



2016

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Annual and  
Sustainability  
Report

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OZ Minerals is an Australian based modern miner listed on the Australian Securities Exchange, the Company is committed to creating value for all stakeholders. OZ Minerals is advancing the Carrapateena copper-gold project and is advancing the West Musgrave copper-nickel project. The Company has a pipeline of exploration projects including the West Musgrave copper-nickel project.

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**Cover:** The Native Apricot [*pittosporum angustifolium*] is part of South Australia's local flora and can be found around our Carrapateena project. Drought and frost resistant, it is extremely resilient to the toughest of conditions.

mining company with a focus on copper. Listed company has a growth strategy focused on copper. It owns the Prominent Hill copper-gold mine and the Prominent Hill project, which is in feasibility study phase. The company has significant opportunities, with the most advanced project, currently in scoping study phase.

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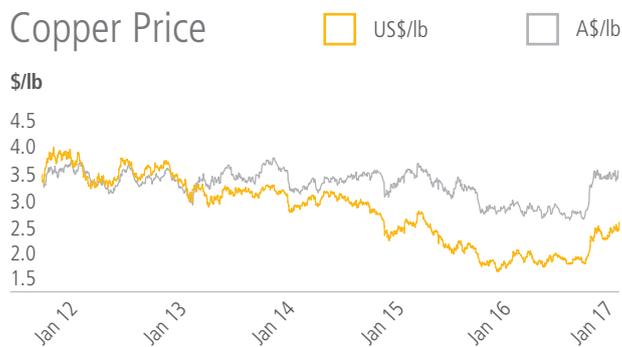
Contact Details and Annual General Meeting (back cover)

# 2016 Snapshot

116,882

tonnes  
of copper  
produced

## Copper Price



## Gold Price



## All Assets

### Prominent Hill operation

- Open pit and underground operations
- Copper concentrate (containing gold and silver)

### Carrapateena project

- Feasibility study underway
- Iron Oxide Copper Gold deposit

### West Musgrave project

- Earn-in with Cassini Resources
- Copper/nickel
- Project in scoping study phase

### Coompana

- Earn-in with Mithril Resources
- Exploring for copper/nickel magmatic sulphide mineralisation

## Snapshot

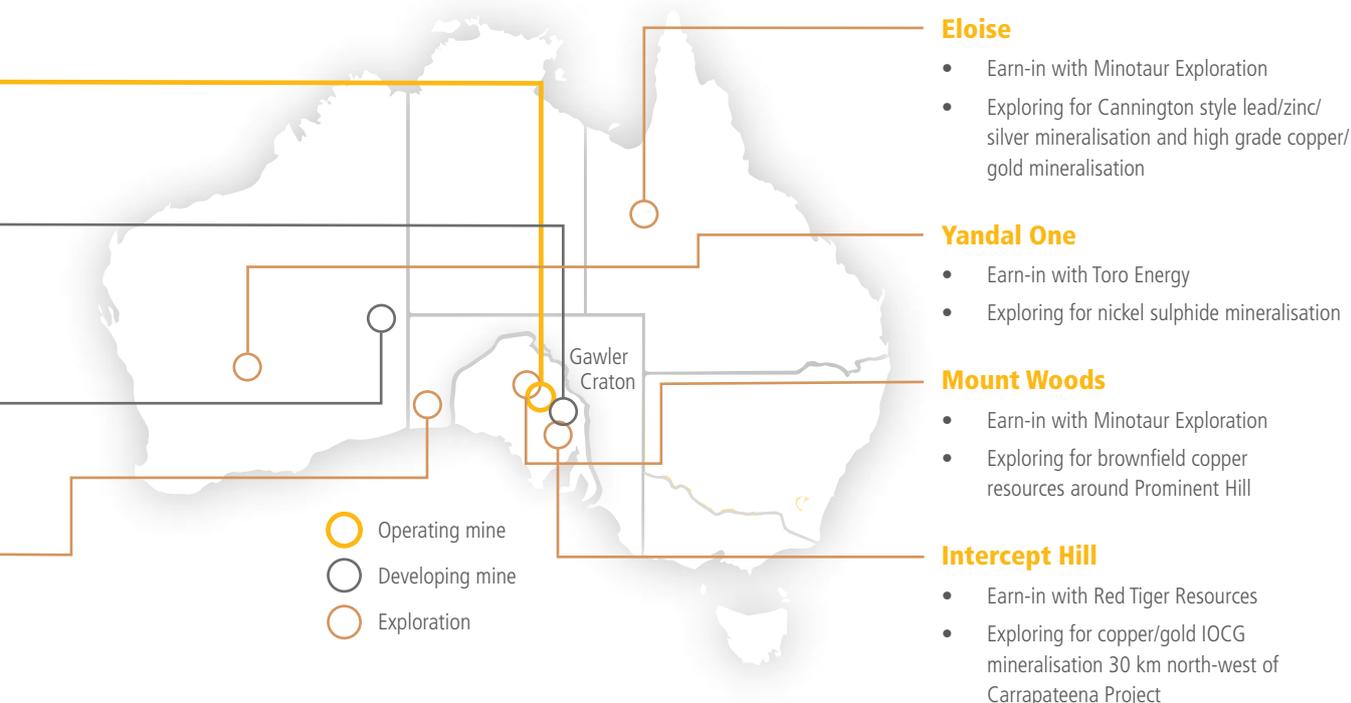
- Copper guidance achieved for second consecutive year.
- Key commitments achieved with Prominent Hill producing 116,882 tonnes of copper and 118,333 ounces of gold.
- Prominent Hill mine life extended to 2028 with a sustained annual rate of circa 10 Mtpa through to 2023 and 3.5 Mtpa - 4.0 Mtpa thereafter.<sup>1</sup>
- Carrapateena Feasibility Study underway and construction of the Tjati decline commenced.
- Landmark partnering agreement signed with the Kokatha Aboriginal Corporation, the traditional land owners at Carrapateena.
- Strong financial results with revenue of \$822.9 million, underlying EBITDA<sup>2</sup> of \$373.8 million, underlying NPAT<sup>2</sup> of \$134.3 million and statutory NPAT of \$107.8 million.
- Robust balance sheet with \$655.7 million in cash and no debt.
- More than \$40 million in annualised procurement cost savings achieved.
- Signed three further earn-in agreements with Australian exploration companies to grow the pipeline of potential external growth opportunities to six.
- Feasibility Study underway for Concentrate Treatment Plant (CTP).
- Further scoping study commenced at West Musgrave project.

118,333

ounces  
of gold  
produced

\$822.9m

revenue



## Full Year financial results summary

	2016 \$m	2015 \$m
Group Revenue	822.9	879.4
Underlying EBITDA <sup>2</sup>	373.8	434.9
Net depreciation and amortisation	(208.7)	(235.1)
Underlying EBIT <sup>2</sup>	165.1	199.8
Net financing income	9.0	2.9
Income tax (expense)/benefit	(39.8)	(63.1)
Underlying NPAT <sup>2</sup>	134.3	139.6
Non-underlying items net of tax	(26.5)	(9.4)
NPAT	107.8	130.2
Dividends per share (cents)	20.0	6.0

(1) This information is extracted from the report entitled 'Prominent Hill mine life extended to 2028' released to the ASX on 15 November 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.

(2) OZ Minerals financial results are reported under International Financial Reporting Standards ('IFRS'). This Annual Report and Results for Announcement to the Market include certain non-IFRS measures including Underlying EBITDA, Underlying EBIT and Underlying NPAT. These measures are presented to enable understanding of the underlying performance of the Consolidated Entity without the impact of non-trading items such as adjustments to discontinued operations. Non-IFRS measures have not been subject to audit. Underlying EBITDA, Underlying EBIT and Underlying NPAT are included in Note 1 Operating Segments, which form part of the Consolidated Financial Statements. Refer Note 1 Operating Segments to the Consolidated Financial Statements for further details.

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# A Message from the Chairman and CEO

Dear Shareholders

This year we have combined our Annual and Sustainability Reports - an action we have taken to demonstrate the criticality of sustainability to our success. In combining the formerly separate publications, we realise a leaner process, reduce duplication, lower costs and speak through a single publication to a wider audience. We trust you will find the new format informative and valuable.

2016 was another successful year for OZ Minerals as we continued to progress our strategy of creating value for all stakeholders by operating a lean, agile business; having a customer focus; growing and maintaining our asset base; and keeping copper at our core. Within our strategy, we continue to focus our activities in five key areas: Prominent Hill; Carrapateena project; West Musgrave project; unlocking value in the Gawler Craton; and securing new opportunities through our growth pipeline.

## Key achievements were:

- Achieving copper production and cost guidance at Prominent Hill for the second consecutive year despite the challenges of an extraordinary weather event and an extended state-wide power outage;
- Achieving revenue of \$822.9 million and statutory net profit after tax of \$107.8 million which saw our cash balance grow to \$655.7 million;
- Increasing the Prominent Hill underground reserve by 40 per cent and developing a new mine plan, leading to an extension of mine life out to 2028;
- Advancing the Carrapateena project with work commencing on the Tjati exploration decline; completing the pre-feasibility study and progressing to feasibility study; and signing a landmark agreement with the Kokatha Aboriginal Corporation;
- Advancing the Concentrate Treatment Plant project, the subject of a separate but parallel study process, includes assessing options for the plant's location;
- Initiating a further scoping study for the West Musgrave project, targeting improvements in metallurgical recovery and increases to the operational scale of the potential project;
- Signing three further earn-in agreements with Australian exploration companies to grow the pipeline of potential external growth opportunities to six; and
- Further simplifying the business in line with our lean, agile approach by: moving to a devolved business model; giving greater autonomy to the sites and projects; simplifying our governance framework; transitioning our Enterprise Resource Planning system on time and under budget; and introducing a new suite of internal communication tools.

The Company's strong performance in 2016 allowed the Board to declare a final, fully franked dividend of 14 cents per share bringing total dividends for the year to 20 cents per share. The Board targets a minimum dividend payment of 20 per cent of net cash generation whilst maintaining a strong balance sheet for investments such as Carrapateena, buyback or other investment opportunities.

We completed \$29.9 million of a \$60 million share buyback program. A total of 4.8 million shares were repurchased at an average share price of \$6.23. Earnings per share were 35.7 cents per share.

After the significant progress made in 2015, our 2016 safety performance was disappointingly impacted by an increase in incidents associated with the Prominent Hill underground mine. This resulted in a rise in our total recordable injury frequency rate to 6.80, despite many departments and supply partners recording zero safety incidents for the year. A program is underway with our underground supply partner focusing on leadership, team performance and management.

In 2016 we remained committed to building effective partnerships with community consultations held for the Carrapateena project, and local procurement and local employment prioritised.

We would like to take this opportunity to thank Dean Pritchard, who retired from the Board after eight years of support, and welcome Dr Julie Beeby, who joined the Board in April 2016. Dr Beeby brings more than 25 years' experience, specifically in the minerals and petroleum industries in senior and executive positions, and more recently as a non-executive director.

Looking forward, we will continue to focus on realising value for shareholders through:

- Driving operational excellence and reliability at Prominent Hill;
- Delivering on our commitments for the Carrapateena and West Musgrave projects;
- Securing new opportunities to improve our growth pipeline;
- Our lean, agile approach, continuing to simplify the way we work; and
- Enhancing our focus on behaviours and the way we work to foster innovation and collaboration.

We would also like to thank our employees and many partners for their crucial support and contribution to the Company's achievements.

We very much look forward to another successful year.

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*Neil Hamilton*

**Neil Hamilton** | 31 March 2017  
Chairman and  
Non-Executive Director

*Andrew Cole*

**Andrew Cole** | 31 March 2017  
Managing Director and  
Chief Executive Officer

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# Our Company Strategy

OZ Minerals' strategy is centred around creating value for all our stakeholders including shareholders, employees, traditional owners, pastoralists and the wider communities in which we operate. We create value by:

- Building and maintaining a portfolio of assets on the condition they are value accretive;
- Targeting base and precious metals, while retaining a copper core;
- Focusing on customers' requirements; and
- Operating as a lean, agile business.

With a clear framework for decisions, the strategy is underpinned by the three pillars of safety, capital discipline and strong values.

Our focus in 2016 has been on executing and embedding the strategy into the fabric of the business. We concentrated our efforts on strategic alignment, delivery and culture.

To that end, the most visible sign of positive progress was Prominent Hill delivering production and cost results in line with the advice we provided to the market for the second consecutive year. The team also showed discipline and agility when faced with 15 days of lost production due to a statewide power outage. The result reinforces that the Company is capable of delivering reliable and predictable results with disciplined deployment of capital, key to investor confidence.

From a cultural perspective we sought to embed alignment across the Company strategy through face-to-face discussions cascading from senior management in numerous forums. The senior leadership team played a key role in developing the messaging around the strategy and conveying it to their teams.

The conversation also involved what being a modern mining company means: adapting to the ever changing environment; harnessing the innovative ideas of our people; and collaborating internally and externally - in essence, thinking and acting differently.

## Multiple Assets

A key part of our strategy is to expand our growth pipeline and progress existing projects.

Three new earn-in agreements with exploration companies were signed in 2016, bringing OZ Minerals' total exploration agreements to six.

West Musgrave is the most advanced earn-in agreement with a further scoping study underway to determine a pathway to commercialisation.

## Copper Core

Copper remains at the heart of OZ Minerals. Our growth pipeline reflects our focus on this, as does our commitment to unlocking value in our existing assets.

Prominent Hill's mine life has been extended through to 2028, and the Carrapateena project is advancing well with the successful completion of a pre-feasibility study, and commencement of the Tjati exploration decline.

## Customer Focus

The Prominent Hill team works closely with the marketing team to produce customised parcels of high-grade, copper-gold-silver concentrate, which are sold to customers in Asia, Australia and Europe. Ongoing mine to mill alignment to meet customer requirements has resulted in the continued diversification of our customer base.

## Lean Business

One of the enablers of the strategy is our lean and agile philosophy, a way of working supported by simplified systems, processes and technology. To that end we completed a full technology refresh and transitioned our Enterprise Resource Planning system to a new platform on time and on budget. This simplification encourages cross-site collaboration and enables greater flexibility in our planning and reporting.

We have developed a new governance structure, reducing our policies, standards and procedures to provide greater clarity for the business on what is required within a devolved operating model. It is an ongoing project that will continue in 2017.

During the year we initiated a focus on innovative thinking and collaboration. We understand that to be lean, agile and extract maximum value for the Company, we need to continually examine and improve the way we are working.

At Carrapateena, we are examining options for a completely autonomous underground mine. We have been working closely with our contractor PYBAR, to explore different technologies to add value through safety, productivity and efficiency improvements. These include:

- Semi-autonomous bogging that allows for waste bogging to be undertaken while exhausting toxic

fumes following blasting. This initiative shortens the face cycle time and is expected to deliver significant productivity benefits; and

- An underground wireless, real time tracking and data communication system, which will improve safety and productivity. This sophisticated system will be fundamental in helping OZ Minerals create an autonomous underground mine.

## Safety

While safety is covered in more detail in other sections of this report, a major safety improvement program is underway with our underground contract partner at Prominent Hill.

## Capital Discipline

In pursuit of capital discipline, we are driving cost-saving initiatives throughout the business. Prominent Hill's costs remain in the bottom quartile and through a Company-wide review of all our supplier contracts we have cut our procurement costs by more than \$40 million (annualised savings).

## Strong Values

A significant milestone in Carrapateena's progress was reached with the signing of a partnering agreement with the Kokatha Aboriginal Corporation, the traditional owners of the Carrapateena site. The Carrapateena section and the Social section of this report contains further information about this agreement.

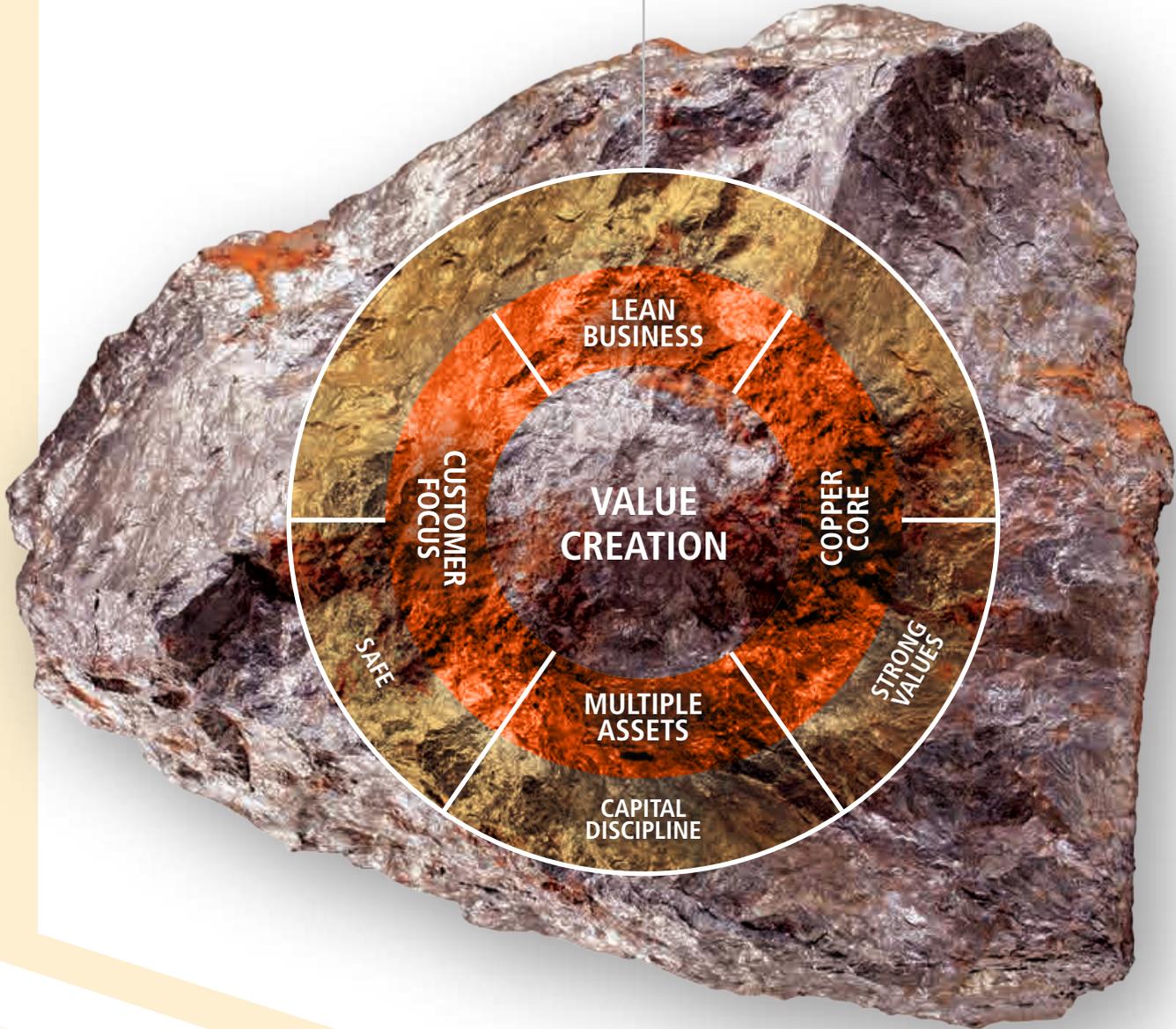
We have also started a Company-wide, internal program focused on how we work together. These behaviours will drive how we do business and is an ongoing project for 2017.

Through lean processes, strong partnerships, a commitment to science, understanding the environment and a whole-of-mine life cycle approach, OZ Minerals is committed to embedding the stakeholder value creation concept across all aspects of the business.

This has been a year of many achievements. We now have the foundations in place, and there is still much work to be done to grow the Company and take further steps towards the realisation of our strategy and our long-term ambitions to be a modern mining company.

## A MODERN MINING COMPANY

We work together by: thinking and acting differently; building a culture of respect that enables our people to succeed; focusing on partnerships and collaboration, not hierarchy; delivering superior results through effective planning and agile deployment; doing what we say we will do and taking action and; acting with integrity and engaging with our stakeholders.



# Prominent Hill

Prominent Hill is a copper-gold-silver mine located 130 km south-east of Coober Pedy in South Australia. Its open pit and underground mine produce a high quality copper concentrate at a low, bottom quartile cost. The projected mine life extends to 2028.

2016 was another year of strong and predictable operating performance at Prominent Hill. Copper production and cost guidance were met for the second consecutive year despite challenges including a state-wide power outage, which saw 15 days of lost production. Revised gold production was also met.

Prominent Hill's costs are in the bottom quartile of all copper producers worldwide (Wood McKenzie data from Q4 2016).

During the year, the mine life of Prominent Hill was extended out to 2028 following a significant 40 per cent increase in the underground Ore Reserve estimate and associated development of a new mine plan.

Key elements of the new mine plan include:

- Maintaining efficiency of production through to closure of the open pit in mid-2018;
- Growing open pit stockpiles through to 2018 and pairing stockpiled ore with the underground higher grade ore, enabling the processing plant to maintain current capacity until mid-2023;
- Ramping up underground production to 3.5 Mtpa - 4.0 Mtpa by 2019; and
- Steady state of production at 3.5 Mtpa - 4.0 Mtpa through to at least 2028.<sup>3</sup>

After the significant progress of the prior year, our safety metrics for 2016 were disappointing. An increase in recordable injuries in the underground mine resulted in a rise in the Company's total recordable injury frequency rate to 6.80. The increase detracted from the excellent performance of many OZ Minerals departments and contract partners who ended the year recordable injury free. An improvement program is underway

enabling the future ramp-up of the underground mine production profile;

- Ramping down open pit production through the planned demobilisation to maintain operational effectiveness in line with the reducing size of the remaining pit shell. In the last quarter of 2016, a single ramp design in the open pit was implemented, which enabled access to additional Ore Reserves;

During the year, the mine life of Prominent Hill was extended out to 2028 following a significant 40 per cent increase in the underground Ore Reserve and associated development of a new mine plan.

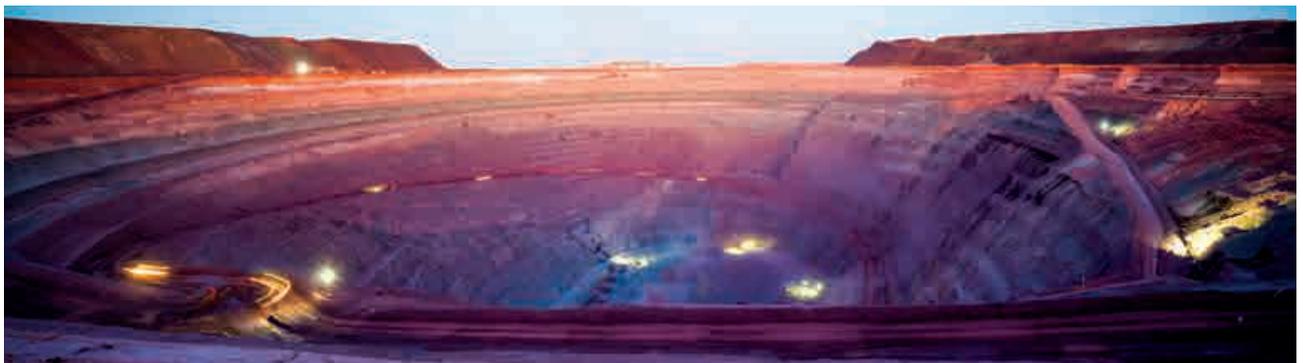
with our underground contract partner focusing on leadership, risk management and employee engagement.

Prominent Hill is an established operation with ongoing consultation and liaison with pastoralists, traditional owners and other community members. Discussion topics in 2016 included water usage, cultural heritage, pit closure and waste rock dump rehabilitation.

Looking ahead our focus for 2017 is:

- Delivering consistent performance by maintaining a strong operating discipline;
- Expansion of the underground operation with the northern decline (Liru) scheduled for completion in the third quarter providing additional independent haulage access,

- Work will continue on progressive waste dump rehabilitation as part of a continuous mine closure strategy. Consultation with stakeholders will ensure adequate ongoing financial provisions and a pathway for a positive legacy for both the local community and South Australia post mine closure;
- Improvements and cost saving initiatives to continue, driven by business simplification and lean operating principles; and
- Drilling programs, including near mine exploration, to target replacement of underground ore reserves and mine life extension.



