continuing operations was $121.5 million, after adjusting for the impact of one-off items referred to above. The merger with OZ Minerals Limited has resulted in the write-back of deferred tax liabilities of $201.1 million.

During the year, OZ Minerals Holdings Limited announced, and shareholders approved, the merger with OZ Minerals Limited by way of a scheme of arrangement. The creation of Australia's third largest diversified mining company goes a long way towards delivering on the previously articulated strategy of growing the mining business. Subsequent to the end of the financial year, shareholders approved changing the name of the merged group to OZ Minerals Limited ("OZ Minerals").

**Strategic direction**

OZ Minerals will continue to grow its mining business, focusing on base and precious metals while remaining alert to opportunities to extend into other commodities and other geographic regions. The substantial short and long-term growth options afforded by the combined project pipeline created by the merger are strongly supported by the robust balance sheet. In considering all future growth opportunities, the Board's primary aim is to deliver attractive returns for shareholders.

The immediate focus will remain on successfully ramping up to full capacity on the Avebury nickel project, completing the full feasibility study on Dugald River and capturing gains from the integration of the two companies while maintaining the high standards set at each of our existing mine operations. Going forward, given OZ Minerals Holdings Limited is now a subsidiary of OZ Minerals Limited, such plans will also include various initiatives underway within that company.

**Likely developments and expected results of operations**

Zinc prices and exchange rates had a major impact on the consolidated entity's profitability in 2008. The consolidated entity remains positive about the general outlook and anticipate that global zinc stocks will remain at historically low levels during the 2009 financial year, providing support for a continuation of above long-term average zinc prices. The company remains very optimistic on the outlook for copper given the attractive demand/supply fundamentals. The commencement of production from the Avebury nickel mine will further diversify the company's earnings stream.

**Information on Directors**

Particulars of the qualifications, experience and special responsibilities of each person who was a Director throughout the entire year or the date of this report are set out below:

**Peter John Mansell** Chairman (Independent)
BCom, LLB, FAICD

*Experience and expertise*

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

*Other current listed entity directorships*

Chairman of West Australian Newspapers Holdings Limited since November 2006 having been appointed as Director since September 2001, Chairman of ThinkSmart Limited (since April 2007), Non-Executive Director of Great Southern Plantations Limited (since November 2005), and Bunnings Property Management Limited, which is the responsible entity of Bunnings Warehouse Property Trust (since June 1998). Following the merger with OZ Minerals Limited, he is also a Director of OZ Minerals Limited.

*Former listed entity directorships in last three years*

Non-Executive Director Hardman Resources Limited (from May 2006 to December 2006), Tethyan Copper Company Limited (from February 2005 to May 2006), Foodland Associated Limited (from October 2003 to November 2005) and Non-Executive Chairman of JDV Limited (from December 2001 to August 2005).

*Special responsibilities during the year*

Chairman of the OZ Minerals Holdings Limited Board
Chairman of the OZ Minerals Holdings Limited Board's Remuneration and Nomination Committee

**Andrew G Michelmore** Managing Director (appointed 3 March 2008) and Chief Executive Officer (appointed 1 February 2008)
BE (Chem), MA (Oxon.), FIE Aust., FIChemE, FTSE, MAICD

*Experience and expertise*

Mr Michelmore commenced with OZ Minerals Holdings Limited as Managing Director on 3 March 2008 and Chief Executive Officer on 1 February 2008, upon his return from two years working in London and Russia as Chief Executive Officer of EN+ Group. Mr Michelmore has more than 27 years experience in the metals and mining industry. He spent 12 years at WMC where he was Chief Executive Officer and prior to that, held senior roles in the company's nickel, gold, alumina, copper, uranium and fertiliser businesses.

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

He is also a member of the Board and Executive Committee of the International Zinc Association (to be officiated in October 2008), Council Member of the International Council of Mining & Metals and a member of the Business Council of Australia.

*Other current listed entity directorships*

Following the merger with OZ Minerals Limited, he is now the Managing Director and Chief Executive Officer of OZ Minerals Limited.

*Former listed entity directorships in last three years*

None

*Special responsibilities during the year*

Managing Director and Chief Executive Officer of OZ Minerals Holdings Limited

**Peter William Cassidy** Director (Independent)
BSc (Eng), PhD, DIC, ARSM, CEng, FAusIMM, FIMM, FAICD

*Experience and expertise*

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

*Other current listed entity directorships*

Non-Executive Director of Energy Developments Ltd (since April 2003), Lihir Gold Ltd (since January 2003) and Sino Gold Mining Ltd (since October 2002). Following the merger with OZ Minerals Limited, he is also a Director of OZ Minerals Limited.

*Former listed entity directorships in last three years*

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

*Special responsibilities during the year*

Member of the OZ Minerals Holdings Limited Board's Audit and Finance Committee
Member of the OZ Minerals Holdings Limited Board's Safety and Health Committee
Chairman of Allegiance Mining NL from 1 April 2008 to 17 July 2008

**Richard Knight** Director (Independent)
MSc (Eng), DIC, ARSM, CEng, FAICD, MAusIMM, MCIM

*Experience and expertise*

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

*Other current listed entity directorships*

Non-Executive Director of Northern Orion Resources Inc. (since September 2005) and Non-Executive Director of Newcrest Mining Limited (since February 2008). Following the merger with OZ Minerals Limited, he is also a Director of OZ Minerals Limited.

*Former listed entity directorships in last three years*

Non-Executive Director of St Barbara Mines Ltd (from May 2005 to December 2006), Portman Limited from (October 2002 to April 2005) and Non-Executive Director of Asian Pacific Resources Ltd (TSX) (from May 2002 to September 2003).

*Special responsibilities during the year*

Member of the OZ Minerals Holdings Limited Board's Safety, Health and Environment Committee
Member of the OZ Minerals Holdings Limited Board's Remuneration and Nomination Committee

**Anthony Charles Larkin** Director (Independent)
FCPA, FAICD

*Experience and expertise*

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

*Other current listed entity directorships*

Non-Executive Director of Corporate Express Australia Limited (since July 2004), Incitec Pivot Ltd (since May 2003) and Eyecare Partners Limited (since August 2007). Following the merger with OZ Minerals Limited, he is also a Director of OZ Minerals Limited.

*Former listed entity directorships in last three years*

Chairman of Ausmelt Ltd (from November 2004 to November 2007, having been appointed Non-Executive Director since June 2003).

*Special responsibilities during the year*

Chairman of the OZ Minerals Holdings Limited Board's Audit and Finance Committee
Member of the OZ Minerals Holdings Limited Board's Remuneration and Nomination Committee

**Dean Antony Pritchard** Director (Independent)
BE, FIE Aust, CP Eng, FAICD

*Experience and expertise*

Joined the OZ Minerals Holdings Limited Board in March 2004. Mr Pritchard has over 30 years experience in the engineering and construction industry. He was Chief Executive Officer of Baulderstone Hornibrook from 1991 to 1997.

*Other current listed entity directorships*

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

*Former listed entity directorships in last three years*

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

*Special responsibilities* during the year
Chairman of the OZ Minerals Holdings Limited Board's Safety, Health and Environment Committee
Member of the OZ Minerals Holdings Limited Board's Audit and Finance Committee

**Ms Francesca Lee** Company Secretary
BCom, LLB (Hons), LLM, Grad Dip CSP, ACIS

Ms Lee was appointed to the position in March 2004 and holds the role of General Counsel and Company Secretary. She is a member of the OZ Minerals Holdings Limited Executive Sustainable Development Committee and OZ Minerals Holdings Limited Risk Management Committee. Before joining OZ Minerals Holdings Limited she was a Group Counsel at BHP Billiton and has also held a number of senior positions at Rio Tinto Limited including General Manager Legal, and General Manager Internal Audit and Risk Review, and was Vice President of Structured Finance at Citibank Limited. She is currently on the Board of Metropolitan Waste Management Group, a Victorian Statutory Authority. Following the merger with OZ Minerals Limited, she is now the General Counsel and Company Secretary of OZ Minerals Limited.

**Attendance at meetings**

The number of meetings of OZ Minerals Holdings Limited's Board of Directors and of each Board committee held from the beginning of the financial year until 30 June 2008, and the number of meetings attended by each Director are set out below:

| | Board Meetings | | Board Committee Meetings: Audit and Finance | | Board Committee Meetings: Remuneration and Nomination | | Board Committee Meetings: Safety, Health and Environment | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| P J Mansell | 21 | 21 | 1(b) | – | 4 | 4 | – | – |
| A G Michelmore (a) | 10 | 10 | 2(b) | 2(b) | 2(b) | 2(b) | 2(b) | 2(b) |
| P W Cassidy | 19 | 21 | 4 | 4 | – | – | 4 | 4 |
| R Knight | 21 | 21 | 1(b) | – | 4 | 4 | 4 | 4 |
| A C Larkin | 19 | 21 | 3 | 4 | 4 | 4 | – | – |
| D A Pritchard | 21 | 21 | 4 | 4 | – | – | 4 | 4 |

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office (in the case of Board meetings) or was a member of the relevant committee during the year. All Directors attended the regular scheduled Board meetings. Absences from meetings were only those called at very short notice and related to out of session Board meetings. In addition to the Board meetings, all Directors attended a Board Strategy Workshop.

(a) Mr Michelmore joined the consolidated entity in February 2008.

(b) Indicates meetings attended at open invitation of the Committee in respect of which the Director was not a member.

**Environmental regulation**

The consolidated entity is subject to significant environmental regulation in respect of its activities. In addition to the permitting arrangements which apply to its operations outside of Australia, the consolidated entity's local operating sites hold environmental licences and permits that could be regarded as being subject to particular and significant regulation under laws of the Commonwealth or of a state or territory.

The consolidated entity has adopted a target of having all operating sites certified to an environmental management system (EMS) based on the International Standard ISO 14001 and has Group-wide procedures to support key EMS areas. A key element of the EMS is to establish a register of consents and to establish procedures to achieve compliance with the consent requirements.

A documented process is used to rank incidents and non-compliances, with any exceedence of a licence condition or a condition of consent, or any incident reportable to the relevant authorities required also to be reported to senior management. These incidents require a formal report identifying the factors that contributed to the incident or non-compliance and an action plan to prevent a recurrence.

As part of the entity's internal processes, all reportable environmental non-compliances and incidents are reviewed by the Executive Sustainable Development Committee, which is comprised of the Chief Executive Officer and other senior managers.

Details of reportable incidents and non-compliances, which reduced from 58 to 8 during the period, included:

- Exceedences of specified water discharge limits at the Karumba Port facility of the Century Mine site; and
- Exceedences of specified water discharge limits at the Rosebery Mine.

All of these exceedences were of a minimal or limited nature and deemed to have no lasting environmental impact. These exceedences were reported to the relevant authorities and none impacted the consolidated entity's licences to operate. The consolidated entity continues to focus on improving its environmental performance.

Significant environmental capital or other initiatives undertaken in the period to meet site consent conditions included:

- Review of fugitive lead and zinc emissions management actions and monitoring at the Karumba Port facility of the Century Mine; and
- Completion of a mine closure plan and continuation of wastewater quality improvements at the Rosebery Mine and rehabilitation works at the Hercules Mine site.

Other significant environmental activities undertaken during the period included:

- Review of energy usage and participation in the federal government programmes, Energy Efficiency Opportunities (EEO) and Green House Challenge Plus;
- Demolition and clean up of the sulphuric acid storage tank facility at Burnie; and
- Continuation of Mine Closure Plan preparation at the Century Mine.

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

**Insurance and indemnity**

Rule 71 of OZ Minerals Holdings Limited's Constitution requires the Company to indemnify each Director, secretary, executive officer or employee of the Company, to the extent permitted by law, against liability incurred in or arising out of the conduct of the business of the Company or the discharge of the duties of the Director, secretary, executive officer or employee.

OZ Minerals Holdings Limited has entered into Deeds of Indemnity with each of its current Non-Executive Directors. These deeds address the matters set out in Rule 71 and also extend to indemnify the Non-Executive Directors for any liability incurred by them in relation to the offer of shares by Pasminco Holdings Limited in the Company to the public in Australia and to institutional investors offshore.

OZ Minerals Holdings Limited has also entered into Deeds of Indemnity with the members of the Executive Committee, the Secretary and each employee who is a Director of a controlled entity of OZ Minerals Holdings Limited. These indemnities also extend to indemnify them for any liability incurred by them in their former capacity as employees of Pasminco or any of Pasminco's subsidiaries.

OZ Minerals Holdings Limited 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. This protection extends to any liability incurred by the employees in their former capacity as employees of Pasminco or any of Pasminco's subsidiaries.

The Company has paid a premium for a contract insuring all Directors and Executive Officers of the Company and each of its controlled entities against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors and Executive Officers insurance liability contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract. Following the merger with OZ Minerals Limited, this contract has been replaced with a contract for run-off cover that insures Directors and Executive Officers of the Company and each of its controlled entities for events prior to the merger.

There is also an insurance policy that covers the Directors, Officers and employees of OZ Minerals Holdings Limited against certain liabilities that they may incur in connection with the disclosure documents relating to the Initial Public Offering for the sale of shares in OZ Minerals Holdings Limited. The premium for this policy was paid by the Pasminco Group and not the OZ Minerals Holdings Limited Group.

**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*.

**Matters subsequent to the end of the financial year**

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

On 17 March 2008, OZ Minerals Holdings Limited obtained control of Allegiance when it acquired more than 50 per cent of the issued ordinary shares of Allegiance. As at 30 June 2008, OZ Minerals Holdings Limited acquired approximately 98 per cent of the issued ordinary shares of Allegiance, and had moved into compulsory acquisition of the remaining shares. Acquisition of these remaining shares was completed on 14 July 2008.

A bank loan acquired as part of the Allegiance business combination in March 2008, which had a balance of $52.4 million as at 30 June 2008 (Note 21(b)) was fully repaid in July 2008.

On the Initial Public Offering of Nyrstar, an investment of $245.0 million in Nyrstar was retained by OZ Minerals Holdings Limited. The fair value of this investment at 30 June 2008 was $144.6 million – refer to Note 4. On 20 August 2008, the fair value of the investment has reduced further to $80.5 million. The further reduction of $64.1 million has not been reflected at 30 June 2008.

There have been no other events that have occurred subsequent to the reporting date which have significantly affected or may significantly affect the Company'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, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' report have been rounded off in accordance with the Class Order to the nearest million dollars to one decimal place, or in certain cases, to the nearest thousand dollars.

**External auditor**

KPMG continues in office in accordance with section 327 of the Corporations Act 2001. A copy of the external auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 9. Details of the amounts paid or payable to KPMG and its related practices for audit and non-audit services provided during the year are set out in Note 32 of the financial statements.