(3) This information is extracted from the report entitled 'Prominent Hill mine life extended to 2028' released to the ASX on 15 November 2016 and is available at <http://www.ozminerals.com/media/asx>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.



tonnes of  
copper  
produced



ounces of  
gold  
produced

## Overview

**Location:** 650 km north-west of Adelaide, 130 km south-east of the town of Coober Pedy

**Product:** Copper concentrate (containing gold and silver)

**Mining method:** Open pit and underground mine

**Processing method:** Conventional crushing, grinding and flotation

**Resources:** Estimated at 172 Mt @ 1.0% copper, 0.7 g/t gold and 2.7 g/t silver<sup>(4)</sup>

**Reserves:** 75 Mt @ 1.0% copper, 0.6 g/t gold (740 kt copper and 1.4 Moz gold)<sup>(4)</sup>

## Sales

Concentrate produced at Prominent Hill is either railed to Port Adelaide, where it is shipped to customers in Asia and Europe, or transported by rail and road to our domestic customers.



(4) Please refer to page 117 ['Reserves and Resources 2016' section] for full disclosure.

**134 Mt**  
resource

1.5% copper,  
0.6 g/t gold<sup>5</sup>

**US\$0.82**  
/lb

bottom quartile,  
average C1 costs  
over life of mine



## Overview

**Location:** 250 km south-east of Prominent Hill. 130 km north of the regional centre of Port Augusta, in South Australia

**Deposit:** Iron-oxide, copper-gold

**Status:** Project, feasibility study underway, exploration decline in construction

**Resources:** Total estimated Indicated, Inferred and Measured Resources (based on \$70 NSR cut-off grade) of 134 Mt at 1.5% copper 0.6 g/t gold (1,970 kt copper and 2.6 Moz of gold)<sup>5</sup>

**Reserves:** 70 Mt @ 1.8% copper, 0.7 g/t gold (1,300 kt copper and 1.7 Moz of gold)<sup>5</sup>

**Robust Financials<sup>6</sup>:**

NPV is \$770 million

IRR of circa 20% both on a post-tax basis at copper/gold AUS consensus pricing

Short payback period of four years

Expected revenue over life of mine (LOM)

\$10.6 billion

Bottom quartile, average C1 costs of US\$0.82/lb over life of mine

Signing of the Partnering Agreement at the official opening of the Tjati decline  
(l-r): Andrew Cole, Managing Director and CEO, OZ Minerals; Chris Larkin, Chairman, Kokatha Aboriginal Corporation.

# Carrapateena

Carrapateena is an advanced iron-oxide, copper-gold project located in South Australia's highly prospective Gawler Craton region. It comprises an underground copper mine and a Concentrate Treatment Plant (CTP). The \$980 million project is the largest new mining project underway in Australia and is a key part of OZ Minerals' growth strategy. It is expected the Carrapateena asset will generate operating cash flow by 2019. OZ Minerals is able to fund Carrapateena from existing cash flow if required.

In line with our agile project delivery model, construction of the Tjati exploration decline was endorsed by the Board and development commenced in September 2016. The decline will provide early access to the Carrapateena orebody and de-risks the project from an access timing perspective. Construction is progressing to schedule.

The CTP uses an innovative process to create a premium concentrate of approximately 50 – 60 per cent copper with negligible impurities.

the community valued. Creating space for open communication is a priority for OZ Minerals, not only to satisfy regulatory requirements, but also to ensure Carrapateena is a project that creates shared value both now and into the future. Community engagement and value creation will be an ongoing part of the project.

OZ Minerals has been working closely with the Kokatha Aboriginal Corporation, the traditional owners at Carrapateena, to develop a partnering agreement. This agreement is an

The pre-feasibility study proposes a 4 Mtpa sub-level cave mining operation with an estimated annual production rate of circa 61,000 tonnes of copper and circa 63,000 ounces of gold. The project has potential for a 20-year plus mine life with revenue expected to be \$10.6 billion LOM.<sup>6</sup>

In 2016 highlights for the project were:

- Successful completion of the pre-feasibility study (PFS) confirming the project is technically achievable and providing a business case for development;
- Commencing construction of the Tjati exploration decline;
- Commencing the feasibility study; and
- Signing of a partnering agreement between Carrapateena's traditional land owners, the Kokatha Aboriginal Corporation, and OZ Minerals.

The PFS proposes a 4 Mtpa sub-level cave mining operation with an estimated annual production rate of circa 61,000 tonnes of copper and circa 63,000 ounces of gold. The project has potential for a 20-year plus mine life with revenue expected to be \$10.6 billion LOM.<sup>6</sup>

The Carrapateena project has adopted the highly successful agile project evaluation and delivery system. This aligns to the Company's lean focus and allows the OZ Minerals Board to progressively approve the project at key milestones based on risk and value. Deliverables are achieved faster, with a lower risk profile and greater flexibility to adapt to the project's needs.

This high grade copper concentrate will be an attractive feed and blend stock for smelters and will incur lower commercial costs. The CTP is the subject of a separate but parallel study process to Carrapateena.

Environmental research programs and studies into aspects of the Carrapateena project that will affect the natural environment were completed during 2016. These studies formed the basis of a one-of-a-kind interactive engagement hub with the South Australian Government. The hub enabled OZ Minerals to efficiently seek feedback on studies undertaken, workshop ideas for the presentation of information and trial the use of virtual reality as a tool in consultation and engagement. This successful campaign provided background and transparency for the upcoming formal approval process.

Integral to the success of the Carrapateena project is the engagement of local communities and traditional owners. Over the past year, members of the Carrapateena team met communities in Woomera, Port Augusta, Whyalla and Roxby Downs, as well as the pastoral landowners and local Aboriginal groups. People were informed about the project and OZ Minerals had an opportunity to listen to what

innovative approach undertaken in addition to our legislative requirements for Carrapateena. Fundamentally, it recognises the shared value to be gained when we work together as equals. It seeks to create sustainable benefits by leveraging, developing and building on our shared values and aspirations, while protecting and respecting country and culture. The partnering agreement 'Nganampa palyanku kanyintjaku' (translated: keeping the future good for all of us) was signed at the official opening of the Tjati decline held at Carrapateena in November 2016.

(5) Please refer to page 117 ['Reserves and Resources 2016' section] for full disclosure.

(6) This information is extracted from the report entitled 'Confidence in Carrapateena project grows' released to the ASX on 7 November 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.

# Exploration and Growth

In line with OZ Minerals' growth strategy, the pipeline of potential growth opportunities expanded in 2016 with the signing of three new earn-in agreements to explore prospects with identified mineralisation at West Musgrave, Intercept Hill and Coompana. OZ Minerals now has six such agreements in place, which provide us with exploration expertise in specific geologies or locations.

Integral to our growth strategy is ensuring we have the right, value accretive projects in the Company. In line with our capital discipline strategy, if at any time it is determined that a project does not have the potential to generate substantial value, OZ Minerals will cease expenditure and withdraw from the arrangement.

The Company spent a total of \$16.4 million on exploration in 2016, and \$12.9 million on Carrapateena studies (prior to the decision to capitalise costs from 1 July 2016). OZ Minerals expects to spend between \$10 - \$15 million on exploration in 2017.

## Projects

**West Musgrave with Cassini Resources** is the most advanced of OZ Minerals earn-in agreements with a further scoping study currently underway. OZ Minerals and Cassini Resources are looking to develop the Nebo-Babel copper-nickel and Succoth copper deposits located in the Musgrave Province of Western Australia near the South Australian and Northern Territory borders. Nebo and Babel contain a combined indicated and inferred mineral resource estimate of 203.1 million tonnes<sup>7</sup> at 1.38% copper equivalent.<sup>8</sup> The Succoth deposit inferred mineral resource estimate is 156 million tonnes at 0.6% copper.<sup>7</sup>

A significant amount of the estimated resource occurs beneath shallow cover of less than 50 metres. OZ Minerals is hoping to establish the West Musgrave project as a scalable, low cost, long life, open pit mining operation.

The Company has committed an initial \$3 million for the further scoping study to identify an optimised pathway to commercialisation with a focus on operational scale and improvement in metallurgical recovery. OZ Minerals has the ability to earn up to a 70 per cent interest by spending a further \$33

million on pre-feasibility and feasibility studies, and exploration.

## Exploration Activity

**Intercept Hill with Red Tiger Resources** will search for Iron Oxide Copper Gold (IOCG) mineralisation 30 km north-west of the Carrapateena project, providing us with another area of focus in the Gawler Craton. This exploration project is based on the reprocessing of a suite of geophysical data that revealed previous explorers in the region may have overlooked gravity anomalies possibly associated with IOCG systems. These targets will be drill tested in early 2017.

**Coompana with Mithril Resources** will explore seven exploration licences in South Australia's far western Coompana Province. The Coompana area has been the subject of a significant amount of airborne and ground geophysics conducted by the South Australian Department of State Development in collaboration with PACE (Plan for Accelerating Copper Exploration). Target generation has commenced by Mithril Resources.

**Eloise with Minotaur Exploration** is looking for Cannington style lead/zinc/silver mineralisation and Eloise style high grade copper gold mineralisation in the highly prospective Eastern Succession of the Mt Isa block in Queensland.

In its first six months, the joint venture uncovered several significant Induced Polarisation chargeability and electromagnetic (EM) anomalies that had not been previously drill tested. Drilling commenced in the second half of 2016 at Bullwinkle, Olympus, and Iris prospects. Highlights from the recent drill campaign are:

- EL16D05 – 38 m @ 0.47% Cu from 166 m. The main breccia zone comprised 4 m @ 1.65% Cu and 0.2 g/t Au.
- EL16D08 – 26 m @ 0.73% Cu, 0.61 g/t Au from 168 m including 0.4 m @ 12.4% Cu and 14.3 g/t Au.<sup>9</sup>

Following the encouraging drill results at Iris, an in-fill EM survey was conducted along 4 km of strike to better define the anomalies. The new EM data defined an anomaly called Electra which is approximately 1.4 km in strike length, immediately north of Iris.<sup>9</sup>

**Yandal One with Toro Energy** is focusing on exploring for nickel sulphide mineralisation in Western Australia. OZ Minerals committed an initial \$0.5 million to a drilling program after investigations into historical drilling data uncovered evidence of shallow nickel mineralisation on the edge of a large, high-amplitude magnetic anomaly, within 60 km of BHP's Mt Keith mine. Drilling commenced in November 2016.

**Mount Woods with Minotaur Exploration** is searching for copper resources in the tenements surrounding Prominent Hill. It is focused on identification and drilling of IOCG and ISCG targets. This innovative agreement gave Minotaur access to OZ Minerals' vast repository of more than 15 years of exploration data. Minotaur provides its regional expertise in interrogating the database to generate new targets for drill testing, and provides OZ Minerals with an opportunity to accelerate its search for new copper resources in the Prominent Hill district. Drilling commenced at Mount Woods in the third quarter of 2016.

## Bellas Gate and Rodinia with Carube Copper Corp

OZ Minerals withdrew from its earn-in agreement with Carube Copper Corp in Bellas Gate and Rodinia, Jamaica in September 2016.

(7) The information regarding the West Musgrave Project is extracted from Cassini Resources' ASX Release entitled 'Nebo-Babel Scoping Study dated 13 April 2015 and 'Positive Nebo-Babel Optimisation Study Results' dated 14 April 2016 and is available at [www.cassiniresources.com.au/investor-relations/asx-announcements](http://www.cassiniresources.com.au/investor-relations/asx-announcements). The information in this report that relates to exploration results has not been compiled by OZ Minerals. The reported information has been derived from publically available information arising from exploration activity reported by Cassini Resources. OZ Minerals makes no comment or representation regarding the exploration, verification and evaluation techniques adopted in respect of the historical exploration results reported in this announcement.

(8) Further information about this calculation can be found in the Company's announcement entitled 'OZ Minerals secures Australia's largest undeveloped copper nickel deposit' released to the ASX on 1 August 2016, which is available at <http://www.ozminerals.com/media/asx/>.

(9) The information regarding the Eloise project is extracted from Minotaur Exploration's ASX Release entitled 'Exploration for IOCG and ISCG copper-gold giants' dated 2 December 2016 and is available at [www.minotaurexploration.com.au/investor-information/asx-announcements](http://www.minotaurexploration.com.au/investor-information/asx-announcements). The information in this report that relates to exploration results has not been compiled by OZ Minerals. The reported information has been derived from publically available information arising from exploration activity reported by Minotaur Exploration. OZ Minerals makes no comment or representation regarding the exploration, verification and evaluation techniques adopted in respect of the historical exploration results reported in this announcement.

## Exploration Projects

### West Musgrave project

- Earn-in with Cassini Resources
- Copper/nickel
- Project in scoping study phase

### Eloise

- Earn-in with Minotaur Exploration
- Exploring for Cannington style lead/zinc/silver mineralisation and high grade copper/gold mineralisation

### Yandal One

- Earn-in with Toro Energy
- Exploring for nickel sulphide mineralisation

Gawler Craton

### Coompana

- Earn-in with Mithril Resources
- Exploring for copper/nickel magmatic sulphide mineralisation

### Mount Woods

- Earn-in with Minotaur Exploration
- Exploring for brownfield copper resources around Prominent Hill

### Intercept Hill

- Earn-in with Red Tiger Resources
- Exploring for copper/gold IOCG mineralisation targets 30 km north-west of Carrapateena project

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# Governance

At OZ Minerals, providing strong governance to enable lean business processes, clear accountabilities and room for innovation is fundamental to the strategy.

## OZ Minerals' Management Structure

OZ Minerals' Governance and Risk Policy and our management structure provides clear guidelines to conduct our activities in a financially, environmentally and socially responsible way and reinforces the corporate strategy.

The OZ Minerals Board is committed to following the corporate governance guidelines and recommendations set out by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board is responsible for overseeing the management of the Company. The Board has adopted a Board Charter that sets out its roles and responsibilities which include setting the Company's goals and objectives, reviewing and monitoring the Company's material risks and its system of internal compliance and controls; setting an appropriate corporate governance framework; and determining broad policy

issues for the Company. The Board also ensures that specific powers and responsibilities have been delegated to the Company's Executive Committee and that the overall strategy is aimed at delivering value for shareholders.

The OZ Minerals Board currently comprises six directors, one executive director and five non-executive directors. The executive director is CEO Andrew Cole. The proportion of female directors on the Board is 33 per cent.<sup>10</sup>

Three standing Committees assist the Board with the effective discharge of its responsibilities.

**Audit Committee** assists the Board in the effective discharge of its responsibilities in relation to financial reporting and disclosure processes, internal financial controls, funding, financial risk management including hedging and the internal and external audit functions, and oversight of the effectiveness of the systems of internal control and risk management.

**Human Resources and Remuneration Committee** assists the Board in discharging its responsibilities relating to the remuneration of directors, executives, and employees, succession planning and the establishment and monitoring of the Diversity and Inclusion Policy.

**Sustainability Committee** assists the Board in the effective discharge of its responsibilities in relation to: Safety, Health, Environment and Community (SHE&C) issues for OZ Minerals Group; managing the risks relating to SHE&C issues by meeting the Company's requirements for internal notification, investigation, reporting and continuous improvement of SHE&C issues; and overseeing public reporting and disclosure processes insofar as they relate to SHE&C risks.

The Directors' Report presents additional information on directors and officers, such as qualifications, experience, special responsibilities and attendance at OZ Minerals Board meetings and Board Committee meetings.



(10) On 21 March 2017 OZ Minerals announced changes to the Board which will see Chairman, Neil Hamilton, retire from the Board at OZ Minerals' Annual General Meeting on 24 May 2017. Current Non-Executive Director, Rebecca McGrath will succeed him as Chair from that date. Other changes to the board include:

- Paul Dowd to step down as Non-Executive Director at 24 May 2017 Annual General Meeting
- Tonia Dwyer appointed as Non-Executive Director, effective as of 22 March 2017
- Peter Tomsett appointed as Non-Executive Director, effective as of 22 March 2017

Further information can be found in the Company's announcement entitled 'Rebecca McGrath to be appointed Chairman, new directors to join OZ Minerals Board' released to the ASX on 21 March 2017, and is available at <http://www.ozminerals.com/media/asx/>

When the Board reverts to six directors at the Annual General Meeting on 24 May 2017, the proportion of female directors on the board will increase to 50 per cent.

# Management Structure

## OZ Minerals Ltd Board of Directors

<b>Neil Hamilton</b> Chairman and Independent Non-Executive Director <sup>10</sup>	<b>Andrew Cole</b> Managing Director and Chief Executive Officer	<b>Charles Lenegan</b> Independent Non-Executive Director	<b>Julie Beeby</b> Independent Non-Executive Director	<b>Rebecca McGrath</b> Independent Non-Executive Director	<b>Paul Dowd</b> Independent Non-Executive Director <sup>10</sup>
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The Board has a unitary structure. All non-executive directors, including the Chairman, are independent. Mr. Dean Pritchard retired as a non-executive director in May 2016.

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## Board Committees

Audit Committee

Human Resources and Remuneration Committee

Sustainability Committee

⋮

## OZ Minerals Ltd Management Team

<b>Andrew Cole</b> Managing Director and Chief Executive Officer	<b>Luke Anderson</b> Chief Financial Officer	<b>Robert Fulker</b> Chief Operating Officer	<b>Mark Rankmore</b> Head of Human Resources and Services	<b>Robert Mancini</b> Head of Legal and Company Secretary	<b>Kerrina Chadwick</b> Head of Corporate Affairs*
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\*commenced December 2016

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## Asset Managers and Line Managers

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Employees

# Governance Framework

Company Constitution  
Code of Conduct  
Board Charter



Audit Committee Charter

Human Resources and Remuneration  
Committee Charter

Sustainability  
Committee Charter

## Policies

### Governance and Risk Policy

To ensure ethical, fit-for-purpose business processes are used to meet the highest corporate governance standards and identify threats and opportunities using robust processes across OZ Minerals.

### Health and Safety Policy

To strive to be an injury and occupational disease free workplace whilst achieving operational excellence.

### Exploration and Resource Development Policy

To underpin the growth of OZ Minerals by identifying, securing and delivering additional mineral opportunities outside our current portfolio.

### Market Dividend Policy

To ensure fair trading in the securities of OZ Minerals and to outline the principles to be considered for the payment of a dividend by OZ Minerals in accordance with the ASX listing rules and Corporations Act.

### Diversity and Inclusion Policy

To foster a culture that values individual differences which are leveraged to deliver optimal outcomes for OZ Minerals.

### Operations and Asset Management Policy

To ensure the safe and effective delivery of world class operations through sound application of consistent performance.

### Finance and Accounting Policy

To ensure OZ Minerals complies with all financial and accounting regulatory obligations with a view to being a leader in fiscal discipline, reporting, disclosure and transparency.

### Environment and Community Policy

To ensure OZ Minerals delivers sound environmental outcomes whilst supporting the creation of shared value for the communities in which we operate.

### Ethics and Human Rights Policy

To help protect the human rights of our stakeholders and to prevent human rights breaches from occurring at OZ Minerals' assets.

## Performance Standards

Environmental

Social

Safety

Health and Wellbeing

### Process Standards (including Enterprise Risk Management)

Business  
Planning

Legal and  
Compliance

Finance and  
Commercial

Human  
Resources

Communications  
and Reporting

Information  
and Data

Operations and  
Engineering

Reference Documents

Asset Documents

Laws and Regulation

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# Governance Framework

The Governance framework at OZ Minerals has been designed to enable lean business processes that drive clear accountabilities and create room for innovation.

We focus on what matters and set processes that create value, embrace the devolved business model and provide clarity for new assets, partners, suppliers and employees coming into OZ Minerals.

To enable delivery of the Company strategy, values and behaviours drive transparency and fair dealing, and propagate a culture of performance and devolved accountability. OZ Minerals' Code of Conduct applies standards for appropriate ethical and professional behaviour, and guides OZ Minerals employees, directors, contractors and partners as to the expectations of their behaviour.

The Code of Conduct reinforces the importance of OZ Minerals' values in carrying out its responsibilities to shareholders, employees, customers, suppliers, consumers and the broader community. It provides clear guidelines as to OZ Minerals' expectations in regards to a number of specific issues, such as conflict of interest, gifts, entertainment and gratuities, anti-bribery, fraud and corruption, equal opportunity, whistleblowing, conflicts of interest and work expenses.

In February 2016, nine new Company policies were approved replacing the previous 75. These policies work synergistically to provide a clear representation of the intent of OZ Minerals whilst providing a platform for multiple assets to work together under a devolved model. Policy documents are available both internally and externally to the organisation and are used to clearly articulate to all stakeholders, partners and communities what we strive for as an organisation.

Underpinning the policies are performance standards grouped into four key areas. These are safety performance, environmental performance, health and wellbeing performance, and social performance. They define the minimum required performance to manage sustainability threats and opportunities. These standards will be used to audit the performance of assets, set the standards for any new assets to achieve, and are provided to contractors and partners to articulate the performance we expect when working at an OZ Minerals asset. These documents are structured so that each asset, contractor or partner can use or develop their own business standards and processes to meet the OZ Minerals standards, in keeping with our lean, devolved business model.

OZ Minerals is revising its business process standards so they describe, in the simplest possible way, processes or the 'management activities' that occur across the business in a repeatable manner. They are the activities that we undertake, unique to OZ Minerals, and will be utilised by OZ Minerals employees and assets. They define the inputs and outputs required, the processes people must follow and the delegations they can work within.

All corporate and further developed asset documents comply with the laws and regulations of the jurisdiction the asset is operating within.



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# Managing Risks, Threats and Opportunities

OZ Minerals ensures ethical, fit-for-purpose business processes are used to meet corporate governance standards and regularly identify and manage threats and opportunities.

OZ Minerals is exposed to numerous risks across our business, most of which are common to the mining industry. OZ Minerals' commitment and approach to managing these risks is outlined in the Company's Governance and Risk Management Policy. OZ Minerals ensures ethical, fit-for-purpose business processes are used to meet the highest corporate governance standards and identify threats and opportunities using robust processes across the Company.

Our approach is to embed risk management into all business systems, mining operations and exploration activities. Risks are ranked with both pre-mitigating and post-mitigating controls. These reflect the likelihood of consequences that could arise from risks, including metrics for safety and health, environment, community and government, reputation, financial, production, organisational effectiveness, compliance and project management.

A common methodology to identify, assess, evaluate, treat, monitor and communicate risks is applied across the business. Each asset maintains a risk register and the Executive Committee reviews material risks every quarter, including the status of action items to mitigate the material risks.

## **Financial Risks**

Measures to limit risk and financial risk exposure are explained in Notes to the Consolidated Financial Statement. Reviewing and monitoring material risks is one of the responsibilities of the Board. The Board reviews the Company's systems of internal compliance and control, management of material business risks and legal compliance.

## **Non-financial Risks**

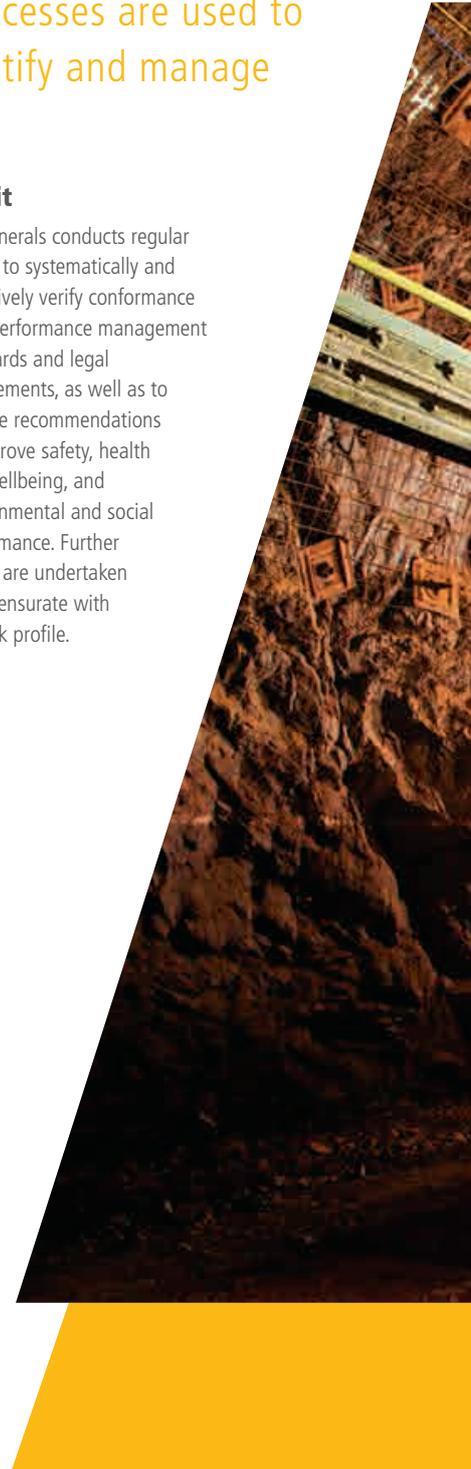
The risk management approach is also aligned toward non-financial risks. The Sustainability Committee monitors OZ Minerals' non-financial risks, as they relate to safety, health, environment and community, and their long-term or not immediate effect.