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

*P J Mansell*
*Chairman*
*Melbourne*
*21 August 2008*

*A G Michelmore*
*Managing Director and Chief Executive Officer*
*Melbourne*
*21 August 2008*

# Auditors independence declaration

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

To the Directors of OZ Minerals Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

**KPMG**

Alison Kitchen

**Alison Kitchen**
*Partner*

Melbourne

21 August 2008

# Consolidated income statements for the year ended 30 June 2008

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| **Revenue from continuing operations** | **6** | **1,282.3** | **1,929.2** | **–** | **–** |
| Other income | 7 | 7.4 | 7.9 | 511.2 | 681.6 |
| Changes in inventories of finished goods and work in progress | | (20.4) | 47.6 | – | – |
| Stores and consumables used | | (149.6) | (149.5) | – | – |
| Employee benefit expenses | | (100.4) | (104.5) | – | – |
| Energy expenses | | (66.1) | (59.3) | – | – |
| Depreciation and amortisation expenses | 8 | (254.5) | (228.9) | – | – |
| Contracting and consulting expenses | | (252.3) | (131.9) | – | – |
| Freight expenses | | (108.1) | (64.1) | – | – |
| Royalties | | (45.2) | (73.7) | – | – |
| Net foreign exchange losses | | (9.6) | (10.8) | – | – |
| Write-down of carrying value of assets | 9 | (646.9) | – | (163.0) | – |
| Other expenses | | (68.6) | (8.5) | (44.9) | – |
| **Profit/(loss) before net financing income and income tax from continuing operations** | | **(432.0)** | **1,153.5** | **303.3** | **681.6** |
| Financial income | 10 | 190.1 | 28.6 | 18.8 | – |
| Financial expenses | 10 | (23.2) | (14.6) | – | – |
| **Net financial income** | 10 | **166.9** | **14.0** | **18.8** | **–** |
| **Profit/(loss) before income tax from continuing operations** | | **(265.1)** | **1,167.5** | **322.1** | **681.6** |
| Income tax benefit/(expense) | 11 | 114.4 | (340.0) | 3.6 | – |
| **Profit/(loss) from continuing operations** | | **(150.7)** | **827.5** | **325.7** | **681.6** |
| Profit/(loss) from discontinued operations – net of income tax | 4 | 1,046.4 | 507.3 | (7.1) | – |
| **Profit for the year – attributable to equity holders of the company** | | **895.7** | **1,334.8** | **318.6** | **681.6** |

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

# Consolidated statements of recognised income and expense for the year ended 30 June 2008

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| **Total recognised income and expense for the year** | | | | | |
| **Items recognised directly in equity – net of income tax** | | | | | |
| Foreign exchange translation differences | 24(a) | 5.2 | (38.8) | – | – |
| Net change in fair value of available for sale financial assets | 24(a) | (11.7) | 10.8 | – | – |
| Defined benefit superannuation | 24(b) | (4.2) | 6.2 | – | – |
| Net (expense) recognised directly in equity | | (10.7) | (21.8) | – | – |
| **Recognised income and expense for the year** | | | | | |
| Net profit for the year after income tax | | 895.7 | 1,334.8 | 318.6 | 681.6 |
| **Total recognised income and expense for the year – attributable to equity holders of the company** | | **885.0** | **1,313.0** | **318.6** | **681.6** |

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

# Consolidated balance sheets as at 30 June 2008

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 13 | 1,173.5 | 227.6 | 1.4 | 0.6 |
| Trade and other receivables | 14 | 82.1 | 59.3 | – | – |
| Inventories | 15 | 153.3 | 150.9 | – | – |
| Current tax receivable | 19(b) | 30.6 | 0.3 | 2.3 | – |
| Prepayments | | 16.0 | 21.7 | – | – |
| Assets classified as held for sale | 4 | 144.6 | 1,494.3 | 144.6 | 70.4 |
| Total current assets | | 1,600.1 | 1,954.1 | 148.3 | 71.0 |
| **Non-current assets** | | | | | |
| Investments | 16 | 5.5 | 216.6 | 374.0 | 537.0 |
| Receivable from controlled entities | 31(e) | – | – | 150.9 | 282.5 |
| Property, plant and equipment | 17 | 1,646.0 | 992.9 | – | – |
| Intangible assets | 18 | 226.0 | 468.5 | – | – |
| Deferred tax assets | 19(a) | 311.2 | 272.5 | 10.9 | – |
| Total non-current assets | | 2,188.7 | 1,950.5 | 535.8 | 819.5 |
| Total assets | | 3,788.8 | 3,904.6 | 684.1 | 890.5 |
| **Current liabilities** | | | | | |
| Trade and other payables | 20 | 214.0 | 108.9 | 2.4 | 0.3 |
| Interest-bearing liabilities | 21(a) | 104.5 | 37.9 | – | – |
| Current tax payable | 19(c) | 37.3 | 59.7 | – | – |
| Provisions | 22 | 16.9 | 16.4 | – | – |
| Liabilities classified as held for sale | 4 | – | 410.7 | – | – |
| Total current liabilities | | 372.7 | 633.6 | 2.4 | 0.3 |
| **Non-current liabilities** | | | | | |
| Interest-bearing liabilities | 21(b) | 59.9 | 97.8 | – | – |
| Deferred tax liabilities | 19(a) | 47.7 | 226.3 | – | – |
| Provisions | 22 | 131.2 | 127.5 | – | – |
| Total non-current liabilities | | 238.8 | 451.6 | – | – |
| Total liabilities | | 611.5 | 1,085.2 | 2.4 | 0.3 |
| Net assets | | 3,177.3 | 2,819.4 | 681.7 | 890.2 |
| **Equity** | | | | | |
| Issued capital | 23 | 890.0 | 890.0 | 890.0 | 890.0 |
| Reserves | 24 | (41.3) | (18.9) | (15.7) | 0.2 |
| Retained earnings | 24 | 2,328.6 | 1,948.3 | (192.6) | – |
| Total equity | 25 | 3,177.3 | 2,819.4 | 681.7 | 890.2 |

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

# Consolidated statements of cash flows
# for the year ended 30 June 2008

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 1,998.2 | 4,573.5 | – | – |
| Payments to suppliers and employees | | (1,405.1) | (2,633.8) | – | – |
| Exploration and evaluation payments | | (55.5) | (28.4) | – | – |
| Income taxes paid | | (251.7) | (346.4) | – | – |
| Financing costs and interest paid | | (14.9) | (25.9) | – | – |
| Interest received | | 115.2 | 46.9 | – | – |
| Net cash inflows from operating activities | 26 | 386.2 | 1,585.9 | – | – |
| **Cash flows from investing activities** | | | | | |
| Payments for mine property, property, plant and equipment and major cyclical maintenance | | (431.0) | (529.2) | – | – |
| Proceeds from sale of property, plant and equipment | | – | 13.2 | – | – |
| Acquisition of subsidiary, net of cash acquired | 5 | (844.9) | (388.3) | – | – |
| Proceeds from disposal of discontinued operations, net of cash disposed and selling costs | 4 | 1,973.1 | – | – | – |
| Proceeds from disposal of/(payments for) investments | | 275.8 | (199.5) | – | (382.9) |
| Dividends received | | – | – | 511.2 | 681.6 |
| Repayment of loans by controlled entities | | – | – | 0.8 | 396.8 |
| Net cash inflows/(outflows) from investing activities | | 973.0 | (1,103.8) | 512.0 | 695.5 |
| **Cash flows from financing activities** | | | | | |
| Payments for shares on-market | | – | (13.8) | – | (13.8) |
| Proceeds from borrowings | | 85.8 | – | – | – |
| Repayments of borrowings | | (95.6) | (24.6) | – | – |
| Repayments of finance lease liabilities | | (10.8) | (8.1) | – | – |
| Dividends paid to shareholders | | (511.2) | (681.6) | (511.2) | (681.6) |
| Net cash (outflows) from financing activities | | (531.8) | (728.1) | (511.2) | (695.4) |
| Net increase/(decrease) in cash held | | 827.4 | (246.0) | 0.8 | 0.1 |
| Cash at the beginning of the year | | 346.1 | 601.8 | 0.6 | 0.5 |
| Effects of exchange rate changes on foreign currency denominated cash balances | | – | (9.7) | – | – |
| Cash at the end of the year | 13 | 1,173.5 | 346.1 | 1.4 | 0.6 |

Non-cash financing and investing activities – refer Note 27

Financing arrangements – refer Note 28

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

# Notes to the Financial Statements
# 30 June 2008

## Contents of the notes to the financial statements — Page

## 1 Summary of significant accounting policies

**(a) Statement of compliance**

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

This financial report was authorised for issue by the Directors on 21 August 2008.

**(b) Basis of presentation of financial information**

This general-purpose, non-disclosing financial report is prepared in accordance with the historical cost convention except for derivative financial instruments, available for sale financial assets and financial assets at fair value through profit or loss, which are stated at fair value.

*(i) Adoption of new Accounting Standards*
In the current year, the consolidated entity has adopted AASB 7 *Financial Instruments: Disclosures*. Refer Note 28 for accounting policies and relevant disclosures.

*(ii) Early adoption of standards*
The consolidated entity has not elected to early adopt any accounting standards during the annual reporting period beginning 1 July 2007.

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

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. The revised standard is applicable for annual reporting periods beginning on or after 1 January 2009.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement the 'statement of comprehensive income'. The standard will not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The standard is applicable for annual reporting periods beginning on or after 1 January 2009.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The standard is applicable for annual reporting periods beginning on or after 1 January 2009.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. The standard is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. The standard is applicable for annual reporting periods beginning on or after 1 January 2009.

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

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

*(iv) Critical accounting estimates and judgements*
The preparation of financial statements in conformity with AASBs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer Note 2 for more detail on critical accounting estimates and judgements.

**(c) Basis of consolidation**

*(i) Controlled entities*
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by OZ Minerals Holdings Limited ('the Company' or 'parent entity') as at 30 June 2008 and the results of all controlled entities for the year then ended. OZ Minerals Holdings Limited and its controlled entities together are referred to in this financial report as the consolidated entity. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. When assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial period, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

The parent entity's investment in controlled entities is carried at the lower of carrying value and cost. The financial statements of subsidiaries are prepared using consistent accounting policies.

*(ii) Joint ventures*
The consolidated entity's interest in joint venture operations has been included in the consolidated entity's financial report by bringing to account the consolidated entity's share in each of the individual assets and liabilities of the joint ventures, and the consolidated entity's share of income earned and expenses incurred.

**(d) Financial instruments**

*(i) Derivatives financial instruments*
The consolidated entity has adopted a policy that it will not enter into any speculative commodity hedging. The consolidated entity does not enter into forward exchange contracts or currency options to hedge transactions denominated in a foreign currency.

In relation to the sales contracts of the discontinued operations, commodity hedging, via the use of metal futures, was undertaken to ensure the discontinued operations were exposed to fluctuations in commodity prices in relation to its unrecognised firm commitments.

## 1 Summary of significant accounting policies (continued)

### (d) Financial instruments (continued)

Derivatives are initially recognised at their fair value on the date the derivative contract is entered into. The method of recognising the changes in fair value subsequent to initial recognition is dependent upon whether the derivative is designated as a hedging instrument, the nature of the underlying item being hedged and whether the arrangement qualifies for hedge accounting. The consolidated entity designates certain derivatives as either fair value hedges or cash flow hedges.

At the inception of the hedge, the consolidated entity documents the relationship between the hedging instrument and the underlying hedged item, as well as the risk management objective and strategy for undertaking the hedging transaction. The consolidated entity also documents at inception and throughout the life of the hedge, whether the derivative has been or will continue to be highly effective in offsetting changes in the fair value or cash flows associated with the underlying hedged item.

*Fair value hedges*
A hedge of the fair value of a recognised asset or liability or of a firm commitment is referred to as a fair value hedge. Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, together with changes in the fair value of the underlying hedged item attributable to the risk being hedged.

*Cash flow hedges*
A hedge of the fair value of a highly probable forecast transaction is referred to as a cash flow hedge.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised outside of the income statement, directly in equity in the hedging reserve. Changes in the fair value of cash flow hedges relating to the ineffective portion are recorded in the income statement. Amounts accumulated in the hedging reserve are recycled in the income statement in the same period when the underlying hedged item is recorded in the income statement. When a hedge no longer meets the criteria for hedge accounting, and the underlying hedged transaction is no longer expected to occur, any cumulative gain or loss recognised in the hedging reserve is transferred to the income statement. When a hedge is sold or terminated, any gain or loss made on termination is only deferred in the hedging reserve where the underlying hedged transaction is still expected to occur.

*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. 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.

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

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

### (e) Foreign exchange

*(i) Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, the 'functional currency'. The consolidated financial statements are presented in Australian dollars, which is OZ Minerals Holdings Limited's functional and presentation currency.

*(ii) Foreign currency transactions*
Monetary items denominated in foreign currencies have been translated into Australian dollars at the rates of exchange ruling at the balance date. Gains and losses on translation are recognised in the income statement for the period. Foreign currency gains and losses are reported on a net basis.

All other transactions in foreign currencies during the year have been recognised at the exchange rates ruling at the time of the transactions.

*(iii) Financial statements of foreign operations*
The income statement and balance sheet of all the Group entities that have a functional currency different from OZ Minerals Holdings Limited's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the end of the financial year;
- revenues and expenses for each income statement are translated at rates approximating the exchange rates ruling at the dates of the transactions;
- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of the net investment in foreign operations are released into the income statement upon disposal.

### (f) Inventories

Stocks of ores, metals, concentrates and work in progress are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. By-products inventory on hand obtained as a result of the production process are valued at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and bringing the stock to its existing condition and location and includes an appropriate portion of fixed and variable overhead expenses, including depreciation and amortisation. Stores of consumables and spares are valued at cost with due allowance for obsolescence. In each case, cost is determined on an average cost basis.

## 1 Summary of significant accounting policies (continued)

### (g) Income tax

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

Deferred tax assets and liabilities arise as a result of temporary differences, which are differences between the tax base of an asset or liability and its carrying amount in the financial statements. 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.

The Australian entities of the consolidated entity were not an Australian tax-consolidated group as at 30 June 2008.

The measurement of deferred tax assets and liabilities reflects the tax consequences that follow from the manner in which the entity expects, at reporting date to recover or settle them.

The Australian entities of the consolidated entity will join the OZ Minerals Limited Australian tax-consolidated group upon implementation of the merger on 1 July 2008.

Refer to Note 5 for further details relating to the Allegiance tax consolidated group.

### (h) Leases

Leases of plant and equipment for which the consolidated entity assumes substantially all of the risks and benefits of ownership, are classified as finance leases, while other leases are classified as operating leases. Finance leases are capitalised with a lease asset and liability equal to the present value of the minimum lease payments being recorded at the inception of the lease. Capitalised lease assets are amortised on a straight-line basis to their residual value over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, for the life of the asset. Each finance lease repayment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Lease payments made under operating leases are recognised in equal instalments over the accounting periods covered by the lease term.

### (i) Property, plant and equipment

Items of property, plant and equipment are carried at cost. The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads. The cost of self-constructed assets and acquired assets include estimates of the costs of dismantling and removing the assets and restoring the site on which they are located. All items of property, plant and equipment, with the exception of mine property and development and freehold land, are depreciated on a straight-line basis. Useful lives are based on the shorter of the useful life of the asset and the remaining life of the operation, where the asset is being utilised. Depreciation rates are reviewed regularly and reassessed in light of commercial and technological developments. The expected useful lives are the lesser of the life of the operation or as follows:

- Buildings 40 years
- Plant and equipment 5–15 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Spare parts purchased for particular items of plant, are capitalised and depreciated on the same basis as the plant to which they relate.

*(i) Construction in progress*

During the construction phase, self-constructed assets are classified as construction in progress within Property, plant and equipment. Once commissioned these assets are reclassified to Property, plant and equipment, at which time they will commence being depreciated.

*(ii) Mine property and development*

Mine property and development expenditure for the establishment of access to mineral reserves, together with expenditure on exploration, evaluation and commissioning of the mine are capitalised to the extent that the expenditure results in future benefits. These amounts are amortised over the current estimated economic reserve of the mine on a unit of production output basis. This calculation includes consideration of appropriate estimates of the future costs to be incurred in developing the estimated economic reserve, which includes the proven and probable reserve, plus an estimate of the economic resource within the inferred category.

*(iii) Major cyclical maintenance expenditure*

The consolidated entity recognises in the carrying amount of an item of plant and equipment the incremental cost of replacing a component part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity, the cost incurred is significant in relation to the asset and the cost of the item can be measured reliably. Accordingly, major overhaul expenditure is capitalised and depreciated over the period in which benefits are expected to arise (typically three to four years). All other repairs and maintenance are charged to the income statement during the financial period in which the costs are incurred.

### (j) Exploration and evaluation expenditure

Expenditure on exploration and evaluation of individual projects is recognised in the income statement as incurred, except in the following circumstances:

- when a project reaches the stage where such expenditure is considered to be capable of being recouped through successful development or sale, all subsequent expenditures are capitalised as tangible assets within mine property and development and amortised against production from the relevant area of interest once mining commences, and
- exploration and evaluation assets acquired as part of a business combination are recognised as intangible assets in accordance with Note 1(k)(i).

### (k) Intangibles

*(i) Acquired mineral rights*

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

*(ii) Goodwill*

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of the acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses, refer Note 1(l).

## 1 Summary of significant accounting policies (continued)

### (l) Impairment of assets

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. For goodwill and intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the recoverable amount.

The asset's recoverable amount is the higher of the asset's fair value less cost to sell and its value in use. For the purpose of assessing impairment, assets are grouped together at the lowest level for which there are separately identifiable cash inflows. These groups are referred to as 'cash generating units'.

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, or arising on the sale of an asset held for resale. 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 risks specific to the asset.

Any impairment in the carrying amount is recognised as an expense in the income statement in the reporting period in which the recoverable amount write-down occurs.

Where this assessment 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 cyclical variation because of changes in internationally determined metal prices and exchange rates.

### (m) Employee benefits

*(i) Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of employees' services up to the reporting date, calculated as undiscounted amounts based on remuneration wage and salary rates that the entity expects to pay at the reporting date including related on-costs, such as payroll tax. Annual leave liabilities are disclosed in the balance sheet as provisions while accrued wages and salaries are disclosed as other payables.

*(ii) Long-term employee benefits*

A liability for long-term employee benefits is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of service provided by employees up to the balance sheet date. Consideration is given to expected future wage and salary levels including related on-costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match the estimated future cash flows.

*(iii) Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

*(iv) Employee bonuses*

The Group recognises a liability and expense for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

*(v) Share-based payment transactions*

The fair value of equity instruments granted under the OZ Minerals Holdings Limited Long-Term Incentive scheme is recognised as an employee benefit expense with a corresponding increase recognised in equity. The fair value is measured at the grant date and recognised over the period during which the eligible employees become unconditionally entitled to the shares. For share-based payments with market-based performance hurdles, such as a 'total shareholder return' hurdle, the fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the vesting period, the performance criteria, the share price at the grant date, expected volatility, expected dividend yield and the risk-free rate of return during the vesting period. The amount recognised as an employee benefit expense is the independently calculated fair value multiplied by the number of equity instruments granted. For share-based payments with non-market-based performance hurdles, such as an internal 'return on net capital employed' hurdle, the amount recognised as an employee benefit expense is calculated as the market price of the share at the grant date multiplied by the number of equity instruments that are expected to become exercisable. At each balance sheet date, the amount recognised as an expense is adjusted to reflect the estimate of the number of equity instruments expected to vest, except where forfeiture is only due to the share price not achieving the required target.

### (n) Workers' compensation

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

### (o) Restoration obligations

*(i) Mining operations*

In accordance with the consolidated entity's published Sustainable Development Policy and applicable legal requirements, provision is made for the anticipated costs of future restoration and rehabilitation of areas from which natural resources have been extracted. The provision includes costs associated with dismantling of assets, reclamation, plant closure, waste site closure, monitoring, demolition and decontamination. The provision is based upon current costs and has been determined on a discounted basis with reference to current legal requirements and current technology. Each period the impact of the unwind of discounting is recognised in the income statement as a financing cost. Any change in the restoration provision is recorded against the carrying value of the provision and the related asset, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, with the effect being recognised in the income statement on a prospective basis over the remaining life of the relevant operation. The restoration provision is separated into current (estimated costs arising within 12 months) and non-current components based on the expected timing of these cash flows.

## 1 Summary of significant accounting policies (continued)

### (o) Restoration obligations (continued)

*(ii) Smelting and refining operations*

In accordance with the consolidated entity's published Sustainable Development Policy and applicable legal requirements, provision was made for the anticipated costs of future restoration and rehabilitation of discontinued smelting and refining sites to the extent that a legal or constructive obligation existed. The provision included costs associated with dismantling of assets, reclamation, monitoring, water purification and coverage and permanent storage of historical residues. The provision was based upon current costs and was determined on a discounted basis with reference to the current legal framework and current technology. Each period the impact of the unwind of discounting was recognised in the income statement as a financing cost. Any change in the restoration provision was recorded against the carrying value of the provision and the related asset, only to the extent that it was probable that future economic benefits associated with the restoration expenditure would flow to the entity, with the effect being recognised in the income statement on a prospective basis over the remaining life of the relevant operation.

### (p) Sales revenue

Sales revenue is stated on a gross basis, with freight and realisation expenses included in the cost of sales. Sales of metals, concentrates, ores and by-products are only recognised when the significant risks and rewards of ownership have been transferred to external customers, pursuant to enforceable sales contracts. As the final value of concentrate sales can only be determined from weights, assays, prices and exchange rates applying after a shipment has arrived at its destination, sales of concentrates are recorded at estimated values pursuant to contract terms, with adjustments being subsequently recognised in the period when final values are determined.

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

Changes in fair value over the quotational period and up until final settlement are estimated by reference to forward market prices.

### (q) Financial income and expenses

Finance income includes:

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

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

Finance expense includes:

- 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;
- the impact of the unwind of discount on long-term provisions for restoration and workers' compensation; and
- changes in the fair value of financial asset at fair value through profit or loss.

Finance expenses are calculated using the effective interest method. Finance expenses incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other finance expenses are expensed as incurred. The capitalisation rate used to determine the amount of finance expenses to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings.

### (r) Cash and cash equivalents

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

### (s) 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 unsecured and are usually paid within 30 days of recognition. These amounts are carried at amortised cost.

### (t) Trade receivables

Trade receivables represent amounts owing for goods and services supplied by the consolidated entity prior to the end of the financial period which remain unpaid. They arise from transactions in the normal operating activities of the consolidated entity.

Trade receivables are carried at amortised cost, less any impairment losses for doubtful debts. An impairment loss is recognised for trade receivables when collection of the full nominal amount is no longer probable.

Where settlement of any part of cash consideration receivable is deferred, the amounts receivable in the future are discounted to their present value.

### (u) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (v) Issued capital

Ordinary shares are classified as equity. Where share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

### (w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the period but not distributed at the balance date.

## 1 Summary of significant accounting policies (continued)

### (x) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authorities is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows inclusive of GST.

### (y) Operating sites

The consolidated entity is not required to disclose segment information as required by AASB 8 *Operating Segments.* However, it has provided voluntary disclosure in respect of the results of its operating sites.

Operating sites 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.

Site information that is internally evaluated is prepared in conformity with the accounting policies adopted for preparing the financial statements of the consolidated entity.

The division of the consolidated entity's results and assets into sites has been ascertained by reference to direct identification of assets and revenue/cost centres and where interrelated site costs exist, an allocation has been calculated on a pro rata basis of the identifiable assets and/or costs. Intersegment pricing is on an arm's-length market basis, except for corporate costs, which are allocated to segments on a reasonable basis.

### (z) Assets and liabilities held for sale and discontinued operations

Assets and liabilities are classified as held for sale and stated at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

The discontinued operations presented in the note on operating sites are the actual results of the discontinued operations, inclusive of any inter–company transactions with the continuing operations, and after allocation of appropriate corporate overhead costs. The inter–company transactions mainly relate to purchases of raw materials from the continuing operations on commercial terms and conditions. As the transactions between the continuing and discontinued operations continued after the operations were disposed of, the presentation of the continuing operations reflects the continuance of the relationship.

The inter–company transactions and any unrealised profit in inventory arising from sales made by the continuing operations to discontinued operations that remained on hand as inventory at 30 June 2007, were eliminated to arrive at the adjusted discontinued operations results – refer Note 4.

### (aa) Business combinations

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities assumed at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where an acquisition occurs in successive share purchases, each significant transaction is accounted for separately and the identifiable assets, liabilities and contingent liabilities acquired are stated at fair value when control is obtained.

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

### (ab) Rounding of amounts

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

### (ac) Comparatives

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

The provisional values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values at the date of acquisition. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition. Finalisation of the provisional fair values in respect of acquisitions in the prior period are adjusted retrospectively by restating the comparative balances. Refer to Note 5 for further details.

## 2 Critical accounting estimates and judgements

Estimates and judgements used in developing and applying the consolidated entity's accounting policies are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis.

The critical estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

*(a) Critical accounting estimates and assumptions*

*(i) Impairment of assets*

The recoverable amount of each 'cash-generating unit' is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with accounting policy 1(l). These calculations require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance to evaluate value in use. Fair value less costs to sell is based on those factors and also on market activities which provide direct evidence of value at or around balance date, including the merger with OZ Minerals Limited. Any significant change in key assumptions may cause the carrying amount of the cash-generating unit to exceed its recoverable amount. As at 30 June 2008 the carrying amount of property, plant and equipment for the consolidated entity is $1,646.0 million (2007: $992.9 million), and intangibles is $226.0 million (2007: $468.5 million) – refer Notes 17 and 18.

*(ii) Restoration 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 accounting policy 1(o)(i). 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 restoration provisions. As at 30 June 2008 the carrying value of restoration provisions is $124.5 million (2007: $119.2 million) – refer Note 22.

*(iii) Ore reserves estimates*

The estimated quantities of economically recoverable reserves 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 estimates can impact the carrying value of property, plant and equipment, provisions for restoration obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the income statement.

*(iv) Determination of fair values in business combination*

The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values at the date of acquisition. Fair values have been determined based on the following methods:

- Intangible assets – the fair value of the mineral rights is based on the discounted cash flows expected to be derived from the eventual use or sale of the assets using assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and operating performance; and
- Plant and equipment – the fair values of the acquired plant and equipment including mineral rights classified as mine, property and development is the estimated market value based on its nature and condition.

**(b) Critical judgements in applying the Group's accounting policies**

*(i) Measurement of deferred tax assets and liabilities*

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are 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. Further, the measurement of deferred tax assets and liabilities reflects the tax consequences that follow from the manner in which the entity expects, at reporting date to recover or settle them, which includes the impact on tax balances of the merger with OZ Minerals Limited. As at 30 June 2008 the consolidated entity had net deferred tax assets of $263.5 million (2007: $46.2 million) – refer Note 19(a).

## 3 Operating sites

Whilst the consolidated entity is not required to disclose segment information as required by AASB 8 *Operating Segments,* it has provided voluntary disclosure in respect of the results of its operating sites, which have been measured in accordance with applicable Australian Accounting Standards.

The operating sites of the consolidated entity were as follows. The results of the Century and Rosebery Mines and the discontinued smelting and refining operations were significant for the consolidated entity and therefore their results have been disclosed separately in the table below.

***Century Mine***

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

***Rosebery Mine***

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

***Canadian Operations***

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

***Avebury Mine***

The Avebury Mine is an underground nickel mine located on the west coast of Tasmania in Australia that was acquired as part of the Allegiance acquisition in March 2008.

***Exploration***

The consolidated entity is also building a portfolio of exploration and development projects in Australia, Canada, Tunisia, Sweden, Mexico and China.

***Smelters and refineries – discontinued operations***

The smelting and refining segment that was discontinued during the period consisted of the following:

- The Hobart refinery – located on the Derwent River in Tasmania's capital city, Hobart;
- The Port Pirie smelter – located on the eastern side of the Spencer Gulf in South Australia, approximately 200 kilometres north of Adelaide, South Australia;
- Australian Refined Alloys – located in Laverton, Victoria and Alexandria, New South Wales – an acid battery and lead recycling business owned 50 per cent by OZ Minerals Holdings Limited and 50 per cent by Sims Group;
- The Budel refinery – located at Budel Dorplein in the Netherlands, close to the Belgian border; and
- The Clarksville refinery – located on the Cumberland River close to Clarksville, Tennessee in the United States of America.

## 3 Operating sites (continued)

| 2008 | Century Mine $m | Rosebery Mine $m | Other Continuing Operations $m | Total Continuing Operations $m | Smelters & Refineries Discontinued Operations $m | Eliminations between Continuing& Discontinued Operations $m | Group $m |
|---|---|---|---|---|---|---|---|
| External sales | 823.6 | 209.9 | 19.5 | 1,053.0 | 702.6 | – | 1,755.6 |
| Inter–segment sales | 173.7 | 55.6 | – | 229.3 | – | (229.3) | – |
| **Total sales revenue** | **997.3** | **265.5** | **19.5** | **1,282.3** | **702.6** | **(229.3)** | **1,755.6** |
| Other income | 0.2 | – | 7.2 | 7.4 | 1.5 | – | 8.9 |
| Changes in inventories | (14.9) | (4.6) | (0.9) | (20.4) | (2.8) | – | (23.2) |
| Raw materials | – | – | – | – | (491.8) | 215.8 | (276.0) |
| Stores and consumables used | (108.7) | (34.4) | (6.5) | (149.6) | (17.2) | – | (166.8) |
| Employee benefit expenses | (37.5) | (18.9) | (44.0) | (100.4) | (30.8) | – | (131.2) |
| Energy expenses | (57.2) | (8.7) | (0.2) | (66.1) | (39.4) | – | (105.5) |
| Depreciation and amortisation | (227.4) | (25.5) | (1.6) | (254.5) | – | – | (254.5) |
| Contracting and consulting expenses | (81.8) | (47.4) | (123.1) | (252.3) | (16.4) | – | (268.7) |
| Freight expenses | (97.2) | (8.8) | (2.1) | (108.1) | (10.7) | 11.9 | (106.9) |
| Royalties | (30.9) | (12.8) | (1.5) | (45.2) | – | – | (45.2) |
| Net foreign exchange (losses)/gains | (4.3) | (6.0) | 0.7 | (9.6) | 1.3 | – | (8.3) |
| Write-down of carrying value of assets | – | – | (646.9) | (646.9) | – | – | (646.9) |
| Other expenses | (67.8) | (8.3) | 7.5 | (68.6) | (4.2) | 1.6 | (71.2) |
| **Profit/(loss) before net financing costs and tax** | **269.8** | **90.1** | **(791.9)** | **(432.0)** | **92.1** | **–** | **(339.9)** |
| Net financing income/(costs) | (5.2) | 11.0 | 161.1 | 166.9 | 0.9 | – | 167.8 |
| **Profit/(loss) before income tax** | | | | **(265.1)** | **93.0** | **–** | **(172.1)** |
| Income tax (expense)/benefit | | | | 114.4 | (25.1) | – | 89.3 |
| **Profit/(loss) before gain on sale of discontinued operations** | | | | **(150.7)** | **67.9** | **–** | **(82.8)** |
| Gain on sale of discontinued operations after income tax | | | | – | 978.5 | – | 978.5 |
| **Profit/(loss) for the period** | | | | **(150.7)** | **1,046.4** | **–** | **895.7** |

| 2007 | Century Mine $m | Rosebery Mine $m | Other Continuing Operations $m | Total Continuing Operations $m | Smelters & Refineries Discontinued Operations $m | Eliminations between Continuing& Discontinued Operations $m | Group $m |
|---|---|---|---|---|---|---|---|
| External sales | 503.2 | 52.7 | 43.3 | 599.2 | 4,009.4 | – | 4,608.6 |
| Inter–segment sales | 1,014.9 | 314.4 | 0.7 | 1,330.0 | – | (1,330.0) | – |
| **Total sales revenue** | **1,518.1** | **367.1** | **44.0** | **1,929.2** | **4,009.4** | **(1,330.0)** | **4,608.6** |
| Other income | – | 0.2 | 7.7 | 7.9 | 10.6 | – | 18.5 |
| Changes in inventories | 54.1 | (4.0) | (2.5) | 47.6 | – | – | 47.6 |
| Raw materials | – | – | – | – | (2,617.4) | 1,320.9 | (1,296.5) |
| Stores and consumables used | (116.4) | (31.4) | (1.7) | (149.5) | (94.5) | – | (244.0) |
| Employee benefit expenses | (30.7) | (19.5) | (54.3) | (104.5) | (184.9) | – | (289.4) |
| Energy expenses | (52.6) | (6.7) | – | (59.3) | (237.6) | – | (296.9) |
| Depreciation and amortisation | (204.0) | (23.6) | (1.3) | (228.9) | (69.0) | – | (297.9) |
| Contracting and consulting expenses | (74.7) | (33.5) | (23.7) | (131.9) | (95.6) | – | (227.5) |
| Freight expenses | (49.9) | (10.3) | (3.9) | (64.1) | (68.7) | 41.8 | (91.0) |
| Royalties | (55.5) | (17.8) | (0.4) | (73.7) | – | – | (73.7) |
| Net foreign exchange (losses)/gains | (1.1) | (0.3) | (9.4) | (10.8) | (24.7) | 7.1 | (28.4) |
| Other expenses | (59.0) | (7.7) | 58.2 | (8.5) | (88.3) | 6.5 | (90.3) |
| **Profit/(loss) before net financing costs and tax** | **928.3** | **212.5** | **12.7** | **1,153.5** | **539.3** | **46.3** | **1,739.1** |
| Net financing income/(costs) | (15.5) | (3.0) | 32.5 | 14.0 | 7.0 | – | 21.0 |
| **Profit/(loss) before income tax** | **912.8** | **209.5** | **45.2** | **1,167.5** | **546.3** | **46.3** | **1,760.1** |
| Income tax (expense)/benefit | | | | (340.0) | (70.9) | (14.4) | (425.3) |
| **Profit/(loss) for the year** | | | | **827.5** | **475.4** | **31.9** | **1,334.8** |