The Committee's duty is to ensure that the systems, processes and guidelines for identifying, assessing and measuring SHE&C risks of the OZ Minerals Group are adequately updated and monitored, including through internal and external audits.

The management of non-financial risks are also of interest to financial market analysts and investors as evidenced by the United Nations Principles for Responsible Investment (UN PRI), an investor initiative, which partners with the UN Environment Programme Finance Initiative (UNEP) and the UN Global Compact.

## **Audit**

OZ Minerals conducts regular audits to systematically and objectively verify conformance with performance management standards and legal requirements, as well as to provide recommendations to improve safety, health and wellbeing, and environmental and social performance. Further audits are undertaken commensurate with the risk profile.





# Results for Announcement to the Market

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange ('ASX') Listing Rule 4.2A and Appendix 4E for the Consolidated Entity ('OZ Minerals' or the 'Consolidated Entity') comprising OZ Minerals Limited ('OZ Minerals Limited' or the 'Company') and its controlled entities for the year ended 31 December 2016 (the 'financial year') compared with the year ended 31 December 2015 ('comparative year').

## Consolidated results, commentary on results and outlook

	31 December 2016 \$m	31 December 2015 \$m	Movement \$m	Movement percent
Revenue	822.9	879.4	(56.5)	(6.4)
Profit after tax attributable to equity holders of OZ Minerals Limited	107.8	130.2	(22.4)	(17.2)

The commentary on the consolidated results and outlook, including changes in state of affairs and likely developments of the Consolidated Entity, are set out in the Operational and Financial Review section of the Directors' Report.

## Net tangible assets per share

	31 December 2016 \$ per share	31 December 2015 \$ per share
Net tangible assets per share	7.04	6.89

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

## Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 14.0 cents per share, to be paid on 24 March 2017. The record date for entitlement to this dividend is 10 March 2017. The financial impact of the dividend amounting to \$41.8 million has not been recognised in the Consolidated Financial Statements for the year ended 31 December 2016, and will be recognised in subsequent Consolidated Financial Statements.

The details in relation to dividends announced or paid since 1 January 2015 are set out below:

Record date	Date of payment	Unfranked cents per share <sup>(a)</sup>	Fully franked cents per share	Total dividends \$m
10 March 2017	24 March 2017	—	14	41.8
9 September 2016	23 September 2016	6	—	18.1
24 February 2016	10 March 2016	14	—	42.5
10 September 2015	24 September 2015	6	—	18.2

(a) For Australian income tax purposes, all unfranked dividends were declared to be conduit foreign income

## Independent auditor's report

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

# Directors' Report

Your directors present their report for OZ Minerals for the year ended 31 December 2016 together with the Consolidated Financial Statements. OZ Minerals Limited is a company limited by shares that is incorporated and domiciled in Australia.

## Directors

The directors of the Company during the year ended 31 December 2016 and up to the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Neil Hamilton (Non-executive Director and Chairman)

Andrew Cole (Managing Director and Chief Executive Officer)

Dr Julie Beeby (appointed as a Non-executive Director on 19 April 2016)

Paul Dowd

Charles Lenegan

Rebecca McGrath

Dean Pritchard (retired as a Non-executive Director on 24 May 2016)

## Principal activities

The principal activities of the Consolidated Entity during the year were the mining and processing of ore containing copper, gold and silver, sales of concentrate, undertaking exploration activities, and development of mining projects, mainly in Australia. For additional information on the activities of the Consolidated Entity refer to the Operational and Financial Review section in the Director's Report.

## Significant changes in the state of affairs

There were significant changes in the state of affairs of the Consolidated Entity during the financial year ended 31 December 2016. Refer to the Operational and Financial Review section for discussion of these changes in the state of affairs of the Consolidated Entity.

## Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 14.0 cents per share, to be paid on 24 March 2017. The record date for entitlement to this dividend is 10 March 2017. The financial impact of the dividend amounting to \$41.8 million has not been recognised in the Consolidated Financial Statements for the year ended 31 December 2016, and will be recognised in subsequent Consolidated Financial Statements.

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24 February 2016	10 March 2016	14	–	42.5
10 September 2015	24 September 2015	6	–	18.2

(a) For Australian income tax purposes, all unfranked dividends were declared to be conduit foreign income

## Directors' Report

### Information on directors and officers

Particulars of the qualifications, experience and special responsibilities of each person who was a Director during the year ended 31 December 2016 and up to the date of this report are set out below:

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities during the year
<b>Current directors</b>				
<p><b>Neil Hamilton</b></p> <p>Independent Non-executive Chairman</p> <p>Appointed as a Non-executive Director on 9 February 2010 and Chairman on 13 April 2010</p> <p>LLB</p>	<p>Mr Hamilton is an experienced professional Company Director and Chairman. He has over 35 years' experience in the legal profession and in business with substantial experience in senior management positions and on boards of public companies across law, funds management, investment, insurance and resources.</p> <p>Mr Hamilton has broad directorship experience across a range of ASX listed companies. He is the former Chairman of Challenge Bank Ltd, Western Power Corporation, Mount Gibson Iron Ltd, Iress Market Technology Ltd and Miclyn Express Offshore Ltd. Mr Hamilton is also a Senior Advisor to UBS.</p>	None	Non-executive Director of Metcash Limited from February 2008 to August 2016	<p>Chairman of OZ Minerals Limited Board</p> <p>Member of Human Resources &amp; Remuneration Committee</p>
<p><b>Andrew Cole</b></p> <p>Managing Director and Chief Executive Officer</p> <p>Appointed on 3 December 2014</p> <p>BAppSc (Hons) in Geophysics MAICD</p>	<p>Mr Cole has over 20 years' experience in exploration and operations in the resources industry. Following exploration geoscientist roles in Australia, Canada, USA and Mexico with Rio Tinto Exploration (CRA and Kennecott), Mr Cole spent 10 years in mine development and mine operations with Rio Tinto in Australia, China, Canada and the United Kingdom.</p> <p>During his career at Rio Tinto, Mr Cole held various senior and leadership positions, including General Manager Operations of the Clermont Region Operations, including the Blair Athol Mine and Clermont Mine, Chief Executive Officer of Chinalco Rio Tinto Exploration and Chief Operating Officer of Rio Tinto Iron and Titanium.</p> <p>Mr Cole is a Councilor of SACOME (South Australian Chamber of Mines and Energy).</p>	None	None	Managing Director & Chief Executive Officer

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities during the year
<b>Current directors</b>				
<p><b>Dr Julie Beeby</b> Independent Non-executive Director Appointed on 19 April 2016 BSc (Hons I), PhD (Physical Chemistry), MBA, FAICD</p>	<p>Dr Beeby was the former Chief Executive Officer of Brisbane based gas producer, Westside Corporation. Dr Beeby has more than 25 years' experience in the resources sector, including the minerals and petroleum industries. Dr Beeby also has experience in mergers and acquisitions.</p> <p>Chairman of Powerlink Qld (Qld Electricity Transmission Corporation Ltd) since 2014, and has been a board member since 2008.</p>	<p>Non-executive Director of Whitehaven Coal Ltd since July 2015</p>	<p>Non-executive Director of Forge Group Limited from September 2013 to February 2014</p>	<p>Member of the Sustainability Committee</p> <p>Member of the Human Resources &amp; Remuneration Committee</p>
<p><b>Paul Dowd</b> Independent Non-executive Director Appointed on 23 July 2009 BSc (Eng)</p>	<p>Mr Dowd is a mining engineer and has been in mining for 50 years, primarily in the private sector, but also serving in the Public Sector as head of the Victorian Mines and Petroleum Departments. He has held senior executive positions with Newmont and prior to that Normandy, including as Managing Director of Newmont Australia Limited and Vice President of Australia and New Zealand Operations for Newmont Mining Corporation. Mr Dowd currently has various advisory positions with councils and groups, including the SA Minerals and Petroleum Expert Group (SAMPEG), and the University of Queensland - Sustainable Minerals Institute Board.</p> <p>Mr Dowd is Chairman of the CSIRO Minerals Resources Sector Advisory Council, and was the Inaugural Chairman of RESA from September 2006 to May 2015 and Non-executive Director of RESA from May 2015 to present.</p>	<p>Non-executive Director of PNX Metals Limited since April 2012 (previously Managing Director from September 2008 to April 2012)</p> <p>Non-executive Director of Energy Resources of Australia Ltd from October 2015 to present</p>	<p>None</p>	<p>Chairman of the Sustainability Committee</p> <p>Member of Audit Committee</p>
<p><b>Charles Lenegan</b> Independent Non-executive Director Appointed on 9 February 2010 BSc (Econ)</p>	<p>Mr Lenegan was a former Managing Director of Rio Tinto Australia. Mr Lenegan had a distinguished 27-year career with Rio Tinto where he held various senior management positions across a range of commodities and geographies. Mr Lenegan was formerly the Chairman of the Minerals Council of Australia and a former board member of the Business Council of Australia. Mr Lenegan is currently Chairman of Bis Industries Limited (non-ASX listed company).</p>	<p>None</p>	<p>Non-executive Director of Turquoise Hill Resources from August 2012 to May 2014</p>	<p>Chairman of the Audit Committee</p> <p>Member of Sustainability Committee</p>

## Directors' Report

Director	Experience and expertise	Other current listed entity directorships	Former listed entity directorships in last three years	OZ Minerals special responsibilities during the year
<b>Current directors</b>				
<b>Rebecca McGrath</b> Independent Non-executive Director Appointed on 9 November 2010 BTP (Hons), MA (Ap.Sc), FAICD	Ms McGrath was the former Chief Financial Officer and a member of BP's Executive Management Board for Australia and New Zealand. Ms McGrath was also the former Vice President Operations BP Australia and Pacific and General Manager, Group Marketing Performance BP Plc (London). She is a former Director of Big Sky Credit Union and in addition to her Bachelor and Master Degrees, she is a graduate of the Cambridge University Business and Environment program. Ms McGrath is also a member of the JP Morgan Advisory Council, Chairman of Investa Office Management Holdings Pty Ltd and a member of the Victorian division of the Australian institute of Company Directors.	Non-executive Director of Incitec Pivot Limited since September 2011  Non-executive Director of Goodman Group since April 2012	Non-executive Director of CSR Limited from February 2012 to October 2016	Chairman of Human Resources & Remuneration Committee  Member of the Audit Committee
<b>Former directors</b>				
<b>Dean Pritchard</b> Independent Non-executive Director Appointed on 20 June 2008 BE, FIE Aust, CP Eng, FAICD Dean Pritchard retired as a Non-executive Director on 24 May 2016.	Mr Pritchard has over 30 years of experience in the engineering and construction industry. He was previously Chairman of ICS Global Limited, a Director of RailCorp, Zinifex Limited and Eraring Energy and Chief Executive Officer of Boulderstone Hornibrook.	Non-executive Director of Steel & Tube Holdings Limited (a New Zealand listed company) since May 2005  Non-executive Director of Broadspectrum Limited (previously Transfield Services Limited) since October 2013	Non-executive Director of Arrium Limited (previously One Steel Limited) from October 2000 to November 2014	Member of the Sustainability Committee  Member of the Human Resources & Remuneration Committee

## Head of Legal and Company Secretary

### Mr Robert Mancini Head of Legal and Company Secretary

LLB, BCom

Robert Mancini LLB, BCom was appointed Head of Legal and Company Secretary of OZ Minerals Ltd effective on 17 August 2015. Mr Mancini holds a Bachelor of Laws and a Bachelor of Commerce majoring in Economics and Finance. Prior to joining OZ Minerals, Mr Mancini was Senior Legal Counsel at Clough Ltd, General Manager of Legal at UGL Ltd and Group General Counsel at Forge Group Ltd. Together with corporate and continuous disclosure compliance, Mr Mancini is experienced in negotiating large scale EPC and EPCM infrastructure contracts in the Oil & Gas and Mining sectors, both domestically and internationally, as well as dispute resolution management.

## Attendance at meetings

The number of meetings of OZ Minerals Limited's Board of Directors and of each Board Committee held from the beginning of the financial year until 31 December 2016, and the number of meetings attended by each director is set out below.

	Board meetings		Board Committee meetings					
	A	B	Audit		Human Resources and Remuneration		Sustainability	
			A	B	A	B	A	B
Neil Hamilton	12	12	5	6	5	5	1	4
Andrew Cole	12	12	6	6	5	5	4	4
Dr Julie Beeby <sup>(c)</sup>	9	9	4	4	2	3	3	3
Paul Dowd	12	12	6	6	2	5	4	4
Charles Lenegan	11	12	6	6	3	5	4	4
Rebecca McGrath	12	12	6	6	5	5	2	4
Dean Pritchard <sup>(d)</sup>	5	6	2	3	3	3	1	2

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

**B** Number of meetings held during the time the director held office.

**C** Dr Julie Beeby was appointed as a Non-executive Director on 19 April 2016.

**D** Dean Pritchard retired as a Non-executive Director on 24 May 2016.

## Directors' interests

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

Director	Shares number
Neil Hamilton	39,500
Andrew Cole	10,000
Julie Beeby	8,000
Paul Dowd	10,800
Charles Lenegan	20,750
Rebecca McGrath	20,645
<b>Total</b>	<b>109,695</b>

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## Directors' Report

### Environmental regulation

OZ Minerals is subject to environmental regulation with respect to its activities in both Australia and overseas. In addition to the licensing and permit arrangements which apply to its overseas activities, the Consolidated Entity's Prominent Hill operations, Carrapateena project, other Australian exploration activities and its concentrate shipping activities operate under various licences and permits under the laws of the Commonwealth, States and Territories.

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

During the year, OZ Minerals completed its eighth report under the National Greenhouse and Energy Report Act 2009 ('NGERS'). Prior to the submission of the report, a comprehensive independent audit was conducted on the processes that OZ Minerals developed to meet the requirements of the NGERS Act. The audit provided assurance that the reported emissions, energy production and energy consumption were prepared in accordance with the NGERS Act.

### Insurance and indemnity

During the financial year, the Company paid premiums in respect of a contract insuring directors and officers of the Company and its related bodies corporate against certain liabilities incurred while acting in that capacity. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the insurance premium.

The Company's Constitution also allows OZ Minerals to provide an indemnity, to the extent permitted by law, to officers of the Company, or its related bodies corporate in relation to liability incurred by an officer when acting in that capacity on behalf of the Company or a related body corporate.

The Consolidated Entity has granted indemnities under Deeds of Indemnity with current and former Executive and Non-executive Directors, former officers, the General Counsel – Special Projects, the former Group Treasurer and each employee who was a director or officer of a controlled entity of the Consolidated Entity, or an associate of the Consolidated Entity, in conformity with Rule 10.2 of the OZ Minerals Limited Constitution.

Each Deed of Indemnity indemnifies the relevant director, officer or employee to the fullest extent permitted by law for liabilities incurred while acting as an officer of OZ Minerals, its related bodies corporate and any associated entity, where such an office is or was held at the request of the Company. The Consolidated Entity has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the Consolidated Entity.

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

### Proceedings on behalf of the Consolidated Entity

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

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## Audit and non-audit services

KPMG continues in office in accordance with the *Corporations Act 2001*. A copy of the external Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 47 and forms part of the Directors' Report.

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

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

	2016 \$
<b>Audit services provided by KPMG</b>	
Audit and review of Financial Reports and other audit work under the <i>Corporations Act 2001</i> , including audit of subsidiary Financial Statements	
KPMG Australia	439,722
Overseas KPMG firms	34,990
<b>Total fees for audit services provided by KPMG</b>	<b>474,712</b>
<b>Other services provided by KPMG Australia</b>	
Taxation compliance and other taxation advisory services	160,124
Other services	77,025
<b>Total fees for other services provided by KPMG Australia</b>	<b>237,149</b>
<b>Total fees</b>	<b>711,861</b>

The Audit Committee has, following the passing of a resolution by the Committee, provided the Board with advice in relation to the provision of non-audit services by KPMG.

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

- All non-audit services have been reviewed by the Audit Committee to ensure they did not impact the integrity and objectivity of the external auditor; and
- None of the services undermined the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for OZ Minerals Limited or its controlled entities, acting as advocate for the Company or jointly sharing economic risk and rewards.

## Matters subsequent to the end of the financial year

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 14.0 cents per share, to be paid on 24 March 2017. The record date for entitlement to this dividend is 10 March 2017. The financial impact of the dividend amounting to \$41.8 million has not been recognised in the Consolidated Financial Statements for the year ended 31 December 2016, and will be recognised in subsequent Consolidated Financial Statements.

There have been no other events that have occurred subsequent to the reporting date which have significantly affected or may significantly affect the Consolidated Entity's operations or results in future years.

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## Directors' Report

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports). Amounts in the Financial Statements and Directors' Report have been rounded off in accordance with the Instrument to the nearest million dollars to one decimal place, or in certain cases, to the nearest dollar. All amounts are in Australian dollars only, unless otherwise stated.

### Operational and Financial Review

The Operational and Financial Review is set out on pages 31 to 47, and forms part of the Directors' Report.

### Remuneration Report

The Remuneration Report which has been audited by KPMG is set out on pages 52 to 67, and forms part of the Directors' Report.

### Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and has practices in place to ensure they meet the interests of shareholders.

The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition ('the ASX Principles'). OZ Minerals' Corporate Governance Statement, which summarises the Company's corporate governance practices and incorporates the disclosures required by the ASX Principles, can be viewed at <http://www.ozminerals.com/about/corporate-governance/corporate-governance-statement/>.

Signed in accordance with a resolution of the Directors.



Neil Hamilton  
Chairman  
Perth  
23 February 2017



Andrew Cole  
Managing Director and Chief Executive Officer  
Adelaide  
23 February 2017

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## Operational and Financial Review

OZ Minerals is a copper focused modern mining company listed on the Australian Securities Exchange with a growth strategy centred on creating value for all stakeholders. As one of Australia's largest copper producers, with quality assets, a strong cash balance of \$655.7 million and no debt, OZ Minerals is ideally positioned for growth.

OZ Minerals owns and operates the Prominent Hill copper-gold-silver mine and has completed the pre-feasibility study ('PFS') on one of Australia's largest copper deposits at Carrapateena.

Prominent Hill is located in South Australia 130 km south-east of Coober Pedy. Comprised of an open pit and underground mine, Prominent Hill produces one of the highest-grade copper concentrates in the world at a bottom quartile cash costs. In 2016 Prominent Hill delivered strong financial results driven by a commitment to operating discipline. Highlights for Prominent Hill were:

- Copper guidance achieved for 2016 and for the second consecutive year;
- Mine life extended to 2028 driven by growth in underground Ore Reserve of more than 40%; and
- C1 costs of US 74.1c/lb within guidance and in the lowest quartile of global copper producers.

Carrapateena is an iron-oxide, copper-gold (IOCG) project located in South Australia's highly prospective Gawler Craton region. Carrapateena is a key part of OZ Minerals' growth pipeline. The project has potential for a 20 plus year mine life and could generate operating cash flow by 2019. A feasibility study ('FS') of the project is currently underway with a number of milestones achieved in 2016:

- Successful completion of the PFS with robust financials and short payback period;
- Construction commenced on the Tjati decline; and
- Partnering agreement signed with Carrapateena's Traditional Owners, the Kokatha Aboriginal Corporation.

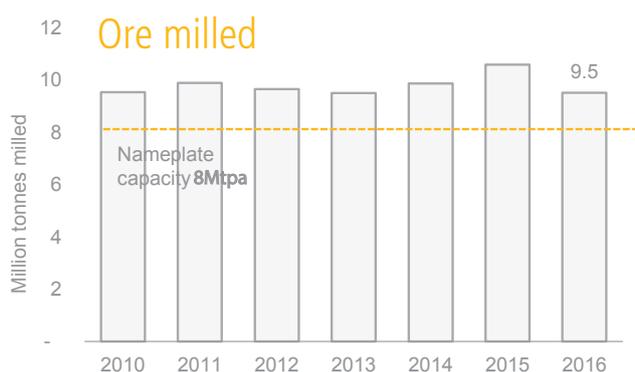
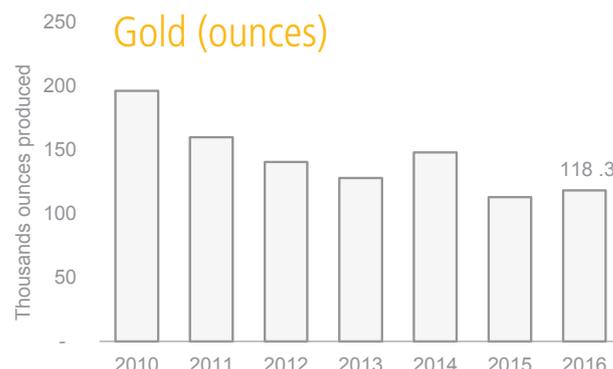
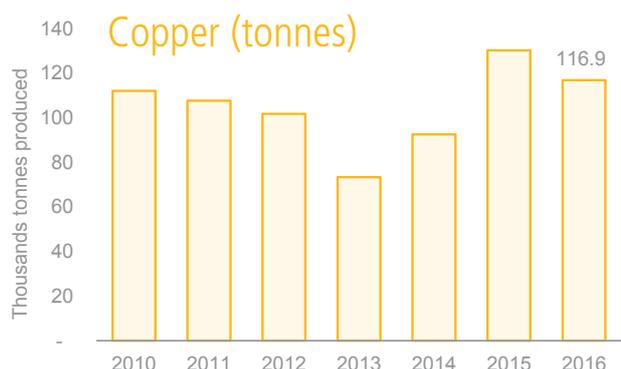
OZ Minerals is continuing to work on the Concentrate Treatment Plant (CTP) Feasibility Study that uses an innovative process to create a high quality premium concentrate, containing 50-60% copper. The CTP is undergoing a parallel but separate FS that will provide further definition around engineering, costs and location of the facility.

OZ Minerals' pipeline of potential growth opportunities expanded in 2016 with the signing of three new earn-in agreements with exploration companies to explore prospects at West Musgrave, Intercept Hill, and Coompana. OZ Minerals now has six such agreements in place with experienced exploration companies which provides exploration expertise in specific geologies and locations.

The West Musgrave project with Cassini Resources is the most advanced of OZ Minerals' earn-in agreements with a scoping study currently underway. The project is targeting the Nebo-Babel nickel-copper and Succoth copper deposits located in the Musgrave Province of Western Australia near the South Australian and Northern Territory borders.

# Directors' Report

## Operational and Financial Review



### Strategy Execution in 2016

OZ Minerals' strategy is centred around creating value for all of its stakeholders which includes shareholders, employees, traditional owners, pastoralists and the wider communities in which it operates. OZ Minerals creates value by:

- Building and maintaining a portfolio of assets that are value accretive;
- Targeting base and precious metals while retaining a copper core;
- Focusing on customers' requirements; and
- Operating a lean business that is agile and flexible.

With a clear framework for critical decisions, the strategy is underpinned by three pillars; safety, capital discipline and strong values. During 2016 OZ Minerals achieved a number of successes in line with the strategy including:

#### Safety

- No recordable injuries at Carrapateena;
- No recordable injuries at Exploration sites; and
- Multiple Prominent Hill site departments and contract partners such as Thiess, Sodexo, Qube Bulk, SGS, Boart Longyear and Orica all achieving more than one year recordable injury free.

The TRIFR increased in 2016 to 6.71. The increase was primarily attributable to the underground mine at Prominent Hill, however the severity of the injuries reduced. An integrated safety improvement plan incorporating safety leadership and an externally led safety behaviours program has been implemented at Prominent Hill.

### **Capital Discipline**

- Strong financial results delivered, underpinned by Prominent Hill performance despite power outage and weather related events;
- Production and costs in line with annual guidance;
- Prominent Hill cash costs remain in the bottom quartile of global copper producers;
- Approximately \$40 million in annualised savings through procurement savings program;
- Healthy cash balance which will assist in advancing Carrapateena;
- Expertise of exploration joint venture partners leveraged to maximise value from exploration expenditure; and
- Strong returns to shareholders through payment of dividends of \$60.6 million and share buyback of \$29.9 million.

### **Strong Values**

- Alignment of employees and contractors to OZ Minerals' strategy through proactive leadership and communication across business;
- Clearly defined principles define the way we work to engender an innovative high performance culture; and
- Landmark Partnering Agreement signed with the Kokatha People, the traditional owners of the land where Carrapateena is situated.

### **Lean Business**

- Simplification of governance structures, reduction and simplification of policies, standards and procedures;
- Simplified operating model with clear accountabilities;
- New Enterprise Resource Planning system; and
- Full technology refresh providing greater agility for employees.

### **Copper Core**

- Copper production and cost guidance achieved for the year;
- Completion of PFS and new Mineral Resource and Ore Reserve statement for Carrapateena;
- Steepening of the open pit walls providing an additional two million tonnes of ore; and
- Prominent Hill mine life extended to 2028 with a sustained annual production rate of 3.5-4.0 Mtpa<sup>1</sup> from the underground mine from 2019.

### **Customer Focus**

- Customer commitments fulfilled despite operational challenges including a 15 day power outage and extreme weather events affecting mine to port logistics;
- Continued creation of customised concentrate parcels for Prominent Hill customers;
- 100 per cent of 2017 concentrate production pre-committed under long-term contracts; and
- Continued testing and engineering of the concentrate treatment process, designed to produce a high quality premium grade copper concentrate.

### **Multiple Assets**

- Carrapateena progressed through pre-feasibility stage into feasibility study phase along with commencement of the Tjati decline;
- West Musgrave project Scoping Study underway;
- Three new exploration earn-in agreements signed in 2016 including West Musgrave, Intercept Hill, and Coompana; and
- Three earn-in agreements signed in 2015 (Mt Woods, Eloise and Yandal One) have progressed, and Jamaica exited.

<sup>1</sup> This information is extracted from the report entitled 'Prominent Hill mine life extended to 2028' released to the ASX on 15 November 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.

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# Directors' Report

## Operational and Financial Review

### Review of operations

#### **Safety performance**

The safety, health and wellbeing of OZ Minerals' employees and contracted partners is a foundational element of OZ Minerals' strategy. A safe working environment and a proactive, hazard-aware safety culture is fundamental to OZ Minerals' operational success. OZ Minerals, in partnership with its contract partners, is building a shared safety culture between employees and contractors working on OZ Minerals' sites.

In many areas across the company, the total recordable injury frequency rate ('TRIFR') per million hours worked has decreased. Numerous operating departments, including the entire Carrapateena project, and contract partners ended the year with a TRIFR of zero.

The TRIFR for the company however increased from 5.30 to 6.71 (from 2015 to 2016 respectively). This increase is primarily attributable to injuries incurred in the Prominent Hill underground, further exacerbated by the planned reduction in man hours worked over the respective period at Prominent Hill in line with the open pit demobilisation.

Prominent Hill has continued the Site Safety Acceleration Program during the year, which outlines three pillars for safety enhancement: leadership intent, hazard and risk awareness and critical risk management.

In the Prominent Hill underground, a targeted safety improvement plan combined with an externally led safety behaviours program was implemented mid-way through 2016. This saw a reducing trend in underground high potential incidents and total injuries by the end of the year.

Risk management has evolved at Prominent Hill with the establishment of a critical and material risk management system early in 2016. Engagement sessions were conducted to identify the site's critical and material Risks, followed by Bowtie risk analysis. The analysis identified contributing factors that lead to a critical or material risk event and the controls that are in place. Risk owners for each risk were assigned, and critical controls and control owners identified. Tools will be developed to enable employees to identify tasks with critical risks and implement the associated critical controls required to manage the risk and work safely. This activity is planned for 2017.

Other focus areas included Mental Health Awareness, Health and Wellbeing programs and increased emergency response capability. A weekly safety leadership forum was established to promote communication and shared safety learnings across the asset at Prominent Hill.

In 2016 the focus remained on creating a proactive safety culture, building the capability of the leadership and engaging employees and contractors in risk management activities to enable safe cost effective production.

#### **Prominent Hill**

Prominent Hill continued its strong production performance, achieving guidance for the year with copper production of 116,882 tonnes and gold production of 118,333 ounces. As a result of the 15 day power outage, gold guidance was revised in the third quarter as the company prioritised higher margin copper production. During 2016, Prominent Hill transitioned to a longer term copper and gold production profile following the record copper production in 2015. In the last quarter of 2016, the processing plant returned to a run-rate in excess of 10.5 million tonnes per annum after adjusting for the power outage.

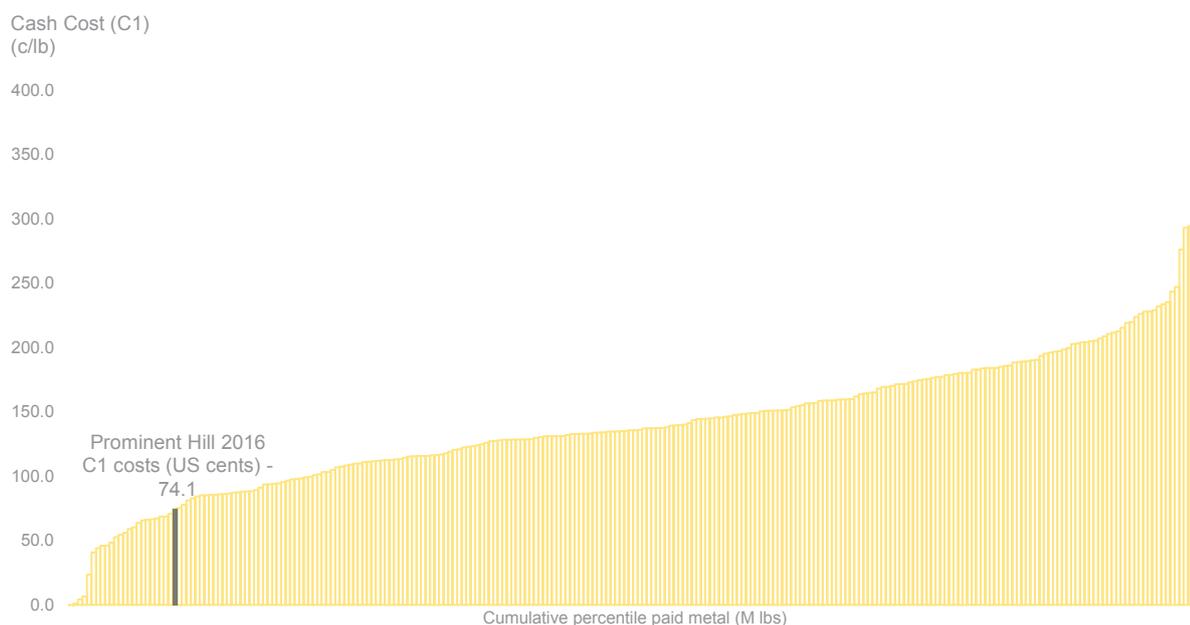
Prominent Hill recorded an increase of 40 per cent in its underground Ore Reserves and an increase of two million tonnes of open pit ore with the steepening of the pit walls. The underground mine life has now been extended to 2028 with a sustained annual production rate from 2019 of 3.5-4.0 million tonnes per annum<sup>2</sup>. The increased production from the underground and ore stockpiles from the open pit enables the processing plant to operate at current levels to mid-2023 after which the plant is expected to operate in alignment with underground production.

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<sup>2</sup> This information is extracted from the report entitled 'Prominent Hill mine life extended to 2028' released to the ASX on 15 November 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.

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Prominent Hill C1 cost of US 74.1 cents per pound of copper (including by-product credits relating to gold and silver produced) was within the first quartile for all copper producers worldwide (Wood Mackenzie data from Q4 2016). The strong cost performance was the result of continuing cost focus, capital discipline, the successful procurement savings program, and innovative efficiency improvements.



The open pit continued its efficient operation with a number of improvements driving accelerated demobilisation of equipment in early 2016 as waste removal activity reduced significantly. Ore produced from the open pit of 15.1 million tonnes was 23 per cent higher than 2015 as the strip ratio decreased to 1:1 compared to 3.1:1 in 2015. During the last quarter of 2016, implementation of the single lane ramp design began which will enable access to an additional two million tonnes of ore from the open pit. The next open pit fleet demobilisation is expected in the second quarter of 2017 and will result in the reduction of a further five open pit trucks to a final fleet of 12 trucks and utilising a smaller primary excavator.

Life of mine dewatering infrastructure installed during the year was successful in mitigating the impacts of high volume rainfall in late December 2016.

The underground mine delivered 2.1 million tonnes of ore, which was 11 per cent higher than prior year assisted by a temporary decline providing additional haulage capacity in the fourth quarter. The development of the second underground decline progressed well with completion expected in third quarter of 2017.

A combination of ongoing drilling programs, mine planning initiatives and reduction in cut-off grades led to the increase in the underground Ore Reserves of more than 40 per cent.

### **Carrapateena**

A number of successes were achieved at the Carrapateena Project throughout the year including:

- Completion of the scoping study and PFS;
- Announcement of an Ore Reserve estimate and updated Mineral Resource estimate;
- Signing of a landmark partnering agreement with the Native Title Owners, the Kokatha Aboriginal Corporation; and
- Commencement of the Tjati decline.

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# Directors' Report

## Operational and Financial Review

The PFS confirmed a robust project with an NPV of \$770 million at an IRR of approximately 20 per cent with a payback period of four years. The PFS proposes a 4Mtpa sub level cave mining operation with an estimated average annual production of 61,000 tonnes of copper and 63,000 ounces of gold over a 20-plus year mine life<sup>3</sup>.

Following approval from the OZ Minerals Board, the project has progressed to Feasibility Study stage and construction of the Tjati decline commenced in August 2016 with development now beyond 850 metres. Confidence in the Carrapateena resource further increased with the release of an updated Mineral Resource estimate of 134 million tonnes at 1.5% Cu, 0.6 g/t Au and 6.5g/t Ag. The Mineral Resource estimate upgraded 46 per cent of the resource to Measured classification<sup>4</sup> and forms the basis for the Feasibility Study.

The Concentrate Treatment Plant (CTP) is undergoing a parallel but separate study process. Feasibility level engineering of the CTP continued and has now progressed to the cost estimate phase and site options are being assessed. The CTP uses an innovative process to create a high quality premium copper concentrate of approximately 50-60 per cent copper grade while reducing impurities. This concentrate will incur lower commercial costs, provide freight savings and will be attractive feed and blend stock for smelters.

Approval submissions to the State and Federal Governments are progressing well and a landmark partnering agreement with the traditional owners, the Kokatha Aboriginal Corporation was signed in the fourth quarter.

Tender packages for the Engineering, Procurement and Construction of the minerals processing plant were also issued during the fourth quarter of 2016.

### **West Musgrave**

The West Musgrave project with Cassini Resources is the most advanced of OZ Minerals' earn-in agreements. OZ Minerals has committed an initial \$3 million to determine an optimised pathway to commercialisation with a focus on operational scale and improvement in metallurgical recovery. A scoping study is currently underway and is targeting the Nebo-Babel copper-nickel and Succoth copper deposits located in the Musgrave Province of Western Australia. Exploration drilling was undertaken at the Babylon prospect, which forms part of the Succoth deposit, and One Tree Hill prospect. The exploration drill hole at One Tree Hill intersected a significant sulphide zone with assays confirming the discovery of magmatic Cu-PGE-Ni style mineralisation, similar to Succoth and Nebo Babel deposits.

Following the completion of the scoping study, OZ Minerals has the option to earn up to 70 per cent of the project. If OZ Minerals elects to proceed, it will be committing \$15 million towards a PFS and \$4 million in further regional exploration in 18 months for 51 per cent, and another \$10 million on FS and \$4 million on regional exploration to earn another 19 per cent.

### **Exploration and growth**

OZ Minerals continued to grow its pipeline of opportunities with the addition of three new earn-in agreements with highly regarded explorers at West Musgrave, Intercept Hill and Coompana. These agreements provide OZ Minerals with exploration expertise in specific geologies and locations. The earn-in partners in turn access capital to undertake drilling programs. OZ Minerals typically works with its earn-in partners to oversee projects while they manage on the ground activities. The six projects underway are as follows:

- West Musgrave, as above.
- Intercept Hill with Red Tiger Resources targeting the wider Carrapateena province and drilling IOCG mineralisation. Targets will be drill tested in early 2017.
- Coompana with Mithril Resources targeting seven exploration licenses in South Australia's far western Coompana province leveraging the work completed by the SA DSD and PACE initiative.
- Eloise with Minotaur Exploration drilling multiple prospects in the Eastern Succession of the Mt Isa block in Queensland.

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<sup>3</sup> This information is extracted from the report entitled 'Confidence in Carrapateena project grows' released to the ASX on 7 November 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed.

<sup>4</sup> Details of this mineral resource estimate were previously reported in the announcement entitled 'Carrapateena Mineral Resource estimate robustness confirmed' released to the ASX on 9 December 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that it is not aware of any new information included in the original announcement and, in the case of mineral resources, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. OZ Minerals confirms that the form and content in which the Competent Person's findings are presented have not been materially modified from the original announcement.

- Yandal One with Toro Energy targeting nickel sulphide mineralisation in Western Australia. Drilling commenced in 2016.
- Mt Woods with Minotaur Exploration exploring brownfield copper gold resources around Prominent Hill. Drilling commenced in 2016.

In line with OZ Minerals' commitment to capital discipline, after a comprehensive review of the exploration results, OZ Minerals withdrew from the Jamaican exploration joint ventures at Bellas Gate and Rodinia and entered into a heads of agreement to transfer all exploration interests in Jamaica to Carube Copper Corporation.

#### **Review of Financial Results**

- Net profit after tax of \$107.8 million;
- Underlying EBITDA of \$373.8 million, and EBITDA margin of 45 per cent;
- Total revenue of \$822.9 million;
- Cost of goods sold of \$380.3 million;
- Shareholder payments of \$90.5 million; and
- Net assets of \$2,354.3 million, with cash of \$655.7 million and no debt.

# Directors' Report

## Operational and Financial Review

### Review of consolidated financial results and operations<sup>5</sup>

OZ Minerals maintained its strong financial performance in 2016 while executing its growth strategy. The impact of lower copper and gold production from the Prominent Hill operation was largely offset by the successful cost reduction program contributing to a strong underlying NPAT of \$134.3 million for the year (2015: \$139.6 million when pre-commissioning Malu underground costs and revenue were capitalised). The production and financial results for 2016 were impacted by the 15 day power outage. The cash balance of \$655.7 million increased by \$103.2 million compared to the prior year after shareholder payments of \$90.5 million, investment in the Carrapateena project of \$38.5 million, Prominent Hill ore inventory, exploration and corporate development activities.

During the year, non-underlying items included the expenditure of \$37.9 million (pre-tax) relating to the Class action which was settled during the year resulting in the NPAT attributable to shareholders of \$107.8 million (2015: 130.2 million).

	Prominent Hill 2016 \$m	Carrapateena 2016 \$m	Exploration & Development 2016 \$m	Corporate 2016 \$m	Total 2016 \$m	Total 2015 \$m
Revenue – Copper	725.1	–	–	–	725.1	794.5
Revenue – Gold and Silver	197.0	–	–	–	197.0	182.0
Treatment and refining charges	(99.2)	–	–	–	(99.2)	(97.1)
<b>Net Revenue</b>	<b>822.9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>822.9</b>	<b>879.4</b>
Mining	(296.2)	–	–	–	(296.2)	(351.7)
Processing	(91.3)	–	–	–	(91.3)	(87.0)
Transport	(52.9)	–	–	–	(52.9)	(54.1)
Site general and administration	(19.7)	–	–	–	(19.7)	(23.3)
Royalties	(42.2)	–	–	–	(42.2)	(47.9)
Deferred waste adjustment	36.6	–	–	–	36.6	148.1
Inventory adjustment	85.4	–	–	–	85.4	34.2
<b>Cost of goods sold</b>	<b>(380.3)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(380.3)</b>	<b>(381.7)</b>
Corporate general and administration	(10.5)	–	(0.5)	(25.7)	(36.7)	(43.0)
Exploration and other income/(expense)	0.7	(12.9)	(16.4)	4.3	(24.3)	(41.0)
Restructuring costs	–	–	–	–	–	(7.6)
Net Realisable Value adjustments	(10.5)	–	–	–	(10.5)	(4.4)
Foreign exchange gain/(loss)	(4.1)	–	–	6.8	2.7	33.2
<b>Underlying EBITDA</b>	<b>418.2</b>	<b>(12.9)</b>	<b>(16.9)</b>	<b>(14.6)</b>	<b>373.8</b>	<b>434.9</b>
Depreciation of PPE	(356.5)	(3.1)	–	(1.9)	(361.5)	(285.1)
Capitalised depreciation into inventory	152.8	–	–	–	152.8	50.0
Net Depreciation	(203.7)	(3.1)	–	(1.9)	(208.7)	(235.1)
<b>Underlying EBIT</b>	<b>214.5</b>	<b>(16.0)</b>	<b>(16.9)</b>	<b>(16.5)</b>	<b>165.1</b>	<b>199.8</b>
Net finance income/expense					9.0	2.9
Income tax (expense)/benefit					(39.8)	(63.1)
<b>Underlying NPAT</b>					<b>134.3</b>	<b>139.6</b>
Non underlying items net of tax					(26.5)	(9.4)
<b>NPAT</b>					<b>107.8</b>	<b>130.2</b>
Basic and diluted earnings per share (cents per share)					35.7	42.9

5. OZ Minerals financial results are reported under International Financial Reporting Standards ('IFRS'). This Annual Report and Results for Announcement to the Market include certain non-IFRS measures including Underlying EBITDA, Underlying EBIT and Underlying NPAT. These measures are presented to enable understanding of the underlying performance of the Consolidated Entity without the impact of non-trading items such as adjustments to discontinued operations. Non-IFRS measures have not been subject to audit. Underlying EBITDA, Underlying EBIT and Underlying NPAT are included in Note 1 Operating Segments, which form part of the Consolidated Financial Statements. Refer Note 1 Operating Segments to the Consolidated Financial Statements for further details.

## Variance analysis – Underlying net profit after tax 31 December 2015 vs. 31 December 2016

	\$m	\$m
Underlying net profit after tax for the year ended 31 December 2015		<b>139.6</b>
<i>Changes in revenues:</i>		
<b>Volume – sales</b>		
Copper	(108.2)	
Gold	(11.1)	
Silver	1.0	(118.3)
<b>A\$ price</b>		
Copper	(17.1)	
Gold	15.5	
Silver	2.2	0.6
Adjustment for 2015 Malu underground pre-production ore	63.0	
Treatment and refining charges	(2.1)	
Royalties	5.7	66.6
<i>Changes in mine costs:</i>		
Production costs	56.0	
Deferred waste and inventory adjustment	(60.3)	
Depreciation	20.3	16.0
<i>Other costs:</i>		
Corporate	6.3	
Exploration	16.7	
Foreign exchange gain on cash and debtor balances	(30.5)	
Restructuring Expenses	7.6	
Other	0.3	0.4
Tax and net interest		29.4
Underlying net profit for the year ended 31 December 2016		<b>134.3</b>

### Revenue

Reported revenue of \$822.9 million was six per cent lower compared to 2015 as production from the Prominent Hill Operation was lower in 2016. Contained copper sales of 112,303 tonnes was 14 per cent lower compared to 2015 reflecting the planned production profile of the Prominent Hill mine following a record year of production in 2015. Contained gold sales of 109,780 ounces was six per cent lower than in 2015. The production and financial results for 2016 were impacted by the 15 day power outage.

During the year A\$ copper price was two per cent lower than 2015 while the average A\$ gold price was nine per cent higher than 2015. From the second half of the year, OZ Minerals adopted a copper price risk management approach to lock in the forward price at the time the concentrate is sold to customers. This approach reduces the volatility from contractual quotation period terms.

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# Directors' Report

## Operational and Financial Review

### **Realisation costs**

Treatment charges and refining costs ("TCRC") were higher by \$2.1 million reflecting the composition of the shipments made during the year resulting in higher commercial costs partially offset by lower concentrate volumes and lower refining charges.

Transportation and freight costs during the year decreased by two per cent as a direct result of lower tonnages of concentrate sold.

The reduction in royalty of \$5.7 million was due to lower sales during the year compared to the prior period.

### **Prominent Hill costs**

2016 was another strong performance with cost of goods sold in line with the previous year however cash expenditure was lower than 2015 with lower waste mining activity in the open pit. The procurement savings, combined with strong capital discipline, enabled Prominent Hill to deliver copper guidance while increasing the cash balance of the consolidated entity.

Mining costs were lower by \$55.5 million in 2016 as a result of lower activity and continued effective equipment utilisation. During the year, there was less mining equipment and fewer personnel following the demobilisation of an excavator and associated fleet in the first quarter.

The cash cost to mine a tonne of ore from the open pit in 2016 of \$11.6 was lower than \$23.3 in 2015 due to the significantly lower waste-to-ore strip ratio, which was approximately 1:1 in 2016 compared to 3.1:1 in 2015. Open pit mining unit costs of \$6.20 per tonne in 2016 were higher compared to \$5.70 in 2015, as a result of fixed costs being spread over less material mined, the deeper open pit and longer haulage distances. As a result of the declining strip ratio, the deferral of mining costs to the balance sheet was lower by \$111.5 million (\$148.1 million in 2015, \$36.6 million in 2016).

2.1 million tonnes were mined from the underground compared to 1.9 million tonnes in 2015. This is expected to increase following the completion of the second decline in the third quarter of 2017. Underground operating costs for the full year were \$53 per tonne mined with a full year of underground Malu area costs incurred (first half of 2015 capitalised), continued capital development (including the second decline) and improving operating activity as the mine matures.

Ore milled in 2016 of 9.5 million tonnes was lower than the prior year of 10.6 million tonnes due to the impacts of the unplanned repair of the girth gear and the 15 day power outage.

Ore continues to be stockpiled for processing in later periods after the open pit ceases operations in 2018. The concentrate and ore inventory movement of \$227.8 million in 2016 was higher than the 2015 movement of \$79.8 million. This was a result of an increase in ore stocks by 7.7 million tonnes of predominantly open pit ore during 2016 (3.6 million tonnes in 2015).

Depreciation expense increased by \$76.4 million compared to 2015 predominantly due to higher ore mined, with the deferred mining asset being the largest contributor.

### **Other Costs**

Exploration and evaluation costs related to the Carrapateena project of \$12.9 million incurred during the first half of the year were recognised in the Income Statement. Following the PFS and subsequent Board determination, all costs relating to the evaluation and development of the Carrapateena project of \$32.7 million were capitalised in the second half of the year.

Exploration and Development expenditure of \$16.4 million incurred during the year also included \$13.4 million relating to the six exploration earn-in arrangements and the exploration project in Jamaica from which OZ Minerals exited during the year and \$3.0 million relating to corporate development including due diligence costs. During the year, OZ Minerals also received a government grant of \$4.0 million.

In early 2016, the company determined to maintain its cash holdings in A\$ with US\$ maintained only to meet US\$ commitments which minimised the impact of foreign exchange movements on the cash balance.

Corporate general and administration costs of \$36.7 million comprise costs incurred in direct support of operating activities of \$11.0 million and those related to largely corporate activities of \$25.7 million. An allocation of the costs related to support of operating activities cover a range of services and costs provided at the Corporate office to Prominent Hill, Carrapateena, and Exploration and Development operating segments. These costs include sales and marketing, strategic sourcing, business services, information technology and insurance.