## 4 Discontinued operations and assets held for sale

On 23 April 2007, OZ Minerals Holdings Limited and Umicore SA/NV announced that they had signed a binding Business Combination and Shareholders' Agreement (BCSA) to combine their respective zinc smelting, refinery and alloying businesses. As at 30 June 2007, the OZ Minerals Holdings Limited zinc refining and lead smelting operations were classified as discontinued operations and represented assets held for sale. Shareholder approval for the transfer of zinc refining and lead smelting operations to Nyrstar was obtained on 26 July 2007 pursuant to a general meeting held on that date. The combined business, called Nyrstar, came into existence on 31 August 2007 at which time OZ Minerals Holdings Limited and Umicore SA/NV transferred their respective smelting, refinery and alloying businesses to Nyrstar. OZ Minerals Holdings Limited's investment in Nyrstar represented an interest in a joint venture held for sale between 31 August 2007 and 29 October 2007. On 29 October 2007, the zinc refining and lead smelting operations were disposed of following a successful initial public offering ("IPO") and listing of Nyrstar on Euronext Brussels.

On IPO at 29 October 2007, an investment of $245.0 million in Nyrstar was retained by OZ Minerals Holdings Limited to be held under a 360-day lock-up from the commencement of conditional trading on 29 October 2007. This investment is accounted for as a financial asset at fair value through profit and loss, and is classified as held for sale. The fair value of this investment at 30 June 2008 was $144.6 million. Refer to Note 33 for fair value of this investment at the date of this report.

Financial information relating to the discontinued operations is as follows.

| | Total discontinued operations before eliminations | Eliminations between continuing and discontinued operations | Total discontinued operations after eliminations |
|---|---|---|---|
| **(a) Results of discontinued operations** | | | |
| | **2008 $m** | **2008 $m** | **2008 $m** |
| Revenue | 702.6 | (229.3) | 473.3 |
| Expenses | (610.5) | 229.3 | (381.2) |
| Profit before net financing costs and income tax | 92.1 | – | 92.1 |
| Net financing income | 0.9 | – | 0.9 |
| Profit before income tax | 93.0 | – | 93.0 |
| Income tax expense | (25.1) | – | (25.1) |
| Net profit attributable to discontinued operations | 67.9 | – | 67.9 |
| **Gain on sale** | | | |
| Consideration received or receivable | 2,313.0 | – | 2,313.0 |
| Carrying amount of net assets sold | (1,103.7) | – | (1,103.7) |
| Cost incurred in selling the assets, including charges, foreign exchange, and net change in fair values | (140.1) | – | (140.1) |
| Gain on sale of discontinued operations before income tax | 1,069.2 | – | 1,069.2 |
| Income tax expense on sale of discontinued operations | (90.7) | – | (90.7) |
| Gain on sale of discontinued operations after income tax | 978.5 | – | 978.5 |
| Total profit after tax from discontinued operations | 1,046.4 | – | 1,046.4 |
| | **2007 $m** | **2007 $m** | **2007 $m** |
| Revenue | 4,009.4 | (1,330.0) | 2,679.4 |
| Expenses | (3,470.1) | 1,376.3 | (2,093.8) |
| Profit before net financing costs and income tax | 539.3 | 46.3 | 585.6 |
| Net financing income | 7.0 | – | 7.0 |
| Profit before income tax | 546.3 | 46.3 | 592.6 |
| Income tax expense | (70.9) | (14.4) | (85.3) |
| Net profit attributable to discontinued operations | 475.4 | 31.9 | 507.3 |

## 4 Discontinued operations and assets held for sale (continued)

### (b) Carrying amount of asset and liabilities

| | Assets disposed of | | Assets held for sale | |
|---|---|---|---|---|
| | 31 August 2007 $m | 30 June 2007 $m | 30 June 2008 $m | 30 June 2007 $m |
| Cash and cash equivalents | 55.2 | – | – | 118.5 |
| Trade and other receivables | 307.4 | – | – | 336.8 |
| Inventories | 400.0 | – | – | 368.8 |
| Current tax receivable | 12.3 | – | – | 13.1 |
| Financial assets at fair value through profit or loss | – | – | 144.6 | – |
| Other financial assets | – | – | – | 28.0 |
| Prepayments | 8.0 | – | – | 11.7 |
| Investments | 1.8 | – | – | 1.8 |
| Property, plant and equipment | 541.7 | – | – | 525.3 |
| Deferred tax assets | 39.4 | – | – | 90.3 |
| Total assets | 1,365.8 | – | 144.6 | 1,494.3 |
| Trade and other payables – external entities | 61.6 | – | – | 159.5 |
| Current tax payable | – | – | – | 17.4 |
| Interest-bearing loans and borrowings | 2.7 | – | – | 2.9 |
| Other financial liabilities | – | – | – | 37.2 |
| Provisions | 186.3 | – | – | 182.2 |
| Retirement benefit obligations | 11.5 | – | – | 11.5 |
| Total liabilities | 262.1 | – | – | 410.7 |
| Net assets | 1,103.7 | – | 144.6 | 1,083.6 |

### (c) Cash flow attributable to discontinued operations

| | 2008 $m | 2007 $m |
|---|---|---|
| Net cash inflows from operating activities | 47.8 | 436.8 |
| Net cash outflows from investing activities | (10.0) | (109.0) |
| Net cash outflows from financing activities | (101.1) | – |
| Net cash provided by discontinued operations | (63.3) | 327.8 |
| **Net proceeds from disposal of discontinued operations** | | |
| Total consideration received or receivable | 2,313.0 | – |
| Less non-cash consideration included above (investment in Nyrstar) | (245.0) | – |
| Total cost incurred in selling the assets, including charges, foreign exchange, and net change in fair values | (140.1) | – |
| Add back non-cash expenditure included above (reduction in fair value of investment in Nyrstar) | 100.4 | – |
| Less cash and cash equivalents disposed of | (55.2) | – |
| Net proceeds from disposal of discontinued operations | 1,973.1 | – |

### (d) Discontinued operations for OZ Minerals Holdings Limited (parent entity)

(i) Results of discontinued operations

| | 2008 $m | 2007 $m |
|---|---|---|
| **Loss on sale** | | |
| Consideration received or receivable | 2,313.0 | – |
| Carrying amount of net assets sold | (2,184.3) | – |
| Cost incurred in selling the assets, including charges, foreign exchange, and net change in fair values | (140.1) | – |
| Loss on sale of discontinued operations before income tax | (11.4) | – |
| Income tax benefit on sale of discontinued operations | 4.3 | – |
| Loss on sale of discontinued operations after income tax | (7.1) | – |

## 4 Discontinued operations and assets held for sale (continued)

### (d) Discontinued operations for OZ Minerals Holdings Limited (parent entity) (continued)

*(ii) Carrying amount of asset and liabilities*

The carrying amount of assets held for sale in OZ Minerals Holdings Limited relating to the investment in subsidiaries is summarised below:

| | Assets disposed of | | Assets held for sale | |
|---|---|---|---|---|
| | 31 August 2007 $m | 30 June 2007 $m | 30 June 2008 $m | 30 June 2007 $m |
| Financial assets at fair value through profit or loss | – | – | 144.6 | – |
| Investments | 2,184.3 | – | – | 70.4 |
| Total assets | 2,184.3 | – | 144.6 | 70.4 |
| Total liabilities | – | – | – | – |
| Net assets | 2,184.3 | – | 144.6 | 70.4 |

*(iii) Cash flow attributable to discontinued operations*

The gain on sale of discontinued operations was recognised through intercompany accounts and therefore the discontinued operations did not have any cash flow impact for OZ Minerals Holdings Limited for the years ended 30 June 2007 and 30 June 2008.

## 5 Acquisition of business

### (a) Allegiance Mining NL

On 17 March 2008, OZ Minerals Holdings Limited obtained control of Allegiance when it acquired more than 50 per cent of the issued ordinary shares of Allegiance. The shares were acquired in an off market all cash takeover offer for all the issued ordinary shares of Allegiance at $1.10 cash per share. As at 30 June 2008, OZ Minerals Holdings Limited acquired approximately 98 per cent of the issued ordinary shares of Allegiance, and had moved into compulsory acquisition of the remaining shares. Acquisition of these remaining shares was completed on 14 July 2008. Prior to being acquired by OZ Minerals Holdings Limited, Allegiance and its wholly owned subsidiaries had formed a tax consolidated group. At 30 June 2008, given that 100 per cent of Allegiance had not been acquired, Allegiance remained a separate tax consolidated group.

Allegiance is the owner of the Avebury nickel project on the Tasmanian West Coast. Refer to Note 1(aa) for the accounting policy for business combinations. Given that Allegiance is involved in exploration, development and commissioning of its Avebury plant, it did not have any revenue for the year ended 30 June 2008. The pro forma net loss after tax of Allegiance for the 12 months period ended 30 June 2008 was $9.9 million.

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

| | Book values reflected by Allegiance $m | Provisional fair value adjustments $m | Provisional values recognised on acquisition $m |
|---|---|---|---|
| **Cost of acquisition** | | | |
| Cash paid on issued shares | 854.1 | – | 854.1 |
| Acquisition costs | 10.1 | – | 10.1 |
| Net cash acquired | (19.3) | – | (19.3) |
| Net cash outflow | 844.9 | – | 844.9 |
| Cash payable for remaining issued shares | 14.2 | – | 14.2 |
| Total cost of acquisition | 859.1 | – | 859.1 |
| **Provisional fair values of net assets acquired** | | | |
| Trade and other receivables | 6.7 | – | 6.7 |
| Investments | 0.5 | – | 0.5 |
| Property, plant and equipment | 203.4 | 730.9 | 934.3 |
| Deferred tax assets | 24.8 | (21.1) | 3.7 |
| Trade and other payables | (35.9) | – | (35.9) |
| Provisions | (1.1) | – | (1.1) |
| Deferred tax liabilities | (16.2) | 16.2 | – |
| Interest-bearing liabilities | (49.1) | – | (49.1) |
| Total fair value of net assets acquired | 133.1 | 726.0 | 859.1 |

## 5 Acquisition of business (continued)

### (b) Zinifex Canada Inc (previously Wolfden Resources Inc)

The consolidated entity acquired Wolfden Resources Inc ("Wolfden") in the previous financial period. The date of acquisition was 8 May 2007. Wolfden, which was renamed as Zinifex Canada Inc after acquisition, is a Canadian based exploration company.

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

The details of the provisional fair values at the date of acquisition and the final acquisition accounting are set out below:

| | Book values reflected by Wolfden $m | Provisional fair value adjustments $m | Provisional values recognised at 30 June 2007 $m | Adjustments to provisional fair values $m | Final fair values $m |
|---|---|---|---|---|---|
| **Consideration** | | | | | |
| Cash paid | 382.9 | – | 382.9 | – | 382.9 |
| Acquisition costs | 11.2 | – | 11.2 | – | 11.2 |
| Net cash acquired | (5.8) | – | (5.8) | – | (5.8) |
| | 388.3 | – | 388.3 | – | 388.3 |
| **Fair values of net assets acquired** | | | | | |
| Trade and other receivables | 5.7 | – | 5.7 | – | 5.7 |
| Inventories | – | – | – | 8.0 | 8.0 |
| Investments | 5.8 | – | 5.8 | – | 5.8 |
| Property, plant and equipment | 36.8 | – | 36.8 | (12.4) | 24.4 |
| Mineral rights | 158.7 | 225.3 | 384.0 | 7.0 | 391.0 |
| Trade and other payables | (4.0) | – | (4.0) | – | (4.0) |
| Deferred tax liabilities | (23.8) | (72.7) | (96.5) | (4.9) | (101.4) |
| Provisions for restoration | (16.2) | – | (16.2) | – | (16.2) |
| | 163.0 | 152.6 | 315.6 | (2.3) | 313.3 |
| Goodwill | – | 72.7 | 72.7 | 2.3 | 75.0 |
| | 163.0 | 225.3 | 388.3 | – | 388.3 |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|

## 6 Revenue from continuing operations

| | | | | |
|---|---|---|---|---|
| Sale of concentrate | 1,282.3 | 1,929.2 | – | – |

## 7 Other income from continuing operations

| | | | | |
|---|---|---|---|---|
| Net gain on disposal of property, plant and equipment | – | 5.1 | – | – |
| Other income | 7.4 | 2.8 | – | – |
| Dividends from controlled entities | – | – | 511.2 | 681.6 |
| | 7.4 | 7.9 | 511.2 | 681.6 |

## 8 Expenses from continuing operations

| | | | | |
|---|---|---|---|---|
| Profit before income tax includes the following specific expenses: | | | | |
| Depreciation and amortisation | 254.5 | 228.9 | – | – |
| Exploration and evaluation expenditure | 55.5 | 28.4 | – | – |
| Write-down of carrying value of assets | 646.9 | – | 163.0 | – |
| Contributions to defined contribution plans | 9.4 | 7.3 | – | – |

## 9 Individually significant items for continuing operations

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| **Consolidated entity** | **Pre-tax 2008 $m** | **Tax impact 2008 $m** | **Post tax 2008 $m** | **Pre-tax 2007 $m** | **Tax impact 2007 $m** | **Post tax 2007 $m** |
| Write-down of mineral rights (intangible assets) | (138.4) | 44.9 | (93.5) | – | – | – |
| Write-down of mineral rights (mine, property and development) | (439.0) | – | (439.0) | – | – | – |
| Write-down of goodwill | (69.5) | – | (69.5) | – | – | – |
| Write-down of carrying value of assets | (646.9) | 44.9 | (602.0) | – | – | |
| Reversal of deferred tax liability | – | 201.1 | 201.1 | – | – | – |
| Profit from sale of investment | 75.8 | (22.7) | 53.1 | – | – | – |
| Expenses incurred in relation to the merger | (42.2) | 12.6 | (29.6) | – | – | – |
| Total of individually significant items | (613.3) | 235.9 | (377.4) | – | – | – |

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

The recoverable amount of OZ Minerals Holdings Limited assets at 30 June 2008 has been assessed by reference to the fair value less costs to sell of the assets based on the consideration provided by OZ Minerals Limited to acquire the assets on 1 July 2008. Management consider that this provides the best evidence of the fair value of the consolidated entity's net assets at 30 June 2008. The market value of OZ Minerals Limited shares on 1 July 2008 based on the volume weighted average share price of OZ Minerals Limited was $4 billion. In accounting for the acquisition, OZ Minerals Limited has allocated the $4 billion across the OZ Minerals Holdings Limited assets which has resulted in a write-down of certain assets compared to their existing book values and the recognition of mineral rights in relation to certain other assets. In accordance with AASB 136 *Impairment of Assets,* to the extent that assets are recorded in OZ Minerals Limited's books at a value lower than existing book value, an impairment write-down of $602.0 million net of tax has been recognised by OZ Minerals Holdings Limited, within the consolidated entity at 30 June 2008.