The income tax expense for the year ended 31 December 2016 was \$28.4 million and is lower than the Australian corporate tax rate of 30 per cent due to the recognition of \$13.6 million of restricted tax losses, as a result of a reassessment of the future tax profile of the company. A current tax provision of \$69.0 million was recognised which was 51 per cent of the EBT reflecting the unwinding of the deferred tax liabilities that were recognised predominantly in relation to the open pit deferred waste. As the deferred tax liabilities relate to the open pit unwind over 2016 to 2018, the tax cash flows are expected to exceed the income-tax expense recognised in the Income Statement.

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**Non underlying items, net of tax**

During 2016 non underlying items included settlement and legal costs relating to the class action of \$26.5 million net of tax (refer to Note 16 to the Consolidated Financial Statements).

**Cash flow****Operating cash flows**

Operating cash flows for the year ended 31 December 2016 of \$324.1 million was a reduction of \$105.7 million compared to the prior year as a result of lower concentrate sales, partially offset by the successful cost reduction program. Payments to suppliers and employees were higher by \$66.9 million as the open pit ore production increased by 22 per cent, (while total open pit mining costs have reduced, the allocation to deferred waste asset has reduced and as a result the costs attributable to ore mining which is an operating activity, has increased) the receipts from customers decreased by \$55.6 million and exploration expenditure decreased by \$10.2 million.

**Investing cash flows**

Net investing cash flows of \$122.1 million were a combination of payments for property plant and equipment at Prominent Hill, capitalisation of exploration and development costs at Carrapateena and receipts from the sale of minor investments in equity securities.

The payments incurred related to the following:

- Deferred waste stripping costs of \$36.6 million;
- Capitalised Carrapateena costs of \$25.6 million;
- Mine development costs of the underground operation of \$47.5 million, and
- Other sustaining capital expenditure of \$15.7 million; partially offset by
- Receipts from sale of investments of \$3.3 million.

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# Directors' Report

## Operational and Financial Review

### **Financing activities**

Cash flows relating to financing activities were an outflow of \$97.6 million, of which \$60.6 million were dividends, \$29.9 million related to share buyback and \$7.1 million related to purchase of shares to meet the share based payment obligations. During the year, 4,805,272 shares have been bought and cancelled at an average cost of \$6.23 per share. Shares acquired as part of the on-market share buyback program amounted to \$29.9 million and were cancelled and presented as a deduction to issued capital.

Since the end of the financial year, the Board of Directors has resolved to pay a final dividend in respect of the 2016 financial year amounting to \$41.8 million. This final dividend is fully franked for Australian Tax purposes.

With the move to fully franked dividends and with forthcoming investment decisions due on Carrapateena, the Board has decided not to renew the 12-month, \$60m share buyback program which expires on 26 February.

### **Balance Sheet**

Net assets and total equity increased by \$10.4 million during the year to \$2,354.3 million, mainly due to current year profit of \$107.8 million partially offset by dividends of \$60.6 million, share buyback of \$29.9 million, the reduction in the value of investments in equity securities of \$10.3 million and an increase in value of gold derivative contracts of \$3.6 million net of tax.

The company ended the year with a cash balance of \$655.7 million and undrawn debt facilities of US\$100 million with an uncommitted accordion facility for \$300 million providing the liquidity and flexibility to execute on the Company's growth strategy.

Inventories at 31 December 2016 were \$557.1 million of which non-current ore stockpiles increased by \$173.4 million in line with the accelerated open pit mining strategy. The addition to ore inventories during the year was partially offset by net realisable value write down of \$10.5 million of low grade gold ore stockpiles. The net realisable value is estimated based on the revenue to be derived from metal contained in the ore stockpiles based on the operational plan for processing and adjusted for incremental costs.

The lease receivable of \$34.8 million at 31 December 2015 reduced by \$7.3 million following the amortisation of the lease receivable during the year. The consideration paid in 2012 to acquire mining equipment recognised as a lease receivable will be recovered by OZ Minerals progressively over the mining services contract with Thiess through a reduced mining services charge.

### **Outlook**

OZ Minerals expects 2017 to be another strong year at Prominent Hill, and has accordingly set guidance for contained copper production at 105,000 to 115,000 tonnes<sup>6</sup>. Higher margin copper production will be prioritised over gold production.

C1 unit cost guidance for the 2017 calendar year has been set at US85 cents to US95 cents per payable pound of copper, and is expected to remain in the lowest cost quartile of global copper producers.

All In Sustaining Cost ('AISC') guidance for 2017 calendar year of between US120 cents to US130 cents per payable pound of copper is also within the lowest quartile of global copper producers.

Total open pit movement will significantly reduce in 2017 to between 15Mt to 20Mt as the strip ratio declines. As a consequence, in second quarter of 2017, Thiess will demobilise another excavator fleet. With less material movement, open pit unit mining costs will increase slightly to \$7.25 to \$7.75 per tonne, however the reduction in open pit strip ratio to around 0.5:1 times results in overall lower costs per tonne of ore.

Underground ore movement will increase in 2017 to between 2.3Mt and 2.6Mt as the underground continues to expand. As previously announced, work progressed well during the year on the second decline into the underground to further increase the capacity of the mine.

A decision by the Board on the next stage of Carrapateena is expected to be made in the second quarter of 2017 on the basis of the feasibility study update.

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<sup>6</sup>This information is extracted from the report entitled 'Record production sets scene for dividends and growth' released to the ASX on 10 February 2016 and is available at <http://www.ozminerals.com/media/asx/>. OZ Minerals confirms that all material assumptions underpinning the production target in that report continue to apply and have not materially changed

Completion of the West Musgrave Scoping Study is expected in the fourth quarter of 2017 with a decision on whether to progress to a PFS.

Exploration activities will focus on progressing the six exploration earn-in agreements and growing the pipeline with further opportunities. Exploration expenditure in 2017 is expected to be between \$10 to \$15 million.

## Risks

OZ Minerals' operating and financial results and performance is subject to a wide range of risks and uncertainties (both opportunities and threats) including financial, political, operational and environmental. The Consolidated Entity manages and mitigates these risks where appropriate to minimise adverse impact on its performance from threats and maximise beneficial outcomes from opportunities. A flat corporate governance structure and direct channels of communication ensures timely responses to emerging risks. The Company's Risk Management Framework lays emphasis on risk aware decision making to achieve enhanced business outcomes.

The Board has oversight responsibility and determines overall risk appetite for the Consolidated Entity. OZ Minerals operates a risk management system with multiple lines of defence with line managers, operational staff and corporate functions that establish standards for managing risk; and the Committees of the Board which review risk management as part of their role of oversight and inspection. Provided in the table below are the risks and mitigating factors that were identified by the company which have the potential to affect future operating and financial performance.

While development of mitigating controls for threats minimises adverse impact on the performance of the company, should any of these elements be subject to failure or disruption, the Company's expected financial result may be significantly impacted.

# Directors' Report

## Operational and Financial Review

Context	Risk	Mitigation/Actions
<b>Strategic Risks</b>		
<b>One operating asset</b>		
Operating only one producing asset exposes the Consolidated Entity to concentration risks.	The Prominent Hill mine generates most of the income and cash flows of the company and has historically been solely dependent on the one source of ore from the open pit.	<p>Prominent Hill now operates an integrated underground mine with multiple areas that mitigate the sole dependence on the open pit.</p> <p>The company has an active program focused on the utilisation of trigger action response plans to maintain the ongoing stability of the open pit walls. The OZ Minerals maintenance and engineering team have developed robust procedures and practices to ensure they are operating the processing plant with minimal disruption and at high throughput levels.</p> <p>Concentrate is transported to Australian destinations using road and rail and shipped to overseas destinations from the Port of Adelaide. The use of customised containers with lids and rotainers to load concentrate onto ships mitigates the risk of spillage and impact on the environment.</p>
<b>Continuity of Power supply</b>		
Prominent Hill mine and the Carrapateena project are both located in South Australia which has experienced significant power disruption in 2016.	Prominent Hill power supply contracts will be renegotiated in mid-2017 while the Carrapateena power infrastructure and supply agreements are being developed. With the prevailing electricity prices and power outages in the state, OZ Minerals competes with other users of power for uninterrupted power supply at competitive prices.	The Company has commenced the development of an energy strategy to align with the growth strategy particularly in the Gawler Craton.
<b>Growth strategy</b>		
Pathways to growth through acquisition or development of value accretive copper assets continue to be a key element of the Company's growth strategy.	Existence of large resource at Prominent Hill operation, Carrapateena, Khamsin, Fremantle Doctor, West Musgrave (JV), other exploration JVs and prospectivity of the Gawler Craton.	<p>OZ Minerals has a clear pipeline of projects and gated plans which ensure a disciplined approach to leverage the large resource base.</p> <p>The primary focus of corporate development is</p>

Context	Risk	Mitigation/Actions
<b>Operational Risks</b>		
<b>Project Execution</b>		
The success of OZ Minerals' execution of its growth strategy is dependent on its ability to deliver its projects on time and within budget and scope.	Mine development projects are inherently exposed to risks of scope definition, cost estimation accuracy and other environmental factors that present threats and opportunities to the cost, efficiency and profitability of projects which are not within the control of the company.	OZ Minerals ensures its projects go through a process of internal and external independent review to verify the engineering, technical and financial scope definitions and other assumptions.  Where possible the company, manages cost creep through sound procurement practices and governance at the highest levels of management.
<b>Contract management</b>		
Many aspects of the Prominent Hill operations, Carrapateena project and the Company's exploration and development activities are conducted by contractors.	The production and capital costs incurred by OZ Minerals are subject to a variety of factors including and not limited to: fluctuations in input costs determined by global markets, for example, electricity, fuel and other key consumables; changes in economic conditions which impact on margins required by contracting partners; and changes in mining assumptions such as ore grades and pit designs.	OZ Minerals engages with reputable contractors who have the technical ability, proven track record and financial capability to execute its projects.  Competitive procurement processes and embedded performance structures in contracts ensure that the consolidated entity mitigates its risks of non-performance by its contractors while deriving the highest value to its shareholders.  The Company's operational and financial results are impacted by the performance of these contractors, the input costs charged, and the associated risks relating to these contractors, many of which are outside the control of the Company.
<b>Geotechnical failure</b>		
The open pit and underground mining operations remain subject to geotechnical uncertainty and adverse weather conditions which may manifest in a pit wall failure or rock falls, mine collapse, cave-ins or other failures to mine infrastructure and reduced productivity.	The depth of the open pit will increase until mining ceases in 2018 and concurrent mining of multiple underground areas result in increased underground mining activities.	OZ Minerals operates programs that monitor and respond to changes in geotechnical structures in the open pit, underground and tailings storage facility to ensure the safety of personnel working in the affected areas and where possible activities are undertaken to reduce the risk of geotechnical failure.
<b>Estimates of reserves and resources</b>		
The assessment of reserves and resources involves areas of estimation and judgement.	The preparation of these estimates involves application of significant judgment and no assurance of level of recovery of minerals or commercial viability of deposits can be provided. The Company reviews and publishes its reserves and resources annually.	The Reserve and Resource estimates and mine plans have been carefully prepared by the Company in compliance with JORC guidelines and in some instances verified by independent mining experts or experienced mining operators.  The estimation of the Company's reserves and resources involves analysis of drilling results, associated geological and geotechnical interpretations, operating cost and business assumptions and a reliance on commodity price and exchange rate assumptions.  The Company's production plan is based on the published Reserves and Resources.

# Directors' Report

## Operational and Financial Review

Context	Risk	Mitigation/Actions
<b>Customer management</b>		
OZ Minerals markets a high grade copper concentrate to overseas and local customers and any disruption to the logistics chain from production through to delivery to the customer can result in significant financial impacts.	<p>Concentrates marketability is dependent on global mine supply, smelter demand, concentrate grades and impurities in the product. Prominent Hill concentrate has a high copper grade containing gold and silver along with fluorine and uranium impurities.</p> <p>Regulators in various jurisdictions may change limits or approach to assessment guidelines for impurities in concentrate which can impede the importation of the concentrate into those jurisdictions. These changes may result in additional requirements related to the ore, tailings or concentrates or result in challenges with selling, transporting or importing Prominent Hill concentrates in various jurisdictions.</p>	<p>OZ Minerals has developed customised solutions in partnership with customers to match smelter demand and production from the Prominent Hill mine for concentrate grades and timing along with a range of controls to manage the fluorine and uranium impurities.</p> <p>OZ Minerals has multiple marketing options including but not limited to ore blending, concentrates blending and additional flotation treatment in the existing plant.</p> <p>OZ Minerals maintains a diverse customer portfolio to mitigate against the risk of regulatory changes to importation requirements.</p>
<b>Market Risks</b>		
<b>Commodity Prices and Exchange rates</b>		
	OZ Minerals has no influence over the determination of copper, gold and silver prices in the global commodities market or the Australian/US dollar exchange rates.	<p>The Company's objective is to fix the copper price at the time of all concentrate shipments. This is achieved by entering into copper derivative contracts that settle at the same time as the contractual quotation period for the shipment.</p> <p>The Company has taken out gold derivative contracts to fix gold price on some of the gold that it expects to produce and sell from current stockpiles from mid-2018 to 2021.</p> <p>The Company's functional currency is the Australian dollar which reflects the majority of its cost base. In January 2016, the Company determined to maintain Australian dollars with US\$ holding maintained only to meet US\$ commitments.</p> <p>The Company does not take a position on the level of the Australian dollar or take active steps to hedge the currency risk.</p>
<b>SHEC (Safety, Health, Environment, and Community)</b>		
<b>Operational safety failures resulting in injury or fatality.</b>		
	<p>OZ Minerals undertakes operations in areas which may pose a safety risk, including but not limited to areas such as handling explosives, underground operations subject to rock fall, confined spaces, areas where heavy and light vehicles interact, manual handling and operating at height.</p> <p>Operating a fly in fly out operation also introduces the risk that is inherent in air travel, as contractors and employees are required to regularly commute by aircraft.</p>	<p>OZ Minerals is committed to the safety of its people and all work processes have a high safety focus.</p> <p>OZ Minerals operates in partnership with its contractors and is actively building a shared safety culture between employees and contractors working on our sites.</p> <p>Active engagement at all levels of operations and senior leadership teams combined with activities focused on identifying and eliminating drivers of safety incidents has delivered significant successes and resulted in a sustained reduction in the severity of injuries.</p>

Context	Risk	Mitigation/Actions
<p><b>Environmental spills from distribution or processing activities</b></p> <p>The Company operates under a range of environmental regulations and guidelines.</p>	<p>Environmental regulations and occupational health and safety guidelines for certain products and by-products produced or to be produced are generally becoming more onerous.</p>	<p>The Company is required to close its operations and rehabilitate the land affected by the operation at the conclusion of mining and processing activities.</p> <p>Estimates of these costs are reflected in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets as provisions in the financial statements. In estimating these costs, management seek external assistance and review where appropriate.</p> <p>However actual closure costs may be higher or lower than estimated as these are costs to be incurred following the closure of mining operations over a long time period.</p>
<p><b>Maintenance of community relations and good title</b></p>	<p>The Company works closely with local communities particularly the indigenous communities in South Australia.</p> <p>Located within the 'green zone' of the Woomera Prohibited Area, agreements with the Commonwealth of Australia govern the terms of access.</p> <p>Potential development of the Carrapateena project which requires agreements with local communities and the indigenous communities.</p>	<p>Access and compensation agreements, which are reviewed and updated from time to time, are in place with communities affected by mining activities.</p> <p>Actively engaging with the traditional owners of Carrapateena culminating in the partnering agreement with the Kokatha Aboriginal Corporation.</p> <p>The Company has controls in place to ensure compliance with the Deed and relies on good relations with the Australian Defence Department regarding defence operations in the Woomera region and any potential impact that these operations may have on mining operations.</p> <p>The Company also relies on the maintenance of good title over the authorisations, permits and licences which allow it to operate. Loss of good title or access due to challenges instituted by issuers of authorisations, permits or licences, such as government authorities or land owners may result in disruptions to operations.</p>

## Business strategies, prospect and likely developments

This report sets out the information on the business strategies and prospects for future financial years and refers to likely developments in OZ Minerals' operations and the expected results of the operations in future financial years. Information in this report is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Consolidated Entity. Detail that could give rise to likely material detriment to OZ Minerals, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.

## Directors' Report

### Remuneration Overview

#### *Remuneration consideration to Executive Key Management Personnel during 2016*

For full details of the audited cost to the Company of the remuneration of the Executive Key Management Personnel ('KMP'), calculated in accordance with the accounting standards and the *Corporations Act 2001*, refer to Table 6 of the Remuneration Report.

The unaudited table below includes details of remuneration actually delivered to the Executive KMP for the financial year 2016 and has been prepared to provide greater transparency to shareholders regarding remuneration outcomes.

		Cash Salary	Short Term Incentives	Long Term Incentives	Benefits and Allowances <sup>(a)</sup>	Superannuation <sup>(b)</sup>	Total Remuneration
		\$	\$	\$	\$	\$	\$
<b>Andrew Cole</b> Managing Director & CEO	2016	730,384	671,250	–	–	19,616	1,421,250
	2015	716,860	675,000	–	5,448	33,140	1,430,448
<b>Luke Anderson<sup>(c)</sup></b> Chief Financial Officer	2016	495,785	375,900	–	–	29,215	900,900
	2015	107,150	79,225	–	–	10,179	196,554
<b>Robert Fulker</b> Chief Operating Officer <sup>(d)</sup>	2016	470,874	346,000	–	–	19,364	836,238
	2015	–	–	–	–	–	–
<b>Mark Rankmore</b> Head of Human Resources & Services <sup>(d)</sup>	2016	380,542	211,200	–	–	18,645	610,387
	2015	–	–	–	–	–	–

(a) Benefits & Allowances include the value (where applicable) of benefits such as compulsory annual health checks, car parking or other benefits that are available to all employees of OZ Minerals, and are inclusive of Fringe Benefits Tax where applicable.

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

(c) In the comparative period, Mr Anderson was designated as KMP from 12 October 2015.

(d) Was not a KMP during 2015.



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# Letter from the Chairman of the Human Resources and Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to provide you with OZ Minerals 2016 Remuneration Report.

This year has seen strong, consistent performance for OZ Minerals (Company) and our longer term ambitions as a modern mining company. The success of the business and results achieved are a direct result of the combined efforts of all staff and key stakeholders. OZ Minerals believe it is critically important to align performance outcomes and contribution of our Executives through competitive remuneration and transparent processes that reflect both individual and Company performance and that create an ongoing interest in the Company.

## **OZ Minerals Performance**

During the year, significant progress was made on the strategy. The Company delivered improved safety and production performance, strong cost management and again demonstrated practical remuneration outcomes aligned with the creation of shareholder value.

The consistent focus at Prominent Hill has delivered a long life, low cost mining operation that will underpin the future growth agenda of the Company. Particularly pleasing was the positive response from the Prominent Hill teams despite some of the various production interruptions that were safely managed throughout the year.

The Carrapateena project team delivered the PFS, commenced construction of the underground access decline, progressed various approvals and community consultation and importantly signed a landmark Partnering Agreement with the Kokatha People, the traditional owners of the land where Carrapateena is situated.

The Exploration and Growth teams signed five new exploration earn-in agreements, focusing on a range of highly prospective targets across South Australia, Western Australia and Queensland. The decision was taken to withdraw from the Jamaica venture and significant progress was made in building a pipeline of other potential operating assets for growth.

The Company progressed a number of important initiatives to simplify our operating business model to set OZ Minerals up for future success, implemented a range of new technology and systems and continued to provide people with clearer information about the strategy and expected behaviours for both leaders and employees.

These important actions contributed to the achievement of the following key outcomes:

- Underlying EBITDA of \$373.8 million (2015: \$434.9 million)
- Operating Cash flow of \$324.1 million (2015: \$429.8 million)
- Year-end cash balance of \$655.7 million (2015: \$552.5 million)
- Dividends paid \$60.6 million (2015: \$18.2 million)
- Share Price growth of 94.8%
- Share buy-back \$29.9 million

## **Remuneration Outcomes in 2016**

In 2016, the Human Resources and Remuneration Committee (Committee) continued to ensure Executive remuneration at OZ Minerals maintains strong alignment with shareholder interests, that remuneration remains market competitive, easy to understand and can be clearly communicated to shareholders.

Some of the key outcomes in 2016 include:

- As a result of the strong performance in 2016, the Board (with the support of the Committee) has determined to make available 89.5% of the maximum annual Short Term Incentive opportunity to the Managing Director & Chief Executive Officer.
  - An additional performance hurdle was implemented for the 2016 Long Term Incentive (LTI) plan to further align interests of shareholders and Executive Management. This component targeted a 20% increase in absolute share price over the 3-year performance period on a cliff vesting basis. This change was communicated to shareholders in the 2015 Remuneration Report.
  - Remuneration policy and structure for Executives who are members of the key management personnel of the Company (Executive KMP) was expanded in 2016 to include additional Executives who have significant responsibility for the Company's leadership, strategy and direction.
  - When considering the context of the wider mining sector and the comparative position of salaries in OZ Minerals as compared to market, the Committee determined not to award salary increases during the 2016 period and will continue to hold salaries at current levels for 2017 across the Company.
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**Developments for Remuneration in 2017 and beyond**

- Following review and external benchmarking of the Managing Director & Chief Executive Officer's remuneration levels during the year the Board (with support of the Committee), determined to increase the LTI component of Mr Cole's remuneration package to a maximum opportunity of 150% of Total Fixed Remuneration, increased from 100%, subject to shareholder approval at the 2017 Annual General Meeting. This change, effective from 2017, further aligns the at risk component of his remuneration package to shareholder interests and ensures his remuneration is competitive with industry peers.

The Committee and Board of Directors are determined to continue its focus on the longer-term strategy of the business and delivering consistent, well aligned and transparent remuneration outcomes.

Thank you for your ongoing support of OZ Minerals.

Yours Sincerely



Rebecca McGrath

Chairman Human Resources & Remuneration Committee

Melbourne

23 February 2017

# Remuneration Report

The Directors of OZ Minerals Limited present the Remuneration Report for the Company and the Consolidated Entity for the year ended 31 December 2016. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

## 1. Details of Key Management Personnel

The Consolidated Entity's KMP during 2016 are listed in Table 1 below, and consist of the Non-executive Directors ('NEDs'), and the Executive KMP who are accountable for planning, directing and controlling the affairs of the Company and its controlled entities.

Table 1 - KMP during 2016

Name	Position	Period as KMP during the year
<b>Executive KMP</b>		
<b>Current</b>		
Andrew Cole	Managing Director & CEO	All of 2016
Luke Anderson	Chief Financial Officer	All of 2016
Robert Fulker <sup>(a)</sup>	Chief Operating Officer	All of 2016
Mark Rankmore <sup>(a)</sup>	Head of Human Resources & Services	All of 2016
<b>Non-executive Directors</b>		
<b>Current</b>		
Neil Hamilton	Independent Chairman	All of 2016
Julie Beeby	Independent NED	Appointed 19 April 2016
Paul Dowd	Independent NED	All of 2016
Charles Lenegan	Independent NED	All of 2016
Rebecca McGrath	Independent NED	All of 2016
<b>Former</b>		
Dean Pritchard	Independent NED	Retired 24 May 2016

(a) Mr Fulker and Mr Rankmore were designated as KMP as at 1 January 2016 following the review of KMP roles.

## 2. Remuneration policy

### 2.1 Overview of remuneration policy and practices

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

## Box 1 – Remuneration principles

<b>Business needs and market alignment</b>	OZ Minerals remuneration policy is focused on the achievement of our corporate objectives. Remuneration is set having regard to market practices and aligned with the achievement of returns to our shareholders.
<b>Simplicity and equity</b>	OZ Minerals remuneration philosophy, policy, principles and structures are simple to understand, communicate and implement, and are equitable across the Company and its diverse workforce.
<b>Performance and reward linkages</b>	Well-designed remuneration policy supports and drives Company and team performance and encourages the demonstration of desired behaviours. Performance measures and targets are few in number, outcome-focused and customised at an individual level to maximise performance, accountability and reward linkages.
<b>Market positioning and remuneration mix</b>	The mix of remuneration is an important aspect of OZ Minerals remuneration policy. Fixed remuneration is set at a competitive level, positioned to have regard to the challenges of attracting and retaining high performers in business critical roles, particularly in the mining industry. The at-risk components of remuneration are dependent on challenging goals and focused on incentivising Executive KMP in achieving business critical objectives and returns to shareholders.
<b>Talent management</b>	Remuneration policy is tightly linked with the performance and talent management frameworks in order to reward and recognise the achievement of role accountabilities and to support the engagement of future leaders.
<b>Governance, transparency and communication with shareholders</b>	OZ Minerals is committed to developing and maintaining remuneration policy and practices that are targeted at the achievement of corporate objectives and the maximisation of shareholder value. It will openly communicate this to shareholders and other relevant stakeholders, and will always be within the boundaries of legal, regulatory and industrial requirements. The Board has absolute discretion in the development, implementation and review of the key aspects of remuneration.

## 2.2 Use of Remuneration Consultants

The Board and Human Resources and Remuneration Committee seek and consider advice from independent remuneration consultants to ensure that they have at their disposal information relevant to the determination of all aspects of remuneration relating to the Executive KMP. The engagement of remuneration consultants is governed by internal protocols which set the parameters around the interaction between management and the consultants ('Protocols') with a view to minimising the risk of any undue influence occurring and ensuring compliance with the requirements of the Corporations Act 2001.

### Protocols

Under the Protocols adopted by the Board and Human Resources and Remuneration Committee:

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

The advice and recommendations of remuneration consultants are used from time to time as a guide by the Board and the Human Resources and Remuneration Committee. Decisions are made by the Board after its own consideration of the issues but having regard to the advice of the Human Resources and Remuneration Committee and the consultants.

In 2016, the Committee engaged Egan Associates to provide benchmarking data with regard to the remuneration package of the Managing Director & Chief Executive Officer. The Board was satisfied that the protocols described above were followed and therefore the remuneration information provided was made free from undue influence by members of the KMP. Egan Associates fees for these services were \$8,050 (including GST).

# Remuneration Report

## 2.3 Review of Executive KMP remuneration

To ensure that Executive KMP remuneration remains consistent with the Company’s remuneration policy and guiding principles, Executive KMP remuneration levels are reviewed annually by the Board with the assistance of the Human Resources & Remuneration Committee and as required, external remuneration consultants. In conducting the remuneration review the Board considers:

- the Company’s remuneration policy and practices;
- relevant market benchmarks using salary survey data from the Australian Industrials and Resources sectors;
- the core skills and experience required of each role in order to grade positions accurately and attract high calibre people;
- individual performance against role expectation, set objectives, leadership behaviours and development plans; and
- strategy, business plans and budgets.

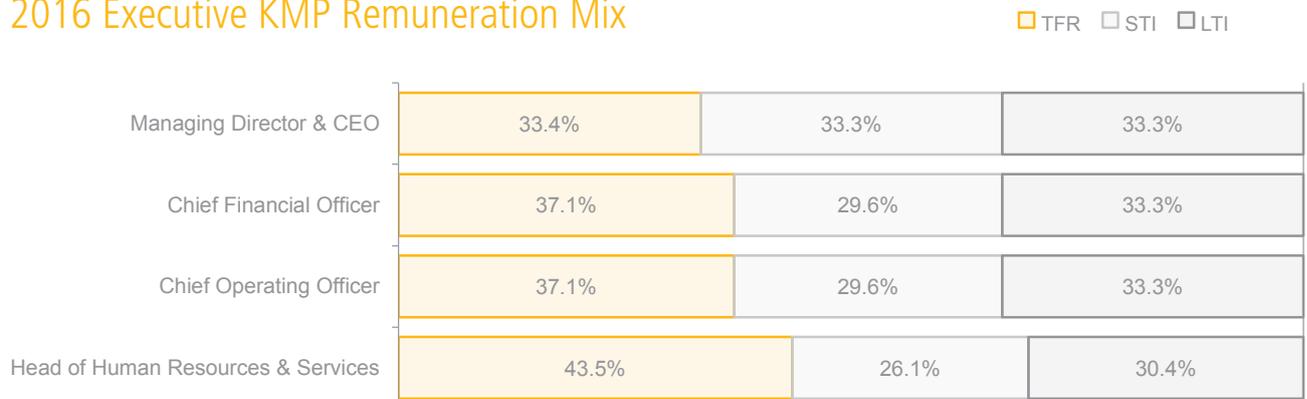
## 2.4 Components of Executive KMP remuneration

### Box 2 – Remuneration mix

Total fixed remuneration (TFR)	At-risk remuneration	
	Short Term Incentive (STI)	Long Term Incentive (LTI)
Regular base reward that reflects the job size, role, responsibilities and professional competence of each executive, according to their knowledge, experience and accountabilities and considering external market relativities	Variable, performance based, annual cash incentive plan designed to reward high performance against challenging, clearly defined and measurable objectives that are based on a mixture of targets and are set to incentivise superior performance, with specific targets or metrics in each category	The equity component of the at-risk reward opportunity, linked to the Company’s medium to long term TSR and share price performance. Three-year performance period.

The mix of fixed and at-risk remuneration varies depending on the role and grading of executives, and also depends on the performance of the Company and individual executives. More senior positions have a greater proportion of at risk remuneration. If maximum at-risk remuneration is earned, the ratio percentage of fixed to at-risk remuneration would be as follows:

### 2016 Executive KMP Remuneration Mix



## Box 3 - Questions and answers about Executive KMP remuneration

Total fixed remuneration ('TFR')													
<b>What is included in total fixed remuneration?</b>	An Executive KMP's total fixed remuneration comprises salary and certain other benefits (including statutory superannuation contributions) that may be taken in an agreed form, including cash, leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Company for these benefits.												
<b>When and how is fixed remuneration reviewed?</b>	Fixed remuneration is reviewed annually. Any adjustments to the fixed remuneration for the Managing Director & CEO and the other Executive KMP must be approved by the Board after recommendation by the Human Resources and Remuneration Committee. The Company seeks to position the fixed remuneration at between the 50 <sup>th</sup> and 75 <sup>th</sup> percentile or higher for business critical roles of salaries for comparable companies within the mining market and where appropriate, the broader general industry market.												
Short Term Incentive ('STI')													
<b>Why does the Board consider an STI Plan is appropriate?</b>	Variable performance based remuneration strengthens the link between pay and performance. The purpose of these programs is to make a large proportion of the total market reward package subject to meeting various targets linked to OZ Minerals' business objectives. The use of variable performance based remuneration avoids much higher levels of fixed remuneration and is designed to focus and motivate employees to achieve outcomes beyond the standard expected in the normal course of ongoing employment. A reward structure that provides variable performance based remuneration is also necessary as a competitive remuneration package in the Australian and global marketplace for executives.												
<b>What are the performance conditions?</b>	<p>The performance conditions determining STI outcomes in 2016 are: (a) Company KPIs and (b) Individual KPIs. Performance conditions were set as follows:</p> <p><b>Company KPIs</b></p> <p>Company KPIs are set and weighted at the beginning of each year and are designed to drive successful and sustainable financial and business outcomes, with reference to the Board approved corporate objectives, plans and budget for the year. For 2016, the key areas of focus were improving the Company's operational &amp; financial performance, sustainability performance and progressing strategic growth objectives. The Company KPIs in 2016 as applied to Executive KMP comprised of the following:</p> <table border="1"> <thead> <tr> <th>KPI Category</th> <th>KPI Detail</th> <th>% Weighting</th> </tr> </thead> <tbody> <tr> <td>Operational &amp; Financial</td> <td>Underlying EBITDA, Operating Cash Flow, Leadership Effectiveness</td> <td>40</td> </tr> <tr> <td>Sustainability</td> <td>Safety Improvement, Safety Behaviours</td> <td>20</td> </tr> <tr> <td>Strategy &amp; Growth</td> <td>Concentrate Production &amp; Sales, Carrapateena Development, Growth Pipeline</td> <td>40</td> </tr> </tbody> </table> <p>The Company KPI hurdle in 2016 accounts for <b>50%</b> of the STI award.</p> <p><b>Individual KPI's</b></p> <p>Individual KPIs for each Executive KMP vary by individual based on accountabilities.</p> <p>The Board assesses and sets the KPIs applicable to the Managing Director &amp; Chief Executive Officer award, and the Managing Director &amp; Chief Executive Officer assesses and sets the KPIs for each of the other Executive KMP in consultation with the Board. KPIs were also set to take into account the specific performance of each Executive KMP and their ability to influence the outcome of the Company's performance.</p> <p>The Individual KPI hurdle in 2016 accounts for <b>50%</b> of the STI award.</p>	KPI Category	KPI Detail	% Weighting	Operational & Financial	Underlying EBITDA, Operating Cash Flow, Leadership Effectiveness	40	Sustainability	Safety Improvement, Safety Behaviours	20	Strategy & Growth	Concentrate Production & Sales, Carrapateena Development, Growth Pipeline	40
KPI Category	KPI Detail	% Weighting											
Operational & Financial	Underlying EBITDA, Operating Cash Flow, Leadership Effectiveness	40											
Sustainability	Safety Improvement, Safety Behaviours	20											
Strategy & Growth	Concentrate Production & Sales, Carrapateena Development, Growth Pipeline	40											
<b>Is there an overriding financial performance condition or other condition?</b>	Yes. The availability of the STI Pool is subject to the discretion of the Board, having regard to the interests of the Company and shareholders. The Board can choose not to pay, or reduce the amount of the STI otherwise payable.												

# Remuneration Report

Short Term Incentive ('STI') continued																
<p><b>How is the STI structured to reward exceptional performance?</b></p>	<p>The STI Plan is designed to reward Executive KMP at three pre-determined performance levels – threshold, target and maximum:</p> <p><b>Threshold performance</b> represents the minimum level of performance required for an STI award to vest.</p> <p><b>Target performance</b> represents the achievement of planned or budgeted performance, set at a challenging level.</p> <p><b>Maximum performance</b> represents outstanding performance set at a stretch level.</p>															
<p><b>What is the value of the STI opportunity?</b></p>	<p>For 2016, the target and maximum STI reward opportunity for Executive KMP was set as follows:</p> <table border="1"> <thead> <tr> <th>Executive KMP</th> <th>Target STI (as % of TFR)</th> <th>Maximum STI (as % of TFR)</th> </tr> </thead> <tbody> <tr> <td>Andrew Cole</td> <td>70</td> <td>100</td> </tr> <tr> <td>Luke Anderson</td> <td>56</td> <td>80</td> </tr> <tr> <td>Robert Fulker</td> <td>56</td> <td>80</td> </tr> <tr> <td>Mark Rankmore</td> <td>42</td> <td>60</td> </tr> </tbody> </table>	Executive KMP	Target STI (as % of TFR)	Maximum STI (as % of TFR)	Andrew Cole	70	100	Luke Anderson	56	80	Robert Fulker	56	80	Mark Rankmore	42	60
Executive KMP	Target STI (as % of TFR)	Maximum STI (as % of TFR)														
Andrew Cole	70	100														
Luke Anderson	56	80														
Robert Fulker	56	80														
Mark Rankmore	42	60														
<p><b>How is STI assessed?</b></p>	<p>The Managing Director &amp; CEO assesses the business performance of Executive KMP throughout the year for progress and improvement, to arrive at a summary assessment at year end for discussion with the Human Resources &amp; Remuneration Committee and the Board. The Board also reviews the performance assessment of all executives who report directly to the Managing Director &amp; CEO, with a view to understanding, endorsing and / or discussing individual circumstances, performance, leadership behaviours and future development. The Human Resources and Remuneration Committee and the Board assess the performance of the Managing Director &amp; CEO against the performance targets and objectives set for that year.</p> <p>The Board considers the method of assessing STI as described above appropriate as the Managing Director &amp; CEO has oversight of his direct reports and the day to day function of the Company, whilst the Board and Human Resources &amp; Remuneration Committee have overall responsibility for determining whether Executive KMP have met the performance targets and objectives set for that year.</p>															
<p><b>What happens to STI awards when an executive ceases employment?</b></p>	<p>If an Executive leaves OZ Minerals then the Good Leaver Policy may apply (subject to the Executive's contract) and, if the requirements are met, the STI may be granted on a pro rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the relevant executive.</p>															
Long Term Incentive ('LTI')																
<p><b>Why does the Board consider a LTI Plan is appropriate?</b></p>	<p>The Company believes that a LTI Plan can:</p> <ul style="list-style-type: none"> <li>• focus and motivate employees to achieve outcomes beyond the standard expected in the normal course of ongoing employment;</li> <li>• ensure that business decisions and strategic planning have regard to the Company's long term performance;</li> <li>• be consistent with contemporary remuneration governance standards and guidelines;</li> <li>• be consistent and competitive with current practices of comparable companies; and</li> <li>• create an immediate ownership mindset among the executive participants, linking a substantial portion of their potential total reward to OZ Minerals' ongoing share price and returns to shareholders.</li> </ul>															
<p><b>How is the award delivered?</b></p>	<p>The LTI is granted using Performance Rights under the OZ Minerals LTI Plan, as further detailed in the table below.</p>															
<p><b>Was a grant made in 2016?</b></p>	<p>A grant was made on 16 March 2016 to all continuing participants in the LTI Plan. The number of performance rights granted to each executive was calculated as their LTI dollar opportunity divided by the adjusted 5-day volume weighted average price of OZ Minerals as at the start of the performance period. The performance period for the 2016 LTI grant is 1 January 2016 to 31 December 2018.</p>															

## Long Term Incentive ('LTI') continued

### What was the value of the 2016 grant for Executive KMP?

For 2016, the LTI grant made to Executive KMP was as follows:

Executive KMP	2016 LTI Grant (as % of TFR)	2016 LTI Grant Allocation (\$)
Andrew Cole	100	750,000
Luke Anderson	90	472,500
Robert Fulker	90	450,000
Mark Rankmore	70	280,000

### What are the performance conditions?

The performance conditions are: (a) the Executive KMP meeting the Service Condition; and (b) OZ Minerals meeting the LTI Performance Conditions. The two conditions are referred to as the Vesting Conditions.

#### Service Condition

The service condition is met if employment with OZ Minerals is continuous for three years commencing on or around the grant date ('Performance Period').

#### Performance Conditions

The LTI Plan performance conditions for 2015 were set only on Total Shareholder Return (TSR). The LTI Plan performance conditions for 2016 were set as follows:

##### **1. Total Shareholder Return (TSR)**

Relative TSR has been determined to be the primary LTI performance hurdle measured against a comparator group. The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders.

TSR reflects benefits received by shareholders through share price growth and dividend yield and is the most widely used long term incentive hurdle in Australia. To ensure an objective assessment of the relative TSR comparison the Company employs an independent organisation to calculate the TSR ranking. Performance Rights in respect of this hurdle will vest in accordance with the following table:

TSR of OZ Minerals relative to TSRs of constituents of the nominated peer group	Proportion of Performance – related Performance Rights that vest
Below 50 <sup>th</sup> percentile	0%
50 <sup>th</sup> percentile	50%
Between 50 <sup>th</sup> percentile and 75 <sup>th</sup> percentile (not inclusive)	Straight line vesting between 50% and 100%
75 <sup>th</sup> percentile or above	100%

The TSR performance hurdle accounts for **70%** of the LTI award

##### **2. Absolute Share Price Growth**

Absolute share price growth has been set as the second LTI performance hurdle. This hurdle will be satisfied if the OZ Minerals share price has increased by at least 20% over the performance period. Performance Rights in respect of this hurdle will vest in accordance with the following table:

OZ Minerals Share Price Growth over the Performance Period	Proportion of Performance – related Performance Rights that vest
Less than 20%	0%
20% or greater	100%

The Absolute Share Price Growth hurdle accounts for **30%** of the LTI award.

# Remuneration Report

## Long Term Incentive ('LTI') continued

<p><b>Why were the performance conditions chosen?</b></p>	<p>The approach to linking individual executive performance (including mandatory service periods) and long term Company performance to the vesting of performance rights is standard market practice. The conditions are aimed at linking the retention and performance of the executives directly to rewards, but only where shareholder returns are realised. The focus on employee-held equity is also part of a deliberate policy to strengthen engagement and direct personal interest to the achievement of returns for shareholders.</p>																																	
<p><b>What is the comparator group?</b></p>	<p>The comparator companies selected for 2016 are considered to be alternative investment vehicles for local and global investors and are impacted by commodity prices and cyclical factors in a similar way to OZ Minerals. The list of comparator group companies appears in the following table.</p> <p>2016 Comparator Companies:</p> <table border="1" data-bbox="480 898 1519 1361"> <thead> <tr> <th>Comparator Company</th> <th>Exchange</th> <th>ASX/Ticker Code</th> </tr> </thead> <tbody> <tr> <td>Capstone Mining Corp.</td> <td>TSX</td> <td>CS</td> </tr> <tr> <td>HudBay Minerals Inc.</td> <td>TSX</td> <td>HBM</td> </tr> <tr> <td>Ivanhoe Mines Ltd</td> <td>TSX</td> <td>IVN</td> </tr> <tr> <td>Katanga Mining Limited</td> <td>TSX</td> <td>KAT</td> </tr> <tr> <td>KAZ Minerals Plc</td> <td>LSE</td> <td>KAZ</td> </tr> <tr> <td>Lundin Mining Corporation</td> <td>TSX</td> <td>LUN</td> </tr> <tr> <td>Sandfire Resources NL</td> <td>ASX</td> <td>SFR</td> </tr> <tr> <td>Taseko Mines Limited</td> <td>TSX</td> <td>TKO</td> </tr> <tr> <td>Nevsun Resources Ltd</td> <td>TSX</td> <td>NSU</td> </tr> <tr> <td>MMG Limited</td> <td>HKEX</td> <td>1208</td> </tr> </tbody> </table>	Comparator Company	Exchange	ASX/Ticker Code	Capstone Mining Corp.	TSX	CS	HudBay Minerals Inc.	TSX	HBM	Ivanhoe Mines Ltd	TSX	IVN	Katanga Mining Limited	TSX	KAT	KAZ Minerals Plc	LSE	KAZ	Lundin Mining Corporation	TSX	LUN	Sandfire Resources NL	ASX	SFR	Taseko Mines Limited	TSX	TKO	Nevsun Resources Ltd	TSX	NSU	MMG Limited	HKEX	1208
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<p><b>What happens to performance rights granted under the LTI Plan when an executive ceases employment?</b></p>	<p>If the executive's employment is terminated for cause, or due to resignation, all unvested performance rights will lapse, unless the Board determines otherwise. In all other circumstances, unless the Board determines otherwise, a pro rata portion of the executive's performance rights, calculated by reference to the portion of the performance period that has elapsed, will remain on foot, subject to the performance condition as set by the Board. If and when these performance rights vest, shares will be allocated (or a cash equivalent amount will be paid) in accordance with the OZ Minerals' Equity Incentive Plan Rules and any other conditions of the grant.</p>																																	
<p><b>What happens in the event of a change of control?</b></p>	<p>In the event of a takeover or change of control of OZ Minerals, the Board has discretion to determine that vesting of all or some of the performance rights should be accelerated. If a change of control occurs before the Board has exercised its discretion, a pro rata portion of the performance rights will vest, calculated based on the portion of the relevant performance period that has elapsed up to the change of control, and the Board retains a discretion to determine if the remaining performance rights will vest or lapse.</p>																																	
<p><b>Is there any ability for the Company to "clawback" LTI awards?</b></p>	<p>In the event of fraud, dishonesty, gross misconduct or material misstatement of the financial statements, the Board may make a determination, including the lapsing of unvested performance rights, the forfeiture of shares allocated on vesting of performance rights and/or repayment of any cash payment or dividends, to ensure that no unfair benefit is obtained.</p>																																	
<p><b>Do shares granted upon vesting of performance rights granted under the LTI Plan dilute existing shareholders' equity?</b></p>	<p>Generally, there is no dilution of shareholders' pre-existing equity as shares allocated to the participants in the LTI Plan upon vesting of performance rights are usually satisfied by purchases by the plan trustee on market.</p>																																	
<p><b>Does the Company have a policy in relation to margin loans and hedging at risk remuneration?</b></p>	<p>Under the Company's Securities Trading Policy, all executives, directors and officers are prohibited from entering into financing arrangements where the monies owed to the lender are secured against a mortgage over OZ Minerals' shares. Transactions entered into prior to 19 November 2009, when the prohibition was introduced, are exempted from the policy. The Company's Securities Trading Policy also prohibits executives and employees from entering into any hedging arrangement over unvested securities issued pursuant to any share scheme, performance rights plan or option plan.</p>																																	

### 3. Company performance and remuneration outcomes

#### 3.1 Company performance

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

Table 2 - Company performance <sup>(a)</sup>

Measure	2016	2015	2014	2013	2012
Underlying EBITDA - \$m <sup>(b)</sup>	373.8	434.9	352.4	(215.5)	353.9
Net profit/(loss) after income tax - \$m	107.8	130.2	48.5	(294.4)	152.0
Net cash inflow from operating activities - \$m	324.1	429.8	221.5	179.1	344.8
Basic earnings/(loss) per share – cents	35.7	42.9	16.0	(97.1)	49.5
Share price at end of year - \$	7.89	4.05	3.48	3.15	6.70
Dividends paid per share - cents	20	6	20	30	40

(a) Refer to the Operational and Financial Review section in the Directors Report for a commentary on the consolidated results, including underlying performance of the Company.

(b) EBITDA has been adjusted where applicable to align with the new presentation of the segment note.

#### 3.2 STI Performance and Outcomes for 2016

The Chairman and the Board, with the assistance of the Chair of the Human Resources and Remuneration Committee, undertook a review of the Managing Director & CEO's performance against each of his 2016 KPIs. The Managing Director & CEO reviews the performance of each of the Executive KMP against their 2016 KPIs, and seeks the approval of the Human Resources and Remuneration Committee in determining STI award outcomes. Company KPI performance and STI for Executive KMP awarded are set out below:

Table 3A – Summary Company KPI Performance

In accordance with the procedure set out in Section 2, Company KPI performance outcomes applicable to STI plan outcomes for Executive KMP were assessed as follows:

KPI Category	Weighting for 2016 %	2016 Outcome %
Operations & Financial	40.0	38.5
Sustainability	20.0	15.0
Strategy & Growth	40.0	36.0
<b>TOTAL</b>	<b>100.0</b>	<b>89.5</b>

## Remuneration Report

### Table 3B – STI award percentage for Executive KMP

In accordance with the procedure set out in Section 2, an assessment was undertaken of the performance of each of the Executive KMP against their 2016 KPIs.

	<b>Company KPI Performance (as % of maximum performance)</b>	<b>Individual KPI Performance (as % of maximum performance)</b>	<b>Overall Performance Outcome (as a % of maximum performance)</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Andrew Cole	89.5	89.5	89.5
Luke Anderson	89.5	89.5	89.5
Robert Fulker	89.5	83.5	86.5
Mark Rankmore	89.5	86.6	88.1

Details of the amounts payable to the Executive KMP appear in Table 3C below.

### Table 3C – STI payments to Executive KMP in 2016

Details of STI payments awarded to Executive KMP as a result of 2016 performance are included in the table below:

	<b>Payment</b>	<b>Maximum potential value of payment<sup>(a)</sup></b>	<b>Percentage of maximum grant awarded</b>	<b>Percentage of maximum grant forfeited</b>
	<b>\$</b>	<b>\$</b>	<b>%</b>	<b>%</b>
Andrew Cole	671,250	750,000	89.5	10.5
Luke Anderson	375,900	420,000	89.5	10.5
Robert Fulker	346,000	400,000	86.5	13.5
Mark Rankmore	211,200	240,000	88.1	11.9

(a) The minimum potential value of the payments was nil. The maximum potential value of payment represents the achievement of stretch performance.

### 3.3 LTI Performance and Outcomes for 2016

Performance rights granted under the OZ Minerals LTI Plan are granted for no consideration. Performance rights carry no dividend or voting rights. On vesting of a performance right, one ordinary share in the Company will be allocated. The vesting condition for each grant is the relative TSR performance of the Company over the relevant performance period. In general, the executive must also remain employed with OZ Minerals for a continuous period of three years from the grant date. Details of the prior awards for relevant Executive KMP are set out in the Remuneration Report for the year in which they were granted.

Details of the performance rights held by Executive KMP that lapsed during the year are set out in Table 10. Additional details are set out in Note 13 to the Financial Statements

The LTI awards on foot during the year (including those granted as part of the 2016 LTI awards) are detailed below.