The fair values of the individual cash generating units within OZ Minerals Holdings Limited have been allocated based on the Grant Samuel valuation of approximately $6 billion that was provided in May 2008 in relation to the merger, adjusted to reflect the reduction in market capitalisation of OZ Minerals Limited to $4 billion. The impairment write-down of $602.0 million net of tax relates to Zinifex Canada and Avebury mine of $163.0 million and $439.0 million respectively. The parent entity's investment in Zinifex Canada was similarly impaired by $163.0 million.

The measurement of deferred tax assets and liabilities reflect the tax consequences that follow from the manner in which an entity expects, at reporting date, to recover or settle them. Upon the merger, the tax cost base of OZ Minerals Holdings Limited's underlying Australian assets were reset to market values in accordance with Australian tax consolidation rules and the reset tax base of OZ Minerals Holdings Limited Australian assets approximated their accounting fair values. Accordingly, the historical deferred tax liability of $201.1 million relating to OZ Minerals Holdings Limited Australian assets has been reversed.

The consolidated entity disposed of available for sale financial assets during the year resulting in a gain of $53.1 million net of tax.

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|

## 10 Net financing income from continuing operations

| | | | | | |
|---|---|---|---|---|---|
| **Interest and financing revenue** | | | | | |
| Interest income from cash and cash equivalents | | 114.3 | 28.6 | 18.8 | – |
| Net gain on disposal of available for sale financial assets transferred from equity | | 75.8 | – | – | – |
| Total interest and financing revenue | | 190.1 | 28.6 | 18.8 | – |
| **Financing costs** | | | | | |
| Interest and finance charges paid/payable | | 12.2 | 5.9 | – | – |
| Unwind of discount on long-term provisions | | 8.3 | 7.1 | – | – |
| Other finance charges | | 2.7 | 1.6 | – | – |
| Total financing costs | | 23.2 | 14.6 | – | – |
| Net financing income | | 166.9 | 14.0 | 18.8 | – |

## 11 Income tax

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

| | | | | | |
|---|---|---|---|---|---|
| Current income tax (expense) | | (200.4) | (449.3) | (3.0) | – |
| Deferred income tax (expense)/benefit | | 199.0 | 24.0 | 10.9 | – |
| Income tax (expense)/benefit | | (1.4) | (425.3) | 7.9 | – |
| Income tax (expense)/benefit is attributable to: | | | | | |
| Profit from continuing operations | | 114.4 | (340.0) | 3.6 | – |
| Profit from discontinuing operations | | (115.8) | (85.3) | 4.3 | – |
| | | (1.4) | (425.3) | 7.9 | – |
| Deferred income tax (expense)/benefit included in income tax expense comprises: | | | | | |
| Increase in deferred tax assets | | 16.7 | 58.4 | 10.9 | – |
| Decrease/(increase) in deferred tax liabilities | | 182.3 | (34.4) | – | – |
| | | 199.0 | 24.0 | 10.9 | – |

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

| | | | | | |
|---|---|---|---|---|---|
| Profit/(loss) from continuing operations before income tax | | (265.1) | 1,167.5 | 322.1 | 681.6 |
| Profit/(loss) from discontinued operations before income tax | | 1,162.2 | 592.6 | (11.4) | – |
| | | 897.1 | 1,760.1 | 310.7 | 681.6 |
| Tax at the Australian tax rate of 30 per cent | | (269.1) | (528.0) | (93.2) | (204.4) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | | |
| Non-taxable amounts | | 59.7 | 27.0 | (60.3) | – |
| Non-taxable dividends | | – | – | 150.3 | 204.4 |
| | | (209.4) | (501.0) | (3.2) | – |
| Difference in overseas tax rates | | 5.4 | 2.2 | – | – |
| Recognition/recoupment of tax assets not previously recognised | | – | 70.3 | – | – |
| Over provision for previous years | | 1.5 | 0.1 | – | – |
| Net adjustment to deferred tax balances | 9 | 201.1 | 3.1 | 11.1 | – |
| Income tax (expense)/benefit | | (1.4) | (425.3) | 7.9 | – |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|

## 12 Dividends

| | | | | |
|---|---|---|---|---|
| **(a) Ordinary shares** | | | | |
| Fully franked dividend for the year ended 30 June 2008 of 35.0 cents per fully paid share, paid on 21 April 2008 | 170.4 | – | 170.4 | – |
| Fully franked dividend for the year ended 30 June 2007 of 70.0 cents per fully paid share, paid on 16 November 2007 | 340.8 | – | 340.8 | – |
| Fully franked dividend for the year ended 30 June 2007 of 70.0 cents per fully paid share, paid on 20 April 2007 | – | 340.8 | – | 340.8 |
| Fully franked dividend for the year ended 30 June 2006 of 70.0 cents per fully paid share, paid on 10 November 2006 | – | 340.8 | – | 340.8 |
| **(b) Franked dividends for OZ Minerals Holdings Limited** | | | | |
| Franking account balance at beginning of year | | | 0.4 | – |
| Franking credits from dividends received during the year | | | 215.0 | 292.1 |
| Franking credits attached to dividends paid during the year | | | (219.1) | (292.1) |
| Franking credits from income tax payments made during the year | | | 4.3 | 0.4 |
| Franking account balance at end of year | | | 0.6 | 0.4 |

The above amounts represent the balance of the franking account as at the end of the financial year, and do not include:

- Franking credits/(debits) that will arise from income tax payments/(refunds) made subsequent to the end of the year;
- Franking debits that will arise from the payment of dividends subsequent to the end of the year.

Franked dividends declared or paid during the year were franked at the Australian tax rate of 30 per cent.

## 13 Cash and cash equivalents

| | | | | |
|---|---|---|---|---|
| Cash at bank and on hand | 22.7 | 43.7 | 1.4 | 0.6 |
| Deposits at call | 1,150.8 | 183.9 | – | – |
| Total cash and cash equivalents | 1,173.5 | 227.6 | 1.4 | 0.6 |

**(a) Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | | | | |
|---|---|---|---|---|
| Balances as above | 1,173.5 | 227.6 | 1.4 | 0.6 |
| Amounts classified as held for sale | – | 118.5 | – | – |
| Balances per statement of cash flows | 1,173.5 | 346.1 | 1.4 | 0.6 |

## 14 Trade and other receivables

| | | | | |
|---|---|---|---|---|
| Trade receivables | 46.9 | 37.4 | – | – |
| Goods and services tax receivables | 14.8 | 6.7 | | |
| Other receivables | 20.4 | 15.2 | – | – |
| Total trade and other receivables | 82.1 | 59.3 | – | – |

## 15 Inventories

| | | | | |
|---|---|---|---|---|
| Finished goods | 60.6 | – | – | – |
| Work in progress | 35.7 | 105.7 | – | – |
| Stores and consumables | 57.0 | 45.2 | – | – |
| Total inventories | 153.3 | 150.9 | – | – |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|

## 16 Investments

| | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| Available for sale financial assets | | 4.5 | 216.1 | – | – |
| Other investments | | 1.0 | 0.5 | – | – |
| Shares in controlled entities (a) | | – | – | 374.0 | 537.0 |
| Total investments | | 5.5 | 216.6 | 374.0 | 537.0 |
| **Movement in shares in controlled entities** | | | | | |
| Opening carrying amount | | – | – | 537.0 | 154.1 |
| Acquisitions through business combinations | | – | – | – | 382.9 |
| Write-down of investment | 9 | – | – | (163.0) | – |
| Closing carrying amount | | – | – | 374.0 | 537.0 |

(a) Unquoted investments of the parent entity in controlled entities comprise the following:

| | Country of Incorporation | Class of Share | Equity holding 2008 % | Equity holding 2007 % | Investment of OZ Minerals Holdings Ltd 2008 $m | Investment of OZ Minerals Holdings Ltd 2007 $m |
|---|---|---|---|---|---|---|
| **Continuing entities** | | | | | | |
| Allegiance Exploration Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Allegiance Metals Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Allegiance Mining NL (i) | Australia | Ordinary | 98 | – | – | – |
| Allegiance Mining Operations Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Allegiance Mining Processing Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| AML (Bielsdown) Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| AML Holdings Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Archer Nickel NL (i), (ii) | Australia | Ordinary | 98 | – | – | – |
| Central Inca Gold Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Eastren Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Geothermal Energy Holdings Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Geothermal Energy Tasmania Exploration Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Geothermal Energy Tasmania Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Geothermal Energy Tasmania West Coast Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Heazle Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Investment Co Pty Ltd | Australia | Ordinary | 100 | 100 | – | – |
| Ionex Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Lawn Hill and Riversleigh Pastoral Holding Company Pty Ltd | Australia | Ordinary | 49 | 50 | – | – |
| Lupin Mines Incorporated | Canada | Ordinary | 100 | 100 | – | – |
| OZ Minerals Australia Limited | Australia | Ordinary | 100 | 100 | $1 only | $1 only |
| OZ Minerals Century Limited | Australia | Ordinary | 100 | 100 | $1 only | $1 only |
| OZ Minerals Group Treasury Pty Ltd | Australia | Ordinary | 100 | 100 | 1.3 | 1.3 |
| OZ Minerals International (Holdings) Pty Ltd | Australia | Ordinary | 100 | 100 | 149.8 | 149.8 |
| OZ Minerals International Enterprises Pty Ltd | Australia | Ordinary | 100 | 100 | 219.9 | 382.9 |
| OZ Minerals Super Metals Pty Ltd | Australia | Ordinary | 100 | 100 | – | – |
| OZ Minerals Superannuation Pty Ltd | Australia | Ordinary | 100 | 100 | – | – |
| PCML SPC Pty Limited | Australia | Ordinary | 100 | 100 | – | – |
| PPTV Pty Ltd | Australia | Ordinary | 100 | 100 | $40 only | $40 only |
| SPC (Nominees) Pty Ltd | Australia | Ordinary | 100 | 100 | $20 only | $20 only |
| SPC 1 Pty Ltd | Australia | Ordinary | 100 | 100 | $40 only | $40 only |
| SPC 2 Pty Ltd | Australia | Ordinary | 100 | 100 | $40 only | $40 only |
| Swedish Enterprises AB | Australia | Ordinary | 100 | – | – | – |
| Taswest Nickel Pty Ltd (i) | Australia | Ordinary | 98 | – | – | – |
| Zeemain Pty Ltd (i) | Australia | Ordinary | 50 | – | – | – |
| Zinifex (USA) Limited | USA | Ordinary | 100 | 100 | – | – |
| Zinifex Canada Inc. | Canada | Ordinary | 100 | 100 | – | – |
| Zinifex Canadian Enterprises Inc. | Canada | Ordinary | 100 | 100 | – | – |
| Zinifex Canadian Holdings Inc. | Canada | Ordinary | 100 | 100 | – | – |
| Zinifex Insurance Private Limited | Singapore | Ordinary | 100 | 100 | 3.0 | 3.0 |
| Zinifex Mexico SA de CV | Mexico | Ordinary | 100 | 100 | – | – |
| Zinifex Netherlands Holdings Cooperative | Netherlands | Ordinary | 100 | 100 | – | – |
| Zinifex UK (Holdings) Limited | UK | Ordinary | 100 | 100 | – | – |
| Zinifex UK Limited | UK | Ordinary | 100 | 100 | – | – |
| ZRUS Holdings Pty Ltd | Australia | Ordinary | 100 | 100 | – | – |
| Total investments in continuing entities | | | | | 374.0 | 537.0 |

## 16 Investments (continued)

| | Country of Incorporation | Class of Share | Equity holding 2008 % | Equity holding 2007 % | Investment of OZ Minerals Holdings Ltd 2008 $m | Investment of OZ Minerals Holdings Ltd 2007 $m |
|---|---|---|---|---|---|---|
| **Discontinued entities** | | | | | | |
| Budelco BV | Netherlands | Ordinary | – | 100 | – | – |
| Buzifac BV | Netherlands | Ordinary | – | 100 | – | – |
| Buzipon BV | Netherlands | Ordinary | – | 100 | – | – |
| Buzisur BV | Netherlands | Ordinary | – | 100 | – | – |
| Zinifex Budel BV | Netherlands | Ordinary | – | 100 | – | – |
| Zinifex Clarksville Inc Maryland (US) | USA | Ordinary | – | 100 | – | – |
| Zinifex Hong Kong Limited | Hong Kong | Ordinary | – | 100 | – | – |
| Zinifex Metals Pty Ltd | Australia | Ordinary | – | 100 | – | 19.7 |
| Zinifex Netherlands (Holdings) BV | Netherlands | Ordinary | – | 100 | – | – |
| Zinifex Port Pirie Pty Ltd | Australia | Ordinary | – | 100 | – | 50.7 |
| Zinifex Resources (US), Inc. | USA | Ordinary | – | 100 | – | – |
| Zinifex Taylor Chemicals, Inc. | USA | Ordinary | – | 80 | – | – |
| Total investment in discontinued entities | | | | | – | 70.4 |
| Total investments in controlled entities | | | | | 374.0 | 607.4 |

(i) As at 30 June 2008, OZ Minerals Holdings Limited acquired approximately 98 per cent of the issued ordinary shares of Allegiance, and had moved into compulsory acquisition of the remaining shares. Acquisition of these remaining shares was completed on 14 July 2008.

(ii) This entity was liquidated during the year.