**Table 4 – LTI awards on foot**

	Grant Date	Rights	Maximum Value of grant <sup>(a)</sup>	Fair Value per Performance Right <sup>(b)</sup>	Performance Period	Expiry Date	Vesting Outcome
Andrew Cole	16/3/2016	201,223	\$1,722,469	3.88	1/1/2016 – 31/12/2018	15/2/2019	To be determined
	21/7/2015	154,344	\$754,742	2.82	1/7/2015 – 30/6/2018	15/8/2018	To be determined
Luke Anderson	16/3/2016	126,771	\$1,084,646	3.56	1/1/2016 – 31/12/2018	15/2/2019	To be determined
	4/12/2015	23,680	\$115,795	3.41	1/7/2015 – 30/6/2018	15/8/2018	To be determined
Robert Fulker	16/3/2016	120,734	\$1,033,483	3.56	1/1/2016 – 31/12/2018	15/2/2019	To be determined
Mark Rankmore	16/3/2016	74,184	\$635,015	3.56	1/1/2016 – 31/12/2018	15/2/2019	To be determined
	21/7/2015	35,577	\$173,972	3.41	1/7/2015 – 30/6/2018	15/8/2018	To be determined

(a) The maximum value of the grants has been estimated based on a 52-week high closing share price in the calendar year of the grant. For the 2016 grant, this was \$8.56 per instrument. The minimum total value of each grant, if the applicable performance conditions are not met, is nil.

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

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## Remuneration Report

### 4. Executive KMP employment arrangements

The remuneration arrangements for Executive KMP are formalised in employment contracts. Each of these agreements provide for the payment of fixed remuneration, performance-related cash bonuses under the STI Plan (as discussed above), other benefits, and participation, where eligible, in the Company's LTI Plan (as discussed above).

Table 5 – Key provisions of Executive KMP - 2016

Name	Term of contract	2016 TFR (\$)	Notice period	Termination benefit
Andrew Cole	Permanent – ongoing until notice has been given by either party.	\$750,000	Twelve months' notice by the Company. Six months' notice by Andrew Cole. Company may elect to make payment in lieu of notice. No notice period requirements for termination by Company for cause.	Twelve months fixed remuneration in the case of termination by the Company.
Luke Anderson	Permanent – ongoing until notice has been given by either party.	\$525,000	Three months' notice by either party. Company may elect to make payment in lieu of notice. No notice requirements for termination by Company for cause.	Nine months fixed remuneration in the case of termination by the Company.
Robert Fulker	Permanent – ongoing until notice has been given by either party.	\$500,000	Three months' notice by either party. Company may elect to make payment in lieu of notice. No notice requirements for termination by Company for cause.	Nine months fixed remuneration in the case of termination by the Company.
Mark Rankmore	Permanent – ongoing until notice has been given by either party.	\$400,000	Three months' notice by either party. Company may elect to make payment in lieu of notice. No notice requirements for termination by Company for cause.	Six months fixed remuneration in the case of termination by the Company.

## 5. Total remuneration for Executive KMP

Table 6 - Total rewards to Executive KMP

		Salary, Fees & Allowances	Benefits & Allowances <sup>(a)</sup>	Accrued Annual Leave <sup>(b)</sup>	Superannuation <sup>(c)</sup>	Short Term Incentive	Other Long Term Benefits <sup>(d)</sup>	Value of Performance Rights <sup>(e)</sup>	Total Remuneration	Percent of remuneration 'at-risk'
		\$	\$	\$	\$	\$	\$	\$	\$	%
Andrew Cole Managing Director & CEO	2016	730,384	–	36,503	19,616	671,250	9,817	154,440	1,622,010	51
	2015	716,860	5,448	36,346	33,140	675,000	4,848	65,996	1,537,638	48
Luke Anderson Chief Financial Officer <sup>(f)</sup>	2016	495,785	–	17,070	29,215	375,900	4,306	128,510	1,050,786	48
	2015	107,750	–	9,476	10,179	79,225	556	2,339	209,525	39
Robert Fulker Chief Operating Officer <sup>(g)</sup>	2016	470,874	–	2,747	19,364	346,000	4,671	122,390	966,046	48
Mark Rankmore Head of Human Resources & Services <sup>(g)</sup>	2016	380,542	–	21,299	18,645	211,200	3,746	75,202	710,634	40

(a) Benefits & Allowances include the value (where applicable) of benefits such as compulsory annual health checks, car parking or other benefits that are available to all employees of OZ Minerals, and are inclusive of Fringe Benefits Tax where applicable.

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

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

(d) Represents the net accrual movement for Long Service Leave (LSL) over the twelve-month period which will only be paid if Executive KMP meets the required service conditions.

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

(f) In the comparative period, Mr Anderson was designated as KMP from 12 October 2015.

(g) Mr Fulker and Mr Rankmore were designated as KMP as at 1 January 2016 following the review of KMP roles.

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# Remuneration Report

## 6. Non-executive Director remuneration

### 6.1 Non-executive Director remuneration policy

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

Consistent with best practice, NEDs do not receive any form of equity incentive entitlement, bonuses, options, other incentive payments or retirement benefits. Details are set out in Table 7.

As approved at the OZ Minerals General Meeting on 18 July 2008, the maximum fees payable per annum is \$2,700,000 in total. The Board decided, based on a recommendation from the Human Resources and Remuneration Committee, not to increase the fees paid to Non-executive Directors in 2016.

**Table 7 - Details of NED remuneration**

<b>Fees</b>	<b>Chairman \$ per annum</b>	<b>Member \$ per annum</b>
Board	313,285	120,314
Audit	43,056	21,528
Sustainability	21,528	10,764
Human Resources & Remuneration	21,528	10,764

All Directors (including the Chairman) are entitled to superannuation contributions (or cash in lieu thereof) equal to 9.5 per cent calculated on base Board and Committee fees, and are entitled to be reimbursed for travelling and other expenses properly incurred by them in attending any meeting or otherwise in connection with the business or affairs of the Company, in accordance with the Company's constitution. The Chairman of the Board does not receive additional fees for being a member of any Board Committee.

### 6.2 Total fees paid to NEDs

Total fees received by NEDs in 2016 were \$1,059,764 (2015: \$1,101,018) compared with the maximum approved fees payable of \$2,700,000. Payments and non-monetary benefits received by NEDs individually are set out in the following table:

Table 8 - Total remuneration paid to NEDs

		Board Fees & Cash Benefits	Committee Fees	Non-Monetary Benefits	Superannuation <sup>(a)</sup>	Total Remuneration
		\$	\$	\$	\$	\$
Neil Hamilton Chairman	2016	323,796	-	-	19,251	343,047
	2015	324,267	-	-	18,780	343,047
Julie Beeby <sup>(b)</sup> Non-executive Director	2016	80,209	14,352	-	8,983	103,544
	2015	-	-	-	-	-
Paul Dowd Non-executive Director	2016	120,314	43,056	-	15,520	178,890
	2015	120,314	33,189	-	14,583	168,086
Charles Lenegan Non-executive Director	2016	120,314	53,820	-	16,543	190,677
	2015	120,314	49,335	-	16,117	185,766
Rebecca McGrath Non-executive Director	2016	120,314	43,056	-	15,520	178,890
	2015	120,314	43,056	-	15,520	178,890
Dean Pritchard <sup>(c)</sup> Non-executive Director	2016	50,131	8,970	-	5,615	64,716
	2015	120,314	21,528	-	13,475	155,317

(a) Represents direct contributions to superannuation funds. Any amounts greater than the superannuation maximum contribution base have been paid and included in board fees and cash benefits. The Company contributions to superannuation were increased by 0.25 per cent from 1 July 2014 in accordance with the change in legislation

(b) Dr Beeby was appointed a Non-executive Director on 19 April 2016.

(c) Mr Pritchard retired as a Non-executive Director on 24 May 2016.

# Remuneration Report

## Equity instrument disclosure relating to KMP

Table 9 – KMP shareholdings

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

	Balance at 1 January 2016 (or date as KMP)	Shares granted as remuneration	Share acquired on exercise of rights	Net other movements	Balance at 31 December 2016 (or date ceased to be KMP)
	\$	\$	\$	\$	\$
<b>NEDs</b>					
Neil Hamilton	39,500	–	–	–	39,500
Julie Beeby <sup>(a)</sup>	–	–	–	8,000	8,000
Paul Dowd	10,800	–	–	–	10,800
Charles Lenegan	20,750	–	–	–	20,750
Rebecca McGrath	12,750	–	–	7,895	20,645
Dean Pritchard <sup>(b)</sup>	22,720	–	–	–	22,720
<b>Executive KMP</b>					
Andrew Cole	10,000	–	–	–	10,000
Luke Anderson	–	–	–	–	–
Robert Fulker	–	–	–	–	–
Mark Rankmore	–	–	–	–	–
<b>Total</b>	<b>116,520</b>	<b>–</b>	<b>–</b>	<b>15,895</b>	<b>132,415</b>

(a) Dr Beeby was appointed a Non-executive Director on 19 April 2016.

(b) Mr Pritchard retired as a Non-executive Director on 24 May 2016. The balance shown for Mr Pritchard represents the number of shares held on the date he ceased to be a member of the KMP.

## Table 10 – KMP performance rights holdings

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

	Balance at 1 January 2016	Granted as remuneration	Value of rights granted (\$) <sup>(a)</sup>	Vested	Exercised	Value of rights vested / exercised (\$)	Lapsed	Net other movements	Balance at 31 December 2016
Andrew Cole	154,344	201,223	779,922	–	–	–	–	–	355,567
Luke Anderson	23,680	126,771	451,557	–	–	–	–	–	150,451
Robert Fulker	–	120,734	430,053	–	–	–	–	–	120,734
Mark Rankmore	35,577	74,184	264,243	–	–	–	–	–	109,761
Total	213,601	522,912	1,925,775	–	–	–	–	–	736,513

(a) The fair value of the performance rights granted to Mr Cole on 16 March 2016 was calculated on the grant date as \$3.88 (the fair value has been calculated by an independent advisor based on a Monte Carlo simulation model). The fair value of the performance rights granted to other KMP on 16 March 2016 was calculated on the grant date as \$3.56 (the fair value has been calculated by an independent advisor based on a Monte Carlo simulation model). No price is payable on acquisition of these rights, and there is no exercise price. Subject to the achievement of relevant performance conditions, these rights would be expected to vest on 31 December 2018.

## 7. Other transactions with Executive KMP or NEDs

There were no loans made to Executive KMP, NEDs or their related parties during the year. There were no other transactions between the Company and any Executive KMP, NED or their related parties other than those within the normal employee, customer or supplier relationship on terms no more favourable than arm's length.





# Sustainability Report

The Native Apricot (*Pittosporum angustifolium*) is part of South Australia's local flora and can be found around our Carrapateena project. Drought and frost resistant, it is extremely resilient to the toughest of conditions.

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# Sustainability Contents

OZ Minerals has a strong commitment to publish a combined report to demonstrate our business strategy and how long-term environmental and social performance. The Minerals' policies and performance standards

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Assurance  
Statement

ards sustainability. This year, OZ Minerals  
e how sustainability is integrated into  
conomic value is strongly linked to  
sustainability chapters align with OZ  
ds.



# Sustainability Performance Summary

Focus area

Performance

01



Environment

Water: 1,222 ML of water recycled.  
Energy and Emissions: 21% reduction in direct greenhouse gas emissions.

02



Social

Community investment: total sponsorship of local organisations was \$0.3 million.  
Local Procurement: 96% of total spend on goods and services dedicated to Australian suppliers and contractors.

03



Safety

LTIFR: the total injury frequency rate increased from 0.99 in 2015 to 1.07  
TRIFR: the total recordable injury frequency rate increased from 5.30 in 2015 to 6.80.  
Safety culture: enhanced safety programs such as the Prominent Hill Site Safety Acceleration program.

04



Health and Wellbeing

Received Industry Collaboration Award along with TAFE SA and THIESS for our Partnerships, People and Production training program.  
On-site education sessions in partnership with SANO's Wellbeing, Health and Injury Prevention Program.



### Value Creation and Sustainability

As outlined on page 8 in this report, our Company strategy is centred around creating value for our stakeholders. This includes value for our shareholders, employees and communities and lays the foundation of our approach to improve OZ Minerals' environmental, social, safety and health and wellbeing performance. This also helps us to maintain trust and reduces risk throughout the value chain. As we take a long-term view, our principles and our approach to value creation have a relevance for sustainable development.

### Commitments

In previous years, OZ Minerals published a set of annual targets and commitments that underpin our sustainability performance. This year, we decided to publish a set of forward-looking commitments that cover key focus areas of our activities. With the roll-out of OZ Minerals' new performance standards in 2017, each asset is responsible to meet these commitments. We

believe that this provides a clear strategic direction and accountability. The management approach sections of each key focus area include some of these commitments.

### Material Topics

The table below provides a value chain analysis for each material topic and should be considered in conjunction with the overall materiality assessment described on page 74. Each topic is discussed in the report. The term 'material topic' is used for voluntary sustainability reporting to describe topics that are considered to have the potential to affect our sustainability performance.

### Report Boundaries

In the sustainability section of the report, we aim to report on all aspects of our business, including joint ventures where we have operational control. We apply selected GRI Standards, a comprehensive set of guidelines covering all dimensions of sustainability. The reporting period is for the calendar year 2016, unless otherwise stated.

### Cautionary Statement

The sustainability section of this report contains forward-looking statements in regard to results of activities, plans and objectives. Actual results may significantly differ from these statements, depending on a variety of factors.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside OZ Minerals' control.

Given these risks and uncertainties, undue reliance should not be placed on forward looking statements.

## Overview of Material Topics

○ high    ○ medium    ○ low

Topic	Exploration	Mining and Production	Processing and Transport	Sales
Economic Performance	○	○	○	○
Energy and Greenhouse Gas	○	○	○	○
Water	○	○	○	○
Local Communities	○	○	○	○
Indigenous Peoples	○	○	○	○
Health and Safety	○	○	○	○
Business Ethics	○	○	○	○

### Awards



FTSE4Good

## Recognition FTSE4Good Constituent

OZ Minerals Ltd is a constituent of the FTSE4Good Index. The FTSE4Good Series is designed to help investors integrate environmental, social and governance (ESG) factors into their investment decisions. The indexes identify companies that better manage ESG risks. The ESG Ratings are used by investors who wish to incorporate ESG factors into their investment decision making processes, or as a framework for corporate engagement and stewardship.

# Materiality and Stakeholders

OZ Minerals conducts an annual materiality assessment to determine the relevance of sustainability topics for our stakeholders and the Company.

This report focuses on topics that have been identified as being of particular importance from an internal perspective and the demands placed by our stakeholders. On the basis of a materiality assessment, we determine key topics for our sustainability reporting and management to understand and prioritise the topics that matter to us and our stakeholders.

## Materiality Process

The process to identify material topics complies with the GRI guidance on materiality and completeness, and is based on a range of internal and external considerations and priorities. They are identified on the basis of an extensive document review, surveys, and dialogue with internal and external stakeholders. This includes reviewing material topics and commitments from industry peers, independent research reports aimed at identifying material topics in the industry, sustainability topics raised by key stakeholders including government and local communities, analyst articles and daily media monitoring reports.

We prioritise sustainability topics based on discussions

with interested parties, input from senior leaders, internal subject matter experts, employees and relationship managers to focus on topics which:

- Have a particular influence on the economic, ecological and social impact of our business activities;
- Have a direct impact on our business development; and
- Are of particular relevance to our stakeholders and the decisions they make.

Material topics identified as having a high priority for both the business and stakeholders are discussed in this report. Other topics are mentioned in the report and on the Company website. This report covers OZ Minerals' operations and its operating subsidiaries, excluding joint ventures where we do not have operating control. Seven material topics have been identified as part of this year's assessment. These topics are plotted on the materiality matrix.

OZ Minerals focuses on continuous improvement and has used the feedback from external sustainability specialists, analyst groups and management reports

to make a valuable contribution to this document.

Compared with last year, we have not identified substantive changes to the material topics. As we refined our process to rank material topics and extended our sample of stakeholders, we were able to score and rank topics with greater confidence. We recognise that material topics have a relationship to our business success. We use the materiality assessment to identify areas of improvement, identify risks or commercial opportunities.

The sustainability section of our Combined Report has been prepared to report against selected GRI Standards as detailed in the GRI Content Index that is available on our website. The GRI Standards were the first global standards for sustainability reporting and were officially launched in October 2016. OZ Minerals' 2016 GRI Content Index is available on our website and indicates how this report meets the GRI requirements.

## Materiality Matrix

- Economic Performance
- Energy and Emissions
- Local Communities
- Water
- Business Ethics
- Occupational Health and Safety
- Indigenous Peoples
- Other



## Stakeholder Engagement Process

OZ Minerals undertakes regular engagement, including face-to-face consultation, with key stakeholders and uses this consultation to inform the materiality process. Information around OZ Minerals' economic, social and environmental performance is conveyed to local communities, pastoralists and traditional owners through regular liaison and correspondence.

OZ Minerals hosts and organises stakeholder engagement events and meetings. Some of these events address topics that are specific to our social performance and focus on areas in which OZ Minerals can create shared value.

In 2016, OZ Minerals collected feedback provided by stakeholders regarding the Carrapateena project through a formal stakeholder feedback survey process. The results from the survey provide formal quantitative and qualitative data that

reflects what is important to a broad range of stakeholders and forms part of the materiality assessment. The majority of stakeholders view social and economic factors as being of highest importance to them, in particular employment opportunities, building capabilities and skills and economic growth.

We identified the following stakeholder groups as important to our business success:

Stakeholder Group	About the Stakeholder	Engagement
<b>Customers</b>	Smelters, refiners and downstream copper product fabricators around the globe. With a key interest in product quality and a greater awareness of global labour issues, human rights and downstream product safety due to the nature of their business.	Regular formal and informal communication with marketing department staff. Personal visits by marketing department and process management staff. Site visits to customer plants and customer representatives encouraged to visit OZ Minerals' operations. Production of parcels as per customer specifications.
<b>Employees</b>	Employees are predominantly South Australian based, fly-in fly-out employees covered by collective bargaining agreements. Key topics for employees include: occupational health and safety, employment, diversity and equal opportunity, training and education, and personal wellbeing.	Regular communication with staff through presentations and discussions, through the intranet, email alerts, hard copy newsletters, noticeboard items and a regular electronic letter from the CEO. Refer to the safety, and health and wellbeing section for information about our safety programs.
<b>Governments</b>	Local, state and national regulators and Government agencies.	Regular formal and informal communications with operational senior management and staff through site visits, meetings, events and reporting, partnership in South Australian Government Copper Strategy.
<b>Industry associations</b>	Mining and minerals industry.	Representatives on boards and committees, engagement on specific projects.
<b>Investment community</b>	Mainstream brokers, financial analysts and fund managers, sustainability and ethical investment analysts, retail investment advisers, existing and potential shareholders, both domestically and internationally.	Annual General Meeting, Annual Reports and Sustainability Reports, Quarterly Reports and webcasts, ASX releases, Company website, direct phone contact with investor relations, presentations at industry conferences, briefings and site visits, investor presentations.
<b>Local communities</b>	Individuals and groups local to our operations, including pastoralists, traditional owners, local Aboriginal groups, development groups, local businesses and councils.	Location-specific community relations personnel, community meetings, formal and informal communications, as well as social media.
<b>Media</b>	Print, radio, television and online platforms.	Dedicated media relations function. Regular engagement with business and regional media through teleconferences, regular one-on-one discussions, interviews, ASX releases, media releases and site visits.
<b>Non-government organisations</b>	Local, regional and international environmental, human rights, development, corporate social responsibility and sustainability organisations.	Liaise directly with operational management, environment and community relations departments on specific issues. Annual Reports and Sustainability Reports and media releases.
<b>Shareholders</b>	Retail and institutional shareholders.	Annual General Meeting, Annual Reports and Sustainability Reports, Quarterly Reports, and webcasts, website (where all releases and other information on OZ Minerals is maintained and regularly updated), and investor presentations.
<b>Suppliers</b>	From local businesses to large international organisations.	Regular meetings with commercial and operational staff.
<b>Other mining companies and Academia</b>	Other mining companies, mining regulators, industry associations and minerals industry academics, Industry Alliance with representatives of resource companies in the Coober Pedy region and Coober Pedy Council.	Papers and presentations given by executives at various industry-related conferences. Location-specific industry meetings, informal communication and working groups.

A photograph of a worker in a white hard hat and safety glasses, looking down at a tray of metal samples. The worker is wearing a dark jacket and a wide-brimmed hat. The tray contains several cylindrical metal samples. In the background, another worker in a white hard hat is visible. The scene is set in an industrial or outdoor environment. A large yellow diagonal graphic is overlaid on the left side of the image.

# Environment

# Management Approach

OZ Minerals is committed to achieving a high standard of care for the natural environments and communities which we come into contact with.

Our commitment to environmental responsibility is embodied in our Code of Conduct, Environment and Community Policy and our Environment Performance Standards. Our policies and standards support a precautionary approach to environmental challenges.

## Environment and Community Policy

The objective of this Policy is to ensure OZ Minerals delivers sound environmental outcomes whilst supporting the creation of shared value for the communities in which we operate. To meet the objective of this policy OZ Minerals will:

- Minimise environmental impact by using robust scientific processes and impact assessments;
- Ensure effective stewardship of natural resources by minimising our environmental footprint, reducing waste and using energy, water and other raw materials efficiently;
- Ensure safe transport of our product through the logistics chain; and
- Plan for mine closure and ensure adequate financial provisions exist.

This policy applies to all employees, directors, officers, consultants and contractors of OZ Minerals and its subsidiaries. Complete and consistent implementation of this policy and its supporting standards and procedures are required across all OZ Minerals' assets. Adherence will be verified through regular audit and review processes.

## Environmental Performance Standards

The Environmental Performance Standards describe the minimum requirements of assets to manage environmental threats and impacts associated with specific activities or tasks, and to identify opportunities that have the potential to drive value creation for both OZ Minerals and the communities in which we operate.

As part of our operational planning and management process, we develop risk management plans to identify environmental risks and opportunities. All assets must periodically conduct an audit of their compliance to the OZ Minerals Standards to ensure elements are understood and applied at a local level.

## Governance and Management Systems

OZ Minerals' Governance Structure is shown on pages 16 -18. The Board of Directors, the Chairman, CEO and Executive Committee are responsible for the supervision and management of our strategy. The strategic implementation of our environmental performance is overseen by the Sustainability Committee of the Board.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities with respect to financial reporting and disclosure, internal and external audit processes and, together with the Sustainability Committee, review the risk management processes.

Management is responsible for implementing management systems across the business. We monitor their application and effectiveness through internal and external audits. Training and competency is part of the continuous improvement process and detailed in the Performance Standard.

# Energy and Emissions

Secure and cost-effective energy supply underpins our mining operations. We investigate various power generation technologies, including solar photovoltaic, and energy efficiency opportunities to minimise operational cost and emissions.

OZ Minerals' Emissions and Resource Efficiency Performance Standard defines requirements for energy, accounting and resource efficiency to meet statutory obligations, minimise greenhouse gas emissions and drive continuous improvement.

## Energy Use

To ensure that appropriate measures are in place to increase energy efficiency, OZ Minerals develops programs to ensure ongoing identification of energy efficiency projects and consider renewable energy technologies.

The majority of OZ Minerals' energy use occurs at the Prominent Hill operation. The two main areas of energy consumption are at the processing plant, which uses electricity from the main grid, and mining vehicles that use diesel fuel. In 2016, OZ Minerals did not sell energy.

In line with the mine plan from Prominent Hill, mining activities have moved to deeper areas of the open pit, which results in a higher diesel use per tonne of material mined. However, as we continue to mine less waste, there are fewer trucks operating and diesel consumption has been reduced.

Energy use and greenhouse gas emissions are reported in line with the methodology under the National Greenhouse and Energy Reporting Scheme (NGERS). In the 2015/16 financial period, OZ Minerals' total energy consumption

was 3.29 petajoules (PJ), which is a 13 per cent reduction compared with the prior year (3.8 PJ). Diesel and purchased electricity are the dominant energy sources, contributing 62 per cent and 37 per cent of total energy use, respectively.

## Greenhouse Gas Emissions

Assets must develop, implement and maintain an Energy and Greenhouse Gas Management Plan, which outlines current and future sources of greenhouse gas emissions, and commercial considerations associated with greenhouse gas emissions.

Our primary source of Scope 1 greenhouse gas emissions is diesel use at Prominent Hill. Our overall Scope 1 emissions decreased by 21 per cent compared with the previous year. A total of 0.33 million tonnes of Scope 1 and Scope 2 carbon dioxide equivalent emissions were generated. OZ Minerals discloses its sustainability performance as part of the Australian Government's NGERs and the Australian Government's National Pollutant Inventory (NPI). Limited assurance was provided.

Greenhouse gas and air emissions by type and weight for Prominent Hill and the Carrapateena project are on the opposite page.

## Air Quality

Air quality is affected by the generation of sulphur and nitrogen oxides through the burning of fuels. However, outside of these and

greenhouse gas emissions, the main emission relevant to the assets is dust - generated by stockpiling, moving materials and from vehicles driving on unsealed surfaces. OZ Minerals uses a range of control measures to reduce the amount of dust generated through activities, including regular road maintenance and implementing speed restrictions. Recycled water is applied on frequently used roads to reduce dust creation. Systematic sampling of air quality at the assets is conducted to understand potential environmental impacts. The quantity of total suspended particulates and particles less than 10 parts per million is also measured and used as a leading indicator for occupational hygiene monitoring and control. From comprehensive sampling, undertaken at Prominent Hill and Carrapateena, OZ Minerals can verify air quality management is effective in preventing adverse impacts on workers, the community and the environment.

Data for key air emissions from stationary and mobile sources are reported annually to the National Pollutant Inventory. There are no ozone-depleting substances, persistent organic pollutants, stack emissions or hazardous air pollutants produced at Prominent Hill.

Air emissions by type and weight for Prominent Hill and the Carrapateena Project are provided on the opposite page.

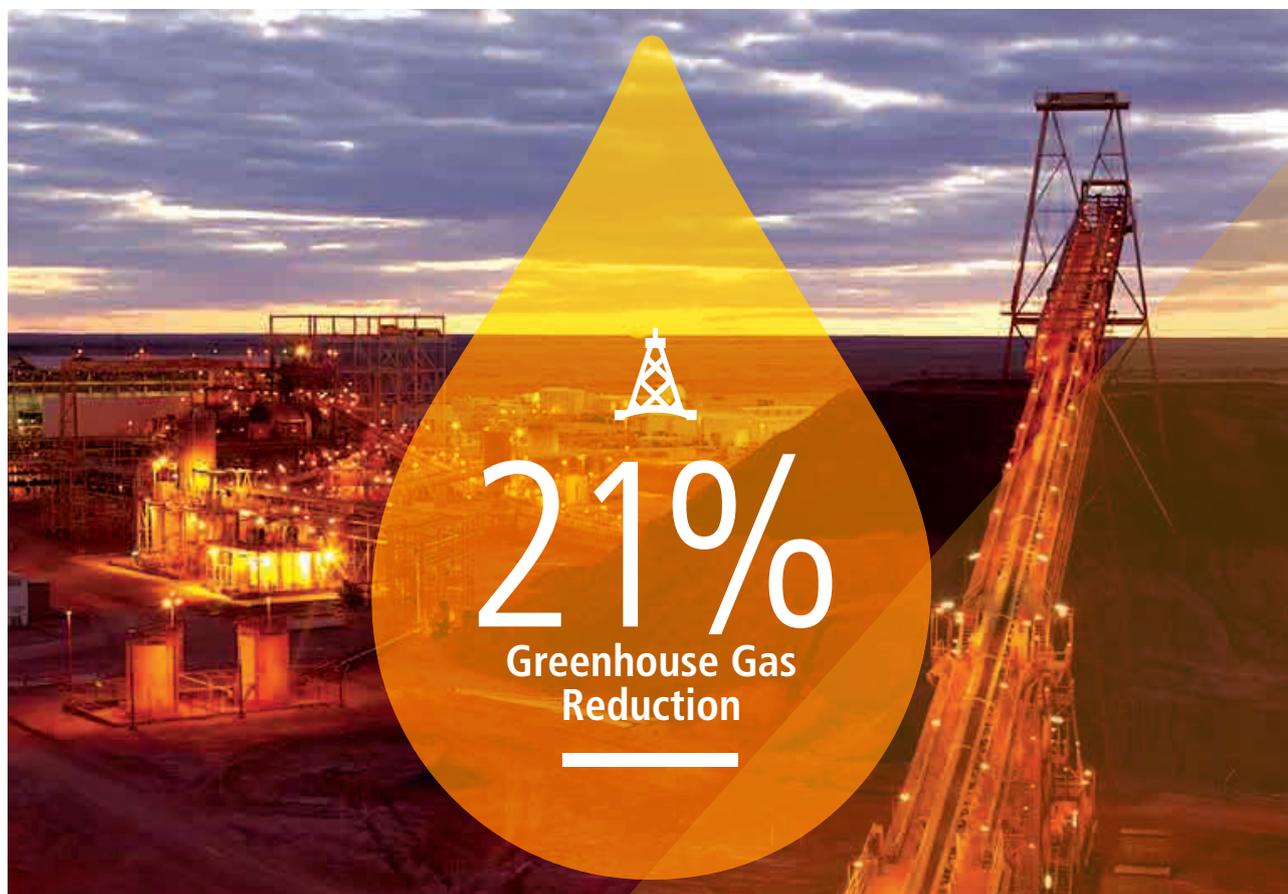
Energy consumption (GJ)	Electricity from the grid	By combustion	Energy produced	Total
Prominent Hill	1,225,454	2,051,608	38	3,277,100
Carrapateena	-	10,208	2,099	12,307
Group Office	1,090	-	-	1,090
<b>Total</b>	<b>1,226,544</b>	<b>2,061,816</b>	<b>2,137</b>	<b>3,290,498</b>

Total direct and indirect emissions	2015-2016	2014-2015
Greenhouse gas emissions Scope 1 (t CO <sub>2</sub> -e) <sup>1</sup>	142,669	180,290
Greenhouse gas emissions Scope 2 (t CO <sub>2</sub> -e) <sup>2</sup>	190,825	199,209
Total of Scope 1 and Scope 2 (t CO <sub>2</sub> -e)	333,494	379,499
Methane CH <sub>4</sub> (t CO <sub>2</sub> -e)	198	267
Nitrous Oxide N <sub>2</sub> O (t CO <sub>2</sub> -e)	446	567
Sulphur Hexafluoride SF <sub>6</sub> (t CO <sub>2</sub> -e)	11	11
Oxides of nitrogen (t)	994	1,242
Sulphur dioxide (t)	0.85	1.11
Total volatile organic compounds (VOC) (t)	52	86
Particulate matter < 10 um (t)	4,488	5,899

The reporting period is July 2015 to June 2016. The energy and emissions boundary is based on operational control as defined by the National Greenhouse and Energy Reporting (NGER) Act 2007. The applied global warming potential (GWP) rates and emission factors are based on the NGER Act (2007) and the National Pollutant Inventory.

(1) Scope 1 refers to emissions produced directly by operations, primarily resulting from combustion of various fuels and includes CO<sub>2</sub>-equivalent values for greenhouse gases such as CH<sub>4</sub>, N<sub>2</sub>O and SF<sub>6</sub>.

(2) Scope 2 refers to indirect emissions resulting from the import of electricity from external parties; commonly the electricity grid.





# Water

Water is used in all stages of the mine life cycle. Efficient use, recycling and disposal of water are key aspects of operational performance.

OZ Minerals' Water Performance Standards define the requirements to ensure that assets effectively manage water, including process water, stormwater, discharges and dewatering activities. OZ Minerals' standard approach to water management is to require a water management plan incorporating where necessary groundwater monitoring both planned and opportunistic.

Prominent Hill and Carrapateena are situated in areas with an average annual rainfall of less than 200 millimetres per year and both are dependent on the supply of groundwater to sustain operations.

## Tailings Management

OZ Minerals' Tailings Performance Standard sets out the requirements for the long-term safe impoundment of mine tailings and residues to prevent uncontrolled releases into the environment. Assets are required to develop a Tailings Storage Facilities Operations Management Plan to ensure safe practices are conducted in accordance with statutory obligations and design and to minimise short and long-term threats.

## Prominent Hill Water Management

Prominent Hill's wellfield is located approximately 40 km south-east of the mine and is operated under the tenure of a Miscellaneous Purpose Licence (MPL) and a water extraction licence under the Far North Wells Prescribed Area Water Allocation Plan as established for the South Australian Arid Land Region. The water is sourced from within the Boorthanna Formation, a sedimentary geological unit of the Arkaringa Basin. The Arkaringa Basin is a groundwater system that is discrete from the Artesian Eromanga Aquifer system that feeds the Great Artesian Basin springs. No influence on these springs has been or is expected to be detected.

All wellfields are located on nearby pastoral stations. In the majority of cases, the pastoralists draw water from a different, shallower and/or discrete aquifer than that used by the mine wellfield. OZ Minerals has a water monitoring program to monitor water levels and quality in previously agreed pastoral wells on neighbouring stations. Surrounding groundwater sources are closely monitored and results reported to relevant stakeholders. It is important to note that aquifers are localised within the Arkaringa Basin and do

not impact on the Great Artesian Basin.

As part of Prominent Hill's water licence requirements, quality and quantity thresholds have been set on the water extraction. There have been ongoing concerns that one area of the wellfield, also utilised by neighbouring pastoralists, is experiencing a reduction in water depth below specified limits. OZ Minerals continues to invest in determining a long-term water management strategy and conducts investigations to better understand the hydrogeology of the area.

It has been a focus of OZ Minerals to ensure the efficient use of raw water by increasing the recycling of water from the tailings storage facility at Prominent Hill. Increased recovery has seen a significant reduction in raw water consumption.

## Carrapateena Water Management

At Carrapateena, a groundwater operational monitoring network is currently implemented to provide water level and water quality data. Together with a numerical groundwater flow modelling, we improve the understanding of the regional groundwater system and optimise wellfield management. These programs will be updated and reviewed at least annually.

## Water Management

Water withdrawal (ML)	Surface water	Groundwater (mine dewatering)	Groundwater (wellfield)	Rainwater/ Stormwater	Municipal water supply	Total recycled	% Total recycled
Prominent Hill	0	465	5,200	0	0	1,222	22
Carrapateena	0	0	43	0	0.08	0	0
<b>Total</b>	<b>0</b>	<b>465</b>	<b>5,243</b>	<b>0</b>	<b>0.08</b>	<b>1,222</b>	<b>21</b>

Water discharge (ML)	Subsurface	Surface	Sewers	Land (dust suppression)	Land	Treatment facilities	Groundwater
Prominent Hill	0	0	0	51.8	0	1,222	0
Carrapateena	0	0	0	37.6	2.5	0.09	4.4
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>89.4</b>	<b>2.5</b>	<b>1,222.09</b>	<b>4.4</b>

# Waste

## Minimising waste generation, optimising recycling and managing waste is key for operations in remote locations.

### Waste Rock and Tailings

OZ Minerals' Waste Rock and Ore Standard defines the requirements for the management of waste rock and ore to prevent adverse environmental impacts, re-handling of waste, promote beneficial post-mining land use, and reduce post mining rehabilitation and closure liability.

Assets must implement a waste rock and ore tracking system and demonstrate that waste rock has been properly characterised and routed to the appropriate facility. A log of material types and disposal locations must be kept.

Disposal of any solid or hazardous waste in the waste rock disposal facility requires a scientifically defensible study that can demonstrate the waste is compatible with disposal in the waste rock disposal facility, complies with laws and permits, and will not compromise rehabilitation and closure success.

Stabilisation and/or progressive rehabilitation activities must be conducted as soon as practicable. Rehabilitation success criteria and objectives must be established and monitored to validate agreed closure completion criteria.

To prevent or minimise potential impacts associated with waste rock and tailings disposal, a range of strategies are implemented during the earliest stages of project planning through operations to closure. These include:

- Geochemical characterisation of potentially acid-forming (PAF) and non-acid forming (NAF) materials;

- Resource modelling;
- Selective handling and encapsulation of waste rock;
- Disposal of tailings into specially designed and engineered facilities;
- Containment and treatment of mine waters to meet regulatory discharge criteria; and
- Linking operational planning to long-term closure management.

### Prominent Hill

Waste rock disposal facilities must be designed, constructed and rehabilitated according to relevant licence and statutory obligations. At the Prominent Hill operation, waste is managed on site in an integrated waste rock and tailings storage facility.

Over the reporting period Prominent Hill produced 15.4 million tonnes of waste rock, with no PAF material being mined, and 8 million tonnes of tailings. Most of the waste rock generated is placed in rock dumps within the mining areas, with a proportion of NAF rock used for the construction of mine infrastructure, such as the tailings storage facility and roads.

We encapsulate PAF rock within the integrated NAF waste landform stockpiles and prevent surface water runoff using physical control measures to prevent impact to the environment.

To ensure our control measures are effective, we conduct ongoing monitoring of surface water to detect any potential changes in downstream surface

water quality from baseline values, including metal concentrations and acidity.

In 2016, approximately 8.3 million tonnes of tailings were produced. All tailings are contained within the tailings storage facility. Water sampling is conducted after heavy rainfall events at sites around the tailings storage facility and surrounding waste rock to verify proper containment of heavy metals and acid-generating rock material.

### Carrapateena

Construction of the Carrapateena decline has begun with Australian company, PYBAR Mining Services. PYBAR was awarded the contract to build the 600 m deep and 7,500 m long decline with associated underground infrastructure and surface ventilation. Appropriate waste management is required to minimise environmental impacts and risks associated with waste disposal infrastructure. To prevent or minimise the potential environmental impacts associated with waste rock disposal, we implement a range of strategies during project development and operations. In addition, the group standards for Waste Rock and Ore and Tailings define the requirements for the management of waste rock.

Mineral Waste	Overburden (t)	Material moved (t)	Total ore mined (t)	Liquid fossil fuels (kL)	Lubricants (kL)	Explosives (t)
Prominent Hill	27,812,491	44,948,296	17,135,805	52,232.1	857.4	7,077

Data reported to the Australian Government's NGRS and/or the Australian Government's NPI. Reporting period: July 2015 – June 2016.

## General Waste

OZ Minerals' Waste and Waste Water Standard defines the requirements for minimising waste generation, optimising recycling, and managing hazardous wastes, non-hazardous wastes and waste water.

Each standard must maintain a fit for purpose waste management plan that describes controls and processes for identifying potential waste

streams and segregating and disposing of hazardous wastes and non-hazardous wastes in compliance with statutory obligations. The standard also defines the requirements for landfill, onsite and offsite disposal, and sewage waste water.

Prominent Hill has an onsite waste resource recovery centre, which enables a significant reduction in the amount of waste sent to landfill

and recycles stockpiled steel, cans, bottles and other materials onsite. Recycling is undertaken at Carrapateena and all non-mineral waste generated is transported off site.

Non-mineral waste (t)	Solid recycled	Liquid recycled reused	Landfill	Incineration	On-site storage	Hazardous transported
<b>Carrapateena</b>	586	70,884	1,555	191	0	134
<b>Prominent Hill</b>	24	0	456	0	0	0
<b>Total</b>	<b>610</b>	<b>70,884</b>	<b>2,011</b>	<b>191</b>	<b>0</b>	<b>134</b>



## Case Study: Commitment to Recycling and Re-Use

Several worn-out steel dump truck trays at the Prominent Hill mine were in need of disposal. Due to the sheer size of these trays it was considered extremely difficult to move them off-site for recycling. Many disposal options were considered. OZ Minerals, in conjunction with THIESS Mining, organised for the worn out trays to be cut into smaller pieces by SIMS Metal enabling transport off-site via Toll back loads for recycling. This process has shown that even large items from site can be disposed of in an environmentally sustainable way.

As part of OZ Minerals' ore processing activities, lead cupelles are generated. Over the years, the number of cupelles built up onsite. Suitable disposal methods were investigated, such as off-site encapsulation at a waste facility or reprocessing. The final decision was made to re-process the cupelles at the Nyrstar Facility at Port Pirie in South Australia, which allows for recovery of the lead from the cupelles for recycling thereby negating the need for storage of toxic waste in landfill. This process has now become the standard for Prominent Hill's disposal of lead cupelles in the future.

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# Land and Biodiversity

Understanding potential impacts to land and protecting biodiversity are essential during all stages of the mine life cycle.

OZ Minerals' Land and Biodiversity Standard defines the company's requirement for protecting and managing land and biodiversity conservation, and its requirement to minimise any adverse acute or cumulative impacts.

Assets must maintain a fit-for-purpose Biodiversity Management Plan to effectively manage and monitor biodiversity, and understand any potential impact to flora and fauna throughout the mine life cycle. The plan outlines the approach for our operations and includes key objectives that address biodiversity risks and the controls implemented by the asset to protect flora and fauna, and specifically how rare and endangered species and priority conservation status species are protected. Monitoring programs must include any adverse biodiversity impacts and the effectiveness of implemented control measures.

Unauthorised land clearances and stock and wildlife mortalities must be reported in accordance with incident reporting standards and statutory requirements. Where mining townships or accommodation villages are located in the vicinity of the mine, asset procedures are to be implemented to prohibit the unauthorised collection of native species by employees and unauthorised hunting or trapping, while access to designated areas must be minimised.

## Prominent Hill

Prominent Hill is situated in the Stony Plains Rangeland bioregion and is characterised by gibber tablelands, flood plains, dune systems and breakaway country. The mine area is characterised by low open chenopod shrub lands and low open woodlands, with occasional breakaway areas. Prominent Hill experiences extreme temperatures and periodic rainfall.

Prominent Hill is required to establish formal management and monitoring plans in relation to two specific bird species, the Chestnut-breasted Whiteface and the Thick-billed Grasswren (eastern subspecies). Both of these species are listed on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species. Due to the birds' presence in the mining area, OZ Minerals has established a Significant Environmental Benefit (SEB) offset area to enable the ongoing protection and enhancement of habitat for the birds.

This parcel of land on Mount Eba Pastoral Lease has been fenced, de-stocked, and has active feral animal control. Flora and fauna monitoring is undertaken twice a year during autumn and spring to assist in further understanding habitat, landscapes and species abundance. Prominent Hill has expanded the monitoring program to extend further from the SEB offset area to better understand the benefits of the conservation efforts.

## Carrapateena

Annual flora and fauna monitoring surveys continued at Carrapateena during the year to develop an understanding of the existing biodiversity. There are three IUCN species listed within the area, two vulnerable species, the Malleefowl and the Plains Rat, were identified and the endangered, Pernatty Knob-tailed Gecko. The monitoring results continue to indicate mining activities will have minimal impact on the surrounding natural environment, with the Plains Rat the only species within the local area of the proposed operations.

# Rehabilitation and Closure

Careful and proactive planning ensures that social and environmental impacts of the impending closure of Prominent Hill Mine are mitigated.

To enable effective management and planning for mine closure, OZ Minerals' Rehabilitation and Closure Standard defines the requirements for rehabilitation and closure planning and the management of long-term liabilities associated with OZ Minerals' assets.

## Mine Closure Plan

All of OZ Minerals' operations have a Mine Closure Plan and a series of commitments. This is a legislative requirement in South Australia and more broadly in Australia. The plan includes rehabilitation and closure completion criteria to achieve the post-mining designated land use and to minimise environmental liability. Provisions

are made for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during the mine's operation.

The potential impacts of closure are an ongoing consideration in liaison with governments and local communities. Consideration is also given to supporting sustainable community development initiatives, including the growth of local businesses not related to mining.

## Land Disturbance and Rehabilitation

During the reporting year, only 0.096 ha of land was disturbed at Prominent Hill, reflecting

the stable nature of the asset. OZ Minerals has commenced the demobilisation of its open pit fleet in line with the mine plan. As the pit approaches its final years, the waste rock dumps must be prepared for closure.

At the Carrapateena project, 60 ha of land was disturbed for mining activities and resource drilling. More than 10 per cent of this land was rehabilitated in 2016.

Land management (ha)	Total landholding	Mine footprint	2016 Land disturbed	Land rehabilitated
Prominent Hill	11,401	2,045	0.096	0
Carrapateena	1,070	121	60	6.7



## Case Study: Offset Areas

In the development of the Prominent Hill project, OZ Minerals committed to the establishment and management of a SEB offset area - a parcel of land, consisting of a portion of the Mt Eba Pastoral Lease and the undisturbed areas within ML 6228, an area of approximately 12,415 ha, minus project-related disturbances, was set aside. The two objectives of the SEB offset area are the management of the area to support habitat by managing threatening processes during Prominent Hill operations, and the restoration of selected on-site areas, cleared to enable mining activities. OZ Minerals has an approved Stage Two Significant Environmental Benefit Offset Area Management Plan to effectively manage the SEB offset area during the mining life cycle. This management plan outlines our strategy to meet the aims of the offset area including how we will effectively manage threatening processes, for example through feral animal baiting and trapping programs, weed control, and land clearance management.

# Environmental Compliance

As part of environmental management, OZ Minerals' activities are governed by conditions detailed in mining approvals, lease conditions and licences set out by regulatory authorities.

OZ Minerals engages with regulatory bodies, government agencies, communities and land owners during the environmental approval and permitting process to ensure the community and government have actively participated and understand the environmental, social and economic implications of the project.

All environmental incidents and near misses are reported through our incident reporting systems. Investigations are undertaken to determine

the underlying cause in order to eliminate the potential for failures and to apply effective company-wide controls.

Significant environmental incidents are defined as any occurrence within OZ Minerals' operational control that has resulted in, or had the potential to cause, at least moderate environmental impact. In 2016, there were no significant environmental incidents, spills or discharges. OZ Minerals had no fines

or prosecutions relating to environmental performance.

Environmental compliance	
Number of significant spills	0
Total volume of significant spills (m <sup>3</sup> )	0
Monetary value of significant fines (\$A)	0



## Case Study: Carrapateena Mining Lease Proposal

OZ Minerals is currently developing an exploration decline under the conditions associated with a Retention Lease as granted under the South Australian Government's Mining Act 1971. OZ Minerals will require a Mining Lease before development. Environment and social studies are being undertaken in preparation for the submission of the Mining Lease Proposal. Discussions have commenced with the Kokatha Aboriginal Corporation around project configuration. OZ Minerals has also started and will continue to undertake community consultation to ensure the community is fully aware of the impacts and benefits that will flow from the project.





Social

# Management Approach

Social performance is a fundamental pillar of our business and we strive to be welcomed in the communities in which we operate.

OZ Minerals' Environment and Community Policy and the Ethics and Human Rights Policy set out our commitments in these areas. The policies are supported by performance and management standards.

## Environment and Community Policy

The Environment and Community Policy sets the intent for OZ Minerals to achieve sound environmental outcomes whilst supporting the creation of shared value for the communities in which we operate. OZ Minerals commits to:

- Integrating the principle of shared value into the way we work ensuring our standards and procedures foster a culture that values mutually beneficial outcomes, including for Aboriginal and Indigenous communities and pastoralists;
- Building trusting relationships by engaging openly and honestly with our host communities and other key stakeholders throughout the lifecycle of our projects;
- Considering the economic, social and environmental needs of the communities in which we operate;
- Considering the views of stakeholders in management decisions;
- Encouraging economic prosperity in our communities during and subsequent to mining operations;
- Embedding sustainable development considerations as part of project planning and decision making; and
- Monitoring, maintaining and improving, where required, environment and community risks through the use of robust systems, governance and assurance processes.

## Ethics and Human Rights Policy

The Ethics and Human Rights Policy helps protect the human rights of our stakeholders and prevent human rights breaches from occurring at OZ Minerals' assets. OZ Minerals commits to:

- Understanding, promoting and upholding fundamental human rights within our sphere of influence;
- Recognising and respecting the diversity of Aboriginal and Indigenous people and acknowledging the interests they have in the land, their history and cultural heritage;
- Not employing forced, bonded or child labour and supporting the elimination of child, forced and compulsory labour; and
- Ensuring all security contracts conform with the Voluntary Principles on Security and Human Rights.

## Social Performance Standards

The Social Performance Standards describe the minimum requirements of assets to manage threats associated with specific activities or tasks, and to identify opportunities that have the potential to drive value creation for both OZ