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|

## 17 Property, plant and equipment

| | | | | |
|---|---|---|---|---|
| Freehold land and buildings (a) | 29.0 | 25.0 | – | – |
| Plant and equipment (b) | 511.1 | 538.9 | – | – |
| Leased plant and equipment (c) | 34.9 | 41.4 | – | – |
| Major cyclical maintenance expenditure (d) | 5.2 | 6.9 | – | – |
| Mine property and development (e) | 1,014.0 | 348.5 | – | – |
| Construction in progress (f) | 51.8 | 32.2 | – | – |
| Net carrying value (g) | 1,646.0 | 992.9 | – | – |

### (a) Freehold land and buildings

| | | | | |
|---|---|---|---|---|
| At cost | 37.3 | 92.7 | – | – |
| Accumulated depreciation | (8.3) | (9.6) | – | – |
| Carrying amount | 29.0 | 83.1 | – | – |
| Less: amounts classified as held for sale | – | (58.1) | – | – |
| | 29.0 | 25.0 | – | – |
| Opening carrying amount | 83.1 | 75.4 | – | – |
| Additions | 0.2 | 0.5 | – | – |
| Transfers from construction in progress | 7.6 | 12.8 | – | – |
| Disposals | (58.9) | – | – | – |
| Depreciation charge | (3.6) | (3.3) | – | – |
| Exchange differences | 0.6 | (2.3) | – | – |
| Closing carrying amount | 29.0 | 83.1 | – | – |
| Less: amounts classified as held for sale | – | (58.1) | – | – |
| | 29.0 | 25.0 | – | – |

### (b) Plant and equipment

| | | | | |
|---|---|---|---|---|
| At cost | 828.8 | 1,275.5 | – | – |
| Less: Accumulated depreciation | (317.7) | (351.9) | – | – |
| Carrying amount | 511.1 | 923.6 | – | – |
| Less: amounts classified as held for sale | – | (384.7) | – | – |
| Carrying amount | 511.1 | 538.9 | – | – |
| Opening carrying amount | 923.6 | 843.2 | – | – |
| Acquisitions through business combination | 1.3 | 24.4 | – | – |
| Additions | 8.7 | 2.6 | – | – |
| Transfers from construction in progress | 74.7 | 199.5 | – | – |
| Disposals | (394.0) | (8.1) | – | – |
| Depreciation charge | (103.0) | (135.8) | – | – |
| Exchange differences | (0.2) | (2.2) | – | – |
| Closing carrying amount | 511.1 | 923.6 | – | – |
| Less: amounts classified as held for sale | – | (384.7) | – | – |
| Closing carrying amount | 511.1 | 538.9 | – | – |

### (c) Leased plant and equipment

| | | | | |
|---|---|---|---|---|
| At cost | 72.4 | 76.6 | – | – |
| Less: Accumulated amortisation | (37.5) | (32.3) | – | – |
| Carrying amount | 34.9 | 44.3 | – | – |
| Less: amounts classified as held for sale | – | (2.9) | – | – |
| Carrying amount | 34.9 | 41.4 | – | – |
| Opening carrying amount | 44.3 | 28.1 | – | – |
| Additions | 0.1 | – | – | – |
| Transfers from construction in progress | 0.1 | 22.4 | – | – |
| Disposals | (2.9) | – | – | – |
| Amortisation charge | (6.7) | (6.2) | – | – |
| Carrying amount | 34.9 | 44.3 | – | – |
| Less: amounts classified as held for sale | – | (2.9) | – | – |
| Closing carrying amount | 34.9 | 41.4 | – | – |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|

## 17 Property, plant and equipment (continued)

**(d) Major cyclical maintenance expenditure**

| | | | | |
|---|---|---|---|---|
| At cost | 15.0 | 65.3 | – | – |
| Less: Accumulated amortisation | (9.8) | (38.3) | – | – |
| Carrying amount | 5.2 | 27.0 | – | – |
| Less: amounts classified as held for sale | – | (20.1) | – | – |
| Carrying amount | 5.2 | 6.9 | – | – |
| Opening carrying amount | 27.0 | 24.3 | – | – |
| Additions | 2.4 | 3.2 | – | – |
| Transfers from construction in progress | 1.5 | 22.0 | – | – |
| Disposals | (20.1) | – | – | – |
| Amortisation charge | (5.7) | (22.1) | – | – |
| Exchange differences | 0.1 | (0.4) | – | – |
| Carrying amount | 5.2 | 27.0 | – | – |
| Less: amounts classified as held for sale | – | (20.1) | – | – |
| Closing carrying amount | 5.2 | 6.9 | – | – |

**(e) Mine property and development**

| | | | | |
|---|---|---|---|---|
| At cost | 1,592.2 | 748.3 | – | – |
| Less: Accumulated amortisation | (578.2) | (399.8) | – | – |
| Carrying amount | 1,014.0 | 348.5 | – | – |
| Less: amounts classified as held for sale | – | – | – | – |
| Carrying amount | 1,014.0 | 348.5 | – | – |
| Opening carrying amount | 348.5 | 215.2 | – | – |
| Acquisitions through business combination | 933.0 | – | – | – |
| Additions | 332.4 | 283.5 | – | – |
| Transfers from construction in progress | 24.4 | 12.0 | – | – |
| Disposals | (6.3) | – | – | – |
| Amortisation charge | (179.0) | (162.2) | – | – |
| Write-down of mineral rights | (439.0) | – | – | – |
| Carrying amount | 1,014.0 | 348.5 | – | – |
| Less: amounts classified as held for sale | – | – | – | – |
| Closing carrying amount | 1,014.0 | 348.5 | – | – |

**(f) Construction in progress**

| | | | | |
|---|---|---|---|---|
| Opening carrying amount | 91.7 | 68.2 | – | – |
| Additions | 127.3 | 293.8 | – | – |
| Transferred out of construction in progress | (108.3) | (268.7) | – | – |
| Disposals | (59.5) | – | – | – |
| Exchange differences | 0.6 | (1.6) | – | – |
| Carrying amount | 51.8 | 91.7 | – | – |
| Less: amounts classified as held for sale | – | (59.5) | – | – |
| Closing carrying amount | 51.8 | 32.2 | – | – |

**(g) Total property, plant and equipment**

| | | | | |
|---|---|---|---|---|
| Opening carrying amount | 1,518.2 | 1,254.4 | – | – |
| Acquisitions through business combination | 934.3 | 24.4 | – | – |
| Additions | 471.1 | 583.6 | – | – |
| Disposals | (541.7) | (8.1) | – | – |
| Depreciation charge | (106.6) | (139.1) | – | – |
| Amortisation charge | (191.4) | (190.5) | – | – |
| Write-down of mineral rights | (439.0) | – | – | – |
| Exchange differences | 1.1 | (6.5) | – | – |
| Closing carrying amount before transfers to assets held for sale | 1,646.0 | 1,518.2 | – | – |
| Transfer to assets held for sale | – | (525.3) | – | – |
| Closing carrying amount | 1,646.0 | 992.9 | – | – |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|

## 18 Intangible assets

| | | | | | |
|---|---|---|---|---|---|
| Acquired mineral rights | | 226.0 | 393.5 | – | – |
| Goodwill | | – | 75.0 | – | – |
| Closing carrying amount | | 226.0 | 468.5 | – | – |
| **Movement in acquired mineral rights** | | | | | |
| Opening carrying amount | | 393.5 | – | – | – |
| Acquisitions through business combination | | – | 391.0 | – | – |
| Write-down of mineral rights | 9 | (138.4) | – | – | – |
| Exchange differences | | (29.1) | 2.5 | – | – |
| Closing carrying amount | | 226.0 | 393.5 | – | – |
| **Movement in acquired goodwill** | | | | | |
| Opening carrying amount | | 75.0 | – | – | – |
| Acquisitions through business combination | | – | 75.0 | – | – |
| Write-down of goodwill | 9 | (69.5) | – | – | – |
| Exchange differences | | (5.5) | – | – | – |
| Closing carrying amount | | – | 75.0 | – | – |

## 19 Current and deferred tax assets and liabilities

### (a) Deferred tax assets and liabilities

| | Opening balance | Recognised in profit or loss | Recognised in equity | Acquired through business combination | Closing balance | Included in assets held for sale | Continued operations |
|---|---|---|---|---|---|---|---|
| | | | | Consolidated 2008 $m | | | |
| **Deferred tax assets** | | | | | | | |
| Accrued expenses | 2.6 | (0.6) | – | – | 2.0 | – | 2.0 |
| Employee benefits | 11.9 | 0.3 | – | – | 12.2 | – | 12.2 |
| Inventories | 2.2 | (0.3) | – | – | 1.9 | – | 1.9 |
| Restoration provisions | 29.8 | 1.7 | – | – | 31.5 | – | 31.5 |
| Depreciation | – | 4.4 | – | – | 4.4 | – | 4.4 |
| Tax losses | 244.3 | – | – | – | 244.3 | – | 244.3 |
| Other | – | 11.2 | – | 3.7 | 14.9 | – | 14.9 |
| | 290.8 | 16.7 | – | 3.7 | 311.2 | – | 311.2 |
| Set–off of deferred tax liabilities | (18.3) | | | | – | – | – |
| Net recognised deferred tax assets | 272.5 | | | | 311.2 | – | 311.2 |
| **Deferred tax liabilities** | | | | | | | |
| Depreciation | 137.9 | (137.9) | – | – | – | – | – |
| Inventories | 2.6 | – | – | – | 2.6 | – | 2.6 |
| Mineral rights | 98.8 | (44.9) | (10.0) | – | 43.9 | – | 43.9 |
| Available for sale financial assets | 4.6 | – | (4.6) | – | – | – | – |
| Other | 0.7 | 0.5 | – | – | 1.2 | – | 1.2 |
| | 244.6 | (182.3) | (14.6) | – | 47.7 | – | 47.7 |
| Set–off against deferred tax assets | (18.3) | | | | – | – | – |
| Net recognised deferred tax liabilities | 226.3 | | | | 47.7 | – | 47.7 |

## 19 Current and deferred tax assets and liabilities (continued)

### (a) Deferred tax assets and liabilities (continued)

| | Opening balance | Recognised in profit or loss | Recognised in equity | Acquired through business combination | Closing balance | Included in assets held for sale | Continued operations |
|---|---|---|---|---|---|---|---|
| | | | | Consolidated 2007 $m | | | |
| **Deferred tax assets** | | | | | | | |
| Accrued expenses | 1.8 | 0.8 | – | – | 2.6 | – | 2.6 |
| Doubtful debts | 0.1 | (0.1) | – | – | – | – | – |
| Employee benefits | 19.4 | (4.9) | 7.4 | – | 21.9 | (10.0) | 11.9 |
| Embedded derivatives | 4.0 | (1.7) | – | – | 2.3 | (2.3) | – |
| Inventories | – | 38.2 | – | – | 38.2 | (36.0) | 2.2 |
| Restoration provisions | 47.4 | 9.1 | – | – | 56.5 | (26.7) | 29.8 |
| Tax losses | 267.7 | 17.0 | – | – | 284.7 | (40.4) | 244.3 |
| | 340.4 | 58.4 | 7.4 | – | 406.2 | (115.4) | 290.8 |
| Set–off of deferred tax liabilities | (26.7) | | | | (43.4) | 25.1 | (18.3) |
| Net recognised deferred tax assets | 313.7 | | | | 362.8 | (90.3) | 272.5 |
| **Deferred tax liabilities** | | | | | | | |
| Depreciation | 110.9 | 53.7 | – | – | 164.6 | (26.7) | 137.9 |
| Inventories | 16.6 | (16.6) | – | 2.6 | 2.6 | – | 2.6 |
| Mineral rights | – | – | – | 98.8 | 98.8 | – | 98.8 |
| Available for sale financial assets | – | – | 4.6 | – | 4.6 | – | 4.6 |
| Other | 1.8 | (2.7) | – | – | (0.9) | 1.6 | 0.7 |
| | 129.3 | 34.4 | 4.6 | 101.4 | 269.7 | (25.1) | 244.6 |
| Set–off against deferred tax assets | (26.7) | | | | (43.4) | 25.1 | (18.3) |
| Net recognised deferred tax liabilities | 102.6 | | | | 226.3 | – | 226.3 |

OZ Minerals Holdings Limited (parent entity) had $10.9 million (2007: nil) of deferred tax assets and nil (2007: nil) deferred tax liabilities at 30 June 2008.

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|
| **(b) Current tax receivable** | | | | |
| Current tax receivable | 30.6 | 0.3 | 2.3 | – |
| **(c) Current tax payable** | | | | |
| Current tax payable | 37.3 | 59.7 | – | – |

## 20 Trade and other payables

| | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|
| Trade payables | 203.4 | 104.9 | 2.4 | 0.3 |
| Other payables | 10.6 | 4.0 | – | – |
| Total trade and other payables | 214.0 | 108.9 | 2.4 | 0.3 |

## 21 Interest-bearing liabilities

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|
| **(a) Current** | | | | |
| Bank loan | 86.2 | 27.1 | – | – |
| Lease liabilities – secured | 18.3 | 10.8 | – | – |
| Total current interest-bearing liabilities | 104.5 | 37.9 | – | – |
| **(b) Non–current** | | | | |
| Bank loan | 52.4 | 72.2 | – | – |
| Lease liabilities – secured | 7.5 | 25.6 | – | – |
| Total non-current interest-bearing liabilities | 59.9 | 97.8 | – | – |
| **(c) Aggregate of current and non–current interest bearing liabilities** | | | | |
| Bank loan | 138.6 | 99.3 | – | – |
| Lease liabilities (d) | 25.8 | 36.4 | – | – |
| Consolidated entity debt at 30 June | 164.4 | 135.7 | – | – |
| **(d) Finance lease** | | | | |
| Commitments in relation to finance leases are payable as follows: | | | | |
| Within one year | 20.6 | 13.8 | – | – |
| Later than one year but not later than five years | 10.3 | 28.6 | – | – |
| Later than five years | – | 1.8 | – | – |
| | 30.9 | 44.2 | – | – |
| Future finance charges | (5.1) | (7.8) | – | – |
| Recognised as a liability | 25.8 | 36.4 | – | – |

## 22 Provisions

| | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|
| **Current** | | | | |
| Employee benefits | 15.4 | 14.0 | – | – |
| Workers' compensation | 1.5 | 2.4 | – | – |
| Total current provisions | 16.9 | 16.4 | – | – |
| **Non–current** | | | | |
| Employee benefits | 2.2 | 2.6 | – | – |
| Workers' compensation | 4.5 | 5.7 | – | – |
| Mine rehabilitation, restoration and dismantling (a) | 124.5 | 119.2 | – | – |
| Total non–current provisions | 131.2 | 127.5 | – | – |
| **(a) Mine rehabilitation, restoration and dismantling** | | | | |
| Opening carrying amount | 119.2 | 75.9 | – | – |
| Additional provisions recognised | 3.1 | 20.6 | – | – |
| Acquisition through business combination | 1.1 | 16.2 | – | – |
| Reversal of provision against property, plant and equipment | (5.3) | – | – | – |
| Payments made | (0.8) | (0.6) | – | – |
| Unwind of discount | 8.3 | 7.1 | – | – |
| Exchange differences | (1.1) | – | – | – |
| Closing carrying amount | 124.5 | 119.2 | – | – |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|

## 23 Issued capital

### (a) Issued and fully paid up ordinary shares:

| | | | | |
|---|---|---|---|---|
| 486,911,284 (2007: 486,911,284) | 890.0 | 890.0 | 890.0 | 890.0 |

The Company does not have authorised capital or par value in respect of its issued shares. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each holder is entitled to one vote per share.

### (b) Movements in ordinary share capital

| Date | Details | Number of Shares | $ |
|---|---|---|---|
| 01/07/2006 | Opening balance | 488,241,288 | 903,810,451 |
| 01/07/2006 to 30/06/2007 | Shares bought back on-market and cancelled during the period | (1,330,004) | (13,766,747) |
| 30/06/2007 | Closing balance | 486,911,284 | 890,043,704 |
| 1/07/2007 to 30/06/2008 | There were no movements during the year | – | – |
| 30/06/2008 | Closing balance | 486,911,284 | 890,043,704 |

### (c) Capital risk management

The consolidated entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board determines the level of dividends to shareholders.

The consolidated entity monitors capital on the basis of the gearing ratio. The gearing ratio is monitored and maintained at a level that does not limit the consolidated entity's growth opportunities. The consolidated entity does not carry high amounts of debt over equity given its exposure to changes in base metal prices, in particular high exposure to Australian dollar zinc prices. There were no changes in the consolidated entity's approach to capital management during the year. At the reporting date, the consolidated entity had surplus of cash and cash equivalents over its interest-bearing liabilities as shown below:

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| Cash and cash equivalents | 13 | 1,173.5 | 227.6 | 1.4 | 0.6 |
| Less interest-bearing liabilities | 21 | (164.4) | (135.7) | – | – |
| Net cash position | | 1,009.1 | 91.9 | 1.4 | 0.6 |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|

## 24 Reserves and retained profits

| | | | | |
|---|---|---|---|---|
| Reserves (a) | (41.3) | (18.9) | (15.7) | 0.2 |
| Retained profits (b) | 2,328.6 | 1,948.3 | (192.6) | – |
| Total reserves and retained profits | 2,287.3 | 1,929.4 | (208.3) | 0.2 |

**(a) Reserves**

| | | | | |
|---|---|---|---|---|
| **Movements in foreign currency translation reserve:** | | | | |
| Foreign currency translation reserve at beginning of year | (29.9) | 8.9 | – | – |
| Net exchange differences on translation of overseas controlled entities | 5.2 | (38.8) | – | – |
| Foreign currency translation reserve at end of year | (24.7) | (29.9) | – | – |
| **Movements in share-based payment reserve:** | | | | |
| Share-based payments reserve at beginning of year | 0.2 | 1.1 | 0.2 | 1.1 |
| Share-based payments during the year | 1.5 | 8.8 | 1.5 | 8.8 |
| Shares bought on-market, net of tax | (17.4) | (9.7) | (17.4) | (9.7) |
| Share-based payments reserve at end of year | (15.7) | 0.2 | (15.7) | 0.2 |
| **Movements in fair value reserve:** | | | | |
| Fair value reserve at beginning of year | 10.8 | – | – | – |
| Change in fair value of available for sale financial assets, net of tax | (11.7) | 10.8 | – | – |
| Fair value reserve at end of year | (0.9) | 10.8 | – | – |

**(b) Retained profits**

| | | | | |
|---|---|---|---|---|
| **Movements in retained profits:** | | | | |
| Retained profit at beginning of year | 1,948.3 | 1,288.9 | – | – |
| Net profit after tax attributable to members of OZ Minerals Holdings Limited | 895.7 | 1,334.8 | 318.6 | 681.6 |
| Dividends paid and declared | (511.2) | (681.6) | (511.2) | (681.6) |
| Defined benefit superannuation – actuarial gains/(losses) recognised directly in equity net of tax | (4.2) | 6.2 | – | – |
| Retained profit at end of year | 2,328.6 | 1,948.3 | (192.6) | – |

**(c) Nature and purpose of reserves**

**Foreign currency translation reserve**

Exchange differences arising on the translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in accounting policy Note 1(e).

**Share-based payments reserve**

The Share-based payments reserve is used to recognise the fair value of equity instruments granted to senior executives under the Long-Term Incentive Opportunity scheme. On vesting the cost of shares bought back on-market is also recognised in the Share-based payments reserve.

**Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the investment is derecognised or impaired.

## 25 Total equity

| | | | | |
|---|---|---|---|---|
| Total equity at the beginning of the financial year | 2,819.4 | 2,202.8 | 890.2 | 904.9 |
| Total changes in retained profits | 380.3 | 659.4 | (192.6) | – |
| Shares bought on-market and cancelled during the period | – | (13.8) | – | (13.8) |
| Total changes in reserves – Note 24(a) | (22.4) | (28.9) | (15.9) | (0.9) |
| Total changes in minority interest | – | (0.1) | – | – |
| | 3,177.3 | 2,819.4 | 681.7 | 890.2 |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|

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

| | | | | |
|---|---|---|---|---|
| Profit for the year | 895.7 | 1,334.8 | 318.6 | 681.6 |
| Depreciation and amortisation | 254.5 | 297.9 | – | – |
| Other non-cash items | 11.3 | (32.8) | 22.5 | – |
| Non-cash borrowing costs | 8.3 | 12.1 | – | – |
| Impairment losses | 646.9 | – | 163.0 | – |
| Gain on sale of investments | (75.8) | – | – | – |
| (Gain)/loss on sale of discontinued operations | (1,069.2) | – | 7.1 | – |
| Gain on disposal of property, plant and equipment | – | (5.1) | – | – |
| Dividends from controlled entities | – | – | (511.2) | (681.6) |
| Change in assets and liabilities: | | | | |
| Trade and other receivables | 13.3 | (20.8) | – | – |
| Prepayments | 9.4 | (13.1) | – | – |
| Inventories | (33.6) | (125.2) | – | – |
| Other financial assets | 28.0 | 32.6 | – | – |
| Other financial liabilities | (37.2) | (36.3) | – | – |
| Trade and other payables | (40.7) | 59.9 | – | – |
| Provisions | 7.2 | 11.7 | – | – |
| Current tax assets | (29.5) | 19.9 | – | – |
| Deferred tax assets | 15.9 | (49.1) | – | – |
| Current tax liabilities | (39.8) | 77.1 | – | – |
| Deferred tax liabilities | (178.5) | 22.3 | – | – |
| Net cash inflow from operating activities | 386.2 | 1,585.9 | – | – |

## 27 Non-cash investing and financing activities

| | | | | |
|---|---|---|---|---|
| Acquisition of property, plant and equipment by means of finance lease | – | 22.7 | – | – |

Refer Note 28(c) for details of the consolidated entity's financing arrangements.

## 28 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 28(a) below);
- Credit risk (refer Note 28(b) below); and
- Liquidity risk (refer Note 28(c) below).

This note presents information about the consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and quantitative disclosures. There has been no change to the consolidated entity's exposure to risks or the manner in which it manages risks from the previous period.

Excluding the financial assets at fair value through profit and loss, the remaining financial assets and liabilities for the Company as at the reporting date were not significant, as shown in the table below. As such, the financial risk relating to these remaining financial assets and liabilities are not significant and therefore the financial risk management disclosures for these remaining financial assets and liabilities of the parent company have not been disclosed. Refer to Note 28(a)(iv) for financial risk management disclosure in relation to the financial assets at fair value through profit and loss.

Financial risk management is carried out by the consolidated entity's Group Treasury Function under policies approved by the Board of Directors. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the consolidated entity's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as those identified above.

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|

## 28 Financial risk management (continued)

The consolidated entity and the parent entity hold the following financial instruments at the reporting date:

| | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 13 | 1,173.5 | 227.6 | 1.4 | 0.6 |
| Trade receivables | 14 | 46.9 | 37.4 | – | – |
| Available for sale financial assets | 16 | 4.5 | 216.1 | – | – |
| Financial assets at fair value through profit or loss | 4 | 144.6 | – | 144.6 | – |
| | | 1,369.5 | 481.1 | 146.0 | 0.6 |
| **Financial liabilities** | | | | | |
| Trade payables | 20 | 203.4 | 104.9 | 2.4 | 0.3 |
| Interest-bearing liabilities | 21 | 164.4 | 135.7 | – | – |
| | | 367.8 | 240.6 | 2.4 | 0.3 |

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

### (a) Market risk management

The consolidated entity's activities expose it primarily to financial risks of changes in commodity prices, foreign currency exchange rates, interest rates and equity securities prices.

*(i) Commodity price risk management*

The consolidated entity is exposed to commodity price volatility on commodity sales made by the mines. This arises from sale of metal products such as zinc, lead, copper and silver, which are priced on, or benchmarked to, open market exchanges.

The consolidated entity has set an objective to deliver a return to its shareholders linked to the Australian dollar denominated price for its concentrates. The current policy is to be unhedged for commodities and hence, the consolidated entity seeks to realise the floating market price for its concentrate sales.

In accordance with the requirements of the Australian Accounting Standards, the sensitivity analysis provided below discloses the consolidated entity's exposure to the risk on the outstanding balance of financial assets and liabilities at the reporting date.

*Commodity price sensitivity analysis*

The following table details the consolidated entity's sensitivity to movement in commodity prices. In accordance with Australian Accounting Standards, the sensitivity analysis includes the impact of the movement in commodity prices only on the outstanding trade receivables at the end of the period and does not include the impact of the movement in commodity prices on the total sales for the period.

At reporting date, if the commodity prices increased/(decreased) by the historical average 5-year annual commodity price movement, and all other variables were held constant, the consolidated entity's after tax profit and equity would have increased/(decreased) as follows:

| | 2008 | | | | | 2007 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Average 5-year annual commodity price movement as per LME | Increase | | Decrease | | Average 5-year annual commodity price movement | Increase | | Decrease | |
| **Commodity** | | **Profit $m** | **Equity $m** | **Profit $m** | **Equity $m** | | **Profit $m** | **Equity $m** | **Profit $m** | **Equity $m** |
| Zinc | 30% | 3.7 | 3.7 | (3.7) | (3.7) | 37% | 4.1 | 4.1 | (4.1) | (4.1) |
| Lead | 37% | 2.5 | 2.5 | (2.5) | (2.5) | 43% | – | – | – | – |
| Copper | 36% | 4.8 | 4.8 | (4.8) | (4.8) | 33% | 4.8 | 4.8 | (4.8) | (4.8) |
| Total | | 11.0 | 11.0 | (11.0) | (11.0) | | 8.9 | 8.9 | (8.9) | (8.9) |

*(ii) Foreign currency exchange risk management*

The consolidated entity operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily relating to sales in US dollars. The consolidated entity has not entered into derivative financial instruments to hedge transactions denominated in a foreign currency.

## 28 Financial risk management (continued)

### (a) Market risk management (continued)

*(ii) Foreign currency exchange risk management (continued)*

The carrying amount of the consolidated entity's financial assets and financial liabilities by its denominated currency (presented in Australian dollars) at the reporting date is as follows:

| 30 June 2008 | Notes | Denominated in AUD | Denominated in USD | Denominated in EURO | Denominated in CAD | Total $m |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 13 | 1,125.0 | 39.7 | 0.9 | 7.9 | 1,173.5 |
| Trade receivables | 14 | – | 46.9 | – | – | 46.9 |
| Available for sale financial assets | 16 | – | – | – | 4.5 | 4.5 |
| Financial assets at fair value through profit or loss | 4 | – | – | 144.6 | – | 144.6 |
| **Financial liabilities** | | | | | | |
| Trade payables | 20 | (148.5) | (51.7) | – | (3.2) | (203.4) |
| Interest-bearing liabilities | 21 | (112.0) | (52.4) | – | – | (164.4) |
| Total | | 864.5 | (17.5) | 145.5 | 9.2 | 1,001.7 |

| 30 June 2007 | Notes | Denominated in AUD | Denominated in USD | Denominated in EURO | Denominated in CAD | Total $m |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 13 | 26.8 | 175.2 | 2.9 | 22.7 | 227.6 |
| Trade receivables | 14 | 1.5 | 35.8 | – | 0.1 | 37.4 |
| Available for sale financial assets | 16 | – | – | – | 216.1 | 216.1 |
| Financial assets at fair value through profit or loss | 4 | – | – | – | – | – |
| **Financial liabilities** | | | | | | |
| Trade payables | 20 | (101.7) | (0.1) | (0.1) | (3.0) | (104.9) |
| Interest-bearing liabilities | 21 | (135.7) | – | – | – | (135.7) |
| Total | | (209.1) | 210.9 | 2.8 | 235.9 | 240.5 |

The consolidated entity's foreign currency exchange risk arises predominantly from US dollars as the majority of its sales are in US dollars. Of the amounts denominated in EURO, the significant balance relates to financial assets at fair value through profit or loss which are discussed in Note 28(a)(iv) and are included in the foreign currency sensitivity analysis below. Of the amounts denominated in Canadian dollars, the significant balance relates to available for sale financial assets in the prior period, which are discussed in Note 28(a)(iv) and are excluded from the foreign currency sensitivity analysis below as it no longer exposes the consolidated entity to foreign currency exchange risk.

The following US dollar and EURO exchange rates were applied during the year:

| | Average rate | | 30 June spot rate | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| AUD:USD | 0.8962 | 0.7856 | 0.9607 | 0.8467 |
| AUD:EURO | 0.6096 | 0.6014 | 0.6088 | 0.6296 |

*Foreign currency sensitivity analysis*

The consolidated entity's foreign exchange risk arises predominantly from US dollars and the EURO. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for an 8 per cent change in the US dollar foreign currency rate (2007: 9 per cent) and a 1 per cent change in the EURO foreign currency rate (2007: 2 per cent). These percentage changes reflect the historical average annual movements in the AUD:USD and the AUD:EURO exchange rates respectively over the last 5 years based on the year-end spot rates.

At reporting date, if the US dollar and the EURO strengthened/(weakened) against the Australian dollar by 8 per cent and 1 per cent respectively (2007: 9 per cent and 2 per cent respectively), and all other variables were held constant, the consolidated entity's after tax profit and equity would have increased/(decreased) by approximately $6.9 million (2007: $11.4 million).

## 28 Financial risk management (continued)

### (a) Market risk management (continued)

*(iii) Interest rate risk management*

The consolidated entity is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the consolidated entity to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the consolidated entity to fair value interest rate risk.

The consolidated entity's interest rate hedging policy does not require a fixed and pre-determined proportion of its interest rate exposure to be hedged. Any decision to hedge interest rate risk will be assessed at the inception of each floating rate debt facility in light of the overall consolidated entity's exposure, the prevailing interest rate market and any funding counterparty requirements. No derivatives to hedge interest rate risk were entered into by the consolidated entity during the period.

As at the reporting date, the consolidated entity had the following interest-bearing financial assets and financial liabilities analysed by maturity dates:

| Consolidated | Notes | Effective average interest rate % | 6 months or less $m | 6 to 12 months $m | 1 to 2 years $m | 2 to 5 years $m | More than 5 years $m | Total $m |
|---|---|---|---|---|---|---|---|---|
| **30 June 2008** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Cash at bank | | 5.42 | 22.7 | – | – | – | – | 22.7 |
| Short-term deposits | | 7.51 | 1,150.8 | – | – | – | – | 1,150.8 |
| | 13 | | 1,173.5 | – | – | – | – | 1,173.5 |
| **Financial liabilities** | | | | | | | | |
| Bank loan (i) | | 8.74 | 52.4 | 86.2 | – | – | – | 138.6 |
| Lease liabilities | | 6.45 | 6.9 | 11.4 | 2.7 | 4.8 | – | 25.8 |
| | 21 | | 59.3 | 97.6 | 2.7 | 4.8 | – | 164.4 |
| Net financial assets/(liabilities) | | | 1,114.2 | (97.6) | (2.7) | (4.8) | – | 1,009.1 |
| **30 June 2007** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Cash at bank | | 5.32 | 43.7 | – | – | – | – | 43.7 |
| Short-term deposits | | 6.15 | 183.9 | – | – | – | – | 183.9 |
| | 13 | | 227.6 | – | – | – | – | 227.6 |
| **Financial liabilities** | | | | | | | | |
| Bank loan | | 7.25 | 99.3 | – | – | – | – | 99.3 |
| Lease liabilities | | 8.78 | 5.6 | 5.2 | 19.5 | 4.3 | 1.8 | 36.4 |
| | | | 104.9 | 5.2 | 19.5 | 4.3 | 1.8 | 135.7 |
| Net financial assets/(liabilities) | 21 | | 122.7 | (5.2) | (19.5) | (4.3) | (1.8) | 91.9 |

(i) The bank loan of $52.4 million was contractually repayable after 30 June 2009 and therefore was classified as non-current interest-bearing liabilities on the face of the balance sheet – refer Note 21. However, in the table above, the bank loan has been included in the 6 months or less category given that it has been fully repaid since 30 June 2008 – refer Note 33.

## 28 Financial risk management (continued)

### (a) Market risk management (continued)

*(iii) Interest rate risk management (continued)*

*Interest rate sensitivity analysis*

The following table details the consolidated entity's sensitivity to movement in the interest rates. The sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if the interest rate increased/(decreased) by 100 basis points, and all other variables were held constant, the consolidated entity's after tax profit and equity would have increased/(decreased) as follows:

| | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | +100 bps | | -100 bps | | +100 bps | | -100 bps | |
| | Profit $m | Equity $m | Profit $m | Equity $m | Profit $m | Equity $m | Profit $m | Equity $m |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 8.2 | 8.2 | (8.2) | (8.2) | 1.6 | 1.6 | (1.6) | (1.6) |
| **Financial liabilities** | | | | | | | | |
| Bank loan | (1.0) | (1.0) | 1.0 | 1.0 | (0.7) | (0.7) | 0.7 | 0.7 |
| Lease liabilities | (0.2) | (0.2) | 0.2 | 0.2 | (0.3) | (0.3) | 0.3 | 0.3 |
| **Total** | 7.0 | 7.0 | (7.0) | (7.0) | 0.6 | 0.6 | (0.6) | (0.6) |

*(iv) Equity securities price risk management*

The consolidated entity is exposed to equity securities price risk which arises from investments held and classified on the balance sheet either as available for sale or at fair value through profit or loss. The consolidated entity does not actively trade these investments.

The consolidated entity's financial assets at fair value through profit or loss relates to the investment in Nyrstar retained by OZ Minerals Holdings Limited after the Initial Public Offering of Nyrstar, as discussed in Note 4. This investment is publicly traded on the Euronext Brussels Index. This investment did not exist in the previous period.

*Equity securities sensitivity analysis*

On 20 August 2008, the fair value of the investment in Nyrstar has reduced by $64.1 million to $80.5 million.

The available for sale financial asset held by the consolidated entity in 2007 has been disposed of during the current period and as such no longer exposes the consolidated entity to equity securities price risk.

### (b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity is exposed to counterparty credit risk through sales of metal products on normal terms of trade and through investment of surplus cash.

At the reporting date, the carrying amount of the consolidated entity's financial assets represents the maximum credit exposure which were as follows:

| | Notes | 2008 $m | 2007 $m |
|---|---|---|---|
| Cash and cash equivalents | 13 | 1,173.5 | 227.6 |
| Trade receivables | 14 | 46.9 | 37.4 |
| | | 1,220.4 | 265.0 |

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Credit risk in trade receivables is managed by the consolidated entity by undertaking a regular risk assessment process with credit limits imposed on customers. As there are a relatively small number of transactions, each transaction is monitored closely to ensure payments are made on time.

## 28 Financial risk management (continued)

### (b) Credit risk management (continued)

The consolidated entity's most significant customer, Nyrstar, accounts for $9.0 million of the trade receivables carrying amount at 30 June 2008 (2007: nil). Nyrstar contributed consolidated revenues of approximately 81 per cent (2007: nil) to the consolidated entity's revenue as at the reporting date.

Credit risk arising from sales to Nyrstar and other large international smelting groups are managed by contracts that stipulate a provisional payment of at least 90 per cent of the estimated value of each sale. This is payable either promptly after vessel loading or upon vessel arriving at the discharge port. Title to the concentrate does not pass to the buyer until this provisional payment is made. The balance outstanding is made within 60 days of the vessel arriving at the port of discharge.

Sales to the remaining customers are predominantly covered by a letter of credit with approved financial institutions.

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

| | 2008 $m | 2007 $m |
|---|---|---|
| Australia | 16.3 | 1.1 |
| Europe | 22.8 | 14.4 |
| Asia | 6.1 | 21.1 |
| Other | 1.7 | 0.8 |
| | 46.9 | 37.4 |

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

| | 2008 $m | 2007 $m |
|---|---|---|
| Zinc | 18.0 | 15.8 |
| Lead | 9.7 | – |
| Copper | 19.2 | 20.8 |
| Gold | – | 0.8 |
| | 46.9 | 37.4 |

None of the consolidated entity's receivables are past due at the reporting date. Impairment losses have not been significant during the period and based on historic default rates, the consolidated entity believes that no impairment allowance is necessary in respect of trade receivables at the reporting date.

### (c) Liquidity risk management

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. Group Treasury ensures that the consolidated entity can meet its financial obligations as they fall due by maintaining sufficient reserves of cash and marketable securities to meet forecast cash outlays.

The following are the contractual maturities of the consolidated entity's financial liabilities. The contractual cash flows reflect the undiscounted amounts and includes both interest and principal cash flows.

| | | | Contractual anticipated principal and interest cash flows | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Balance Sheet carrying amount $m | 6 months or less $m | 6 to 12 months $m | 1 to 2 years $m | 2 to 5 years $m | More than 5 years $m | Total $m |
| **30 June 2008** | | | | | | | | |
| Bank loan | 21 | 138.6 | 55.5 | 88.3 | – | – | – | 143.8 |
| Lease liabilities | 21 | 25.8 | 8.1 | 12.5 | 2.2 | 8.1 | – | 30.9 |
| Trade payables | 20 | 203.4 | 203.4 | – | – | – | – | 203.4 |
| | | 367.8 | 267.0 | 100.8 | 2.2 | 8.1 | | 378.1 |
| **30 June 2007** | | | | | | | | |
| Bank loan | 21 | 99.3 | 100.7 | – | – | – | – | 100.7 |
| Lease liabilities | 21 | 36.4 | 7.1 | 6.9 | 22.3 | 6.1 | 1.8 | 44.2 |
| Trade payables | 20 | 104.9 | 104.9 | – | – | – | – | 104.9 |
| | | 240.6 | 212.7 | 6.9 | 22.3 | 6.1 | 1.8 | 249.8 |

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|

## 28 Financial risk management (continued)

### (c) Liquidity risk management (continued)

The consolidated entity's liquidity risk is also managed by having in place the following financing arrangements at reporting date:

| | | | | | |
|---|---|---|---|---|---|
| Bank loan facilities – available | | 217.3 | 300.0 | – | – |
| Bank loan facilities – unused | | (78.7) | (200.7) | – | – |
| Bank loan facilities – used | 21 | 138.6 | 99.3 | – | – |
| | | | | | |
| Lease facilities – available | | 25.8 | 36.4 | – | – |
| Lease facilities – unused | | – | – | – | – |
| Lease facilities – used | 21 | 25.8 | 36.4 | – | – |

At 30 June 2007, the consolidated entity had a syndicated loan facility provided by a syndicate of six banks. The facility was cancelled and the drawn amount repaid by the consolidated entity in August 2007. The securities held over the consolidated entity's assets under a security trust deed were discharged. The facility was refinanced on an unsecured basis with a $150 million revolving credit facility with a term of 364 days.

## 29 Commitments for expenditure

### (a) Capital commitments

Commitments by continuing operations for acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

| | | | | | |
|---|---|---|---|---|---|
| Within one year | | 21.8 | 7.6 | – | – |

Capital commitments for discontinued operations amount to nil (2007: $14.7 million).

### (b) Operating lease commitments

Commitments by continuing operations in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:

| | | | | | |
|---|---|---|---|---|---|
| Within one year | | 3.7 | 3.9 | – | – |
| Later than one year but not later than five years | | 9.2 | 9.6 | – | – |
| Later than five years | | 4.9 | 8.6 | – | – |
| | | 17.8 | 22.1 | – | – |

Non-cancellable operating lease commitments relate primarily to the lease of a building.

Operating lease commitments for discontinued operations amount to nil (2007: $0.5 million).

## 30 Contingent liabilities

### Guarantees

OZ Minerals Holdings Limited has guaranteed the obligations of certain controlled entities in relation to Bankers' Undertakings and cash deposits provided by the Company's bankers to relevant state–based Workers' Compensation authorities within Australia. These guarantees amount to $4.1 million for continuing operations and nil for discontinued operations (2007: $4.3 million for continuing operations and $8.7 million for discontinued operations). Provision is made in the financial statements for expected benefits accruing to past and present employees in relation to workers' compensation (refer Note 22).

Certain bank guarantees have been provided in connection with the operations of the controlled entities of OZ Minerals Holdings Limited, primarily associated with the terms of mining leases in respect of which OZ Minerals Holdings Limited is obliged to indemnify the banks. At the end of the financial year, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority. These guarantees amount to $74.4 million (2007: $78.1 million). Provision is made in the financial statements for the anticipated costs of the obligations under the mining leases (refer Note 22).

Other bank guarantees have been provided with respect to contractual relationships between controlled entities of OZ Minerals Holdings Limited and third parties. These guarantees amount to $0.6 million for continuing operations and nil for discontinued operations (2007: $0.6 million for continuing operations and $1.8 million for discontinued operations).

At 30 June 2007, OZ Minerals Holdings Limited had provided an unsecured guarantee with a maximum value of US$10.0 million to Shanghai HMC Co. Ltd, in support of OZ Minerals Holdings International (Holdings) Pty Ltd's financial obligations as a joint venturer in the Genesis joint venture in China. With the disposal of the zinc refining and lead smelting operations during the period, the unsecured guarantee is no longer in place.

At 30 June 2007, certain controlled entities of OZ Minerals Holdings Limited were party to the Security Trust Deed with respect to the consolidated entity's syndicated loan facility. The facility was cancelled and the drawn amount repaid in August 2007. The security held over the consolidated entity's assets under the security trust deed was discharged.

All of the above guarantees have been provided by respective controlled entities, except for guarantees to Shanghai HMC Co. Ltd in 2007, which had been provided by OZ Minerals Holdings Limited (parent entity).

### Legal actions

Certain controlled entities of OZ Minerals Holdings Limited are defendants from time to time in legal proceedings arising from the conduct of their business. The consolidated entity does not consider that the outcome of any proceedings ongoing at balance date, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

### Other

The Company has entered into Deeds of Indemnity with each of its Non-Executive Directors, members of the Executive Committee, the company secretary and certain other consolidated entity employees who act as Directors of Group companies, indemnifying them against any liability incurred in discharging their duties as Directors or officers of the consolidated entity. The deeds also extend to any liability incurred in relation to the initial offering of shares in Zinifex Limited by Pasminco Holdings Limited to the Australian public and offshore institutions and, in the case of the Executive Committee, the Company Secretary and certain other OZ Minerals Holdings Limited Group employees who act as Directors of OZ Minerals Holdings Limited Group Companies, also indemnify them in relation to any liabilities incurred by them as former employees of Pasminco Limited Group.

The consolidated entity has agreed to indemnify certain third parties in relation to certain claims that may be made against them or loss suffered by them in connection with the Zinifex initial public offering in April 2004. At the end of the financial period, no claims have been made under any such indemnities and, accordingly, it is not possible to quantify the potential financial obligation of the Company or the consolidated entity under these indemnities.

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $ | Consolidated 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|

## 31 Related parties

### (a) Parent entity

The parent entity within the consolidated entity is OZ Minerals Holdings Limited. At 1 July 2008 OZ Minerals Limited became the ultimate parent entity and controlling party of the consolidated entity. Refer Note 33.

### (b) Subsidiaries

The parent entity's interest in subsidiaries is set out in Note 16.

### (c) Key management personnel compensation

The key management personnel compensation included in employee benefits expense are as follows:

| | Consolidated 2008 $ | Consolidated 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| Short-term employee benefits (i) | 5,980,887 | 9,272,210 | – | – |
| Other long-term benefits | 98,645 | 76,142 | – | – |
| Post-employment benefits | 149,023 | 191,830 | – | – |
| Termination benefits | 935,193 | 13,550,314 | – | – |
| Share-based payments | 1,218,090 | 110,721 | – | – |
| | 8,381,838 | 23,201,217 | – | – |

(i) The short-term employee benefits include short-term incentive opportunity payments related to performance for the 2007 financial year paid in October 2007.

There were no other transactions with key management personnel requiring disclosure in these financial statements.

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|

### (d) Transactions with related parties

The following transactions occurred between related parties during the period:

| | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| **Loans to related parties** | | | | | |
| Loans advanced to controlled entities | | | – | – | – |
| Loans repaid from controlled entities | | | – | 131.6 | 396.8 |
| **Dividends** | | | | | |
| Dividend revenue from controlled entities | | | – | 511.2 | 681.6 |

### (e) Outstanding balances with related parties

The following balances are outstanding at the reporting date in relation to transactions between related parties:

| | Notes | Consolidated 2008 $m | Consolidated 2007 $m | Company 2008 $m | Company 2007 $m |
|---|---|---|---|---|---|
| Controlled entities – non current receivables | | – | – | 150.9 | 282.5 |
| Controlled entities – non current payables | | – | – | – | – |

Loans to controlled entities are non-interest bearing and repayable on demand.

### (f) Guarantees

Refer Note 30 where details of guarantees provided by the parent entity are disclosed.

### (g) Other related parties

There are no other related parties requiring disclosure in these financial statements.

| OZ Minerals Holdings Limited and its controlled entities for the year ended 30 June 2008 | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Company 2008 $'000 | Company 2007 $'000 |
|---|---|---|---|---|

## 32 Remuneration of auditors

| | | | | |
|---|---|---|---|---|
| **(a) Audit services** | | | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001:* | | | | |
| KPMG Australia | 463 | 635 | – | – |
| KPMG overseas firms | – | 239 | – | – |
| | 463 | 874 | – | – |
| **(b) Assurance services** | | | | |
| Due diligence services | 703 | 735 | – | – |
| Assurance services relating to Nyrstar | 1,741 | 190 | – | – |
| Other assurance services | 60 | 33 | – | – |
| | 2,504 | 958 | – | – |
| **(c) Taxation services** | | | | |
| Review of research and development tax claims | 75 | 115 | – | – |
| Other | 40 | – | – | – |
| | 115 | 115 | – | – |
| **(d) Advisory services** | | | | |
| Accounting advice | – | 61 | – | – |
| Other advisory services | 62 | 112 | – | – |
| | 62 | 173 | – | – |
| Total fees | 3,144 | 2,120 | – | – |

The cost of the audit of the parent entity is borne by a related entity.

## 33 Events occurring after reporting date

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

On 17 March 2008, OZ Minerals Holdings Limited obtained control of Allegiance when it acquired more than 50 per cent of the issued ordinary shares of Allegiance. As at 30 June 2008, OZ Minerals Holdings Limited acquired approximately 98 per cent of the issued ordinary shares of Allegiance, and had moved into compulsory acquisition of the remaining shares. Acquisition of these remaining shares was completed on 14 July 2008.

A bank loan acquired as part of the Allegiance business combination in March 2008, which had a balance of $52.4 million as at 30 June 2008 (Note 21(b)) was fully repaid in July 2008.

On the Initial Public Offering of Nyrstar, an investment of $245.0 million in Nyrstar was retained by OZ Minerals Holdings Limited. The fair value of this investment at 30 June 2008 was $144.6 million – refer to Note 4. On 20 August 2008, the fair value of the investment has reduced further to $80.5 million. The further reduction of $64.1 million has not been reflected at 30 June 2008.

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

# Directors' Declaration

## Directors' declaration

1 In the opinion of the Directors of OZ Minerals Holdings Limited ('the Company'):

(a) the financial statements and notes of the company as set out on pages 10 to 50, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

*P J Mansell*
*Chairman*
*Melbourne*
*21 August 2008*

*A G Michelmore*
*Managing Director and Chief Executive Officer*
*Melbourne*
*21 August 2008*

KPMG

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

**Report on the financial report**

We have audited the accompanying financial report of OZ Minerals Holdings Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 33 and the directors' declaration set out on pages 10 to 51 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Auditor's opinion*

In our opinion:

(a) the financial report of OZ Minerals Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

Alison Kitchen

**Alison Kitchen**
*Partner*
Melbourne
21 August 2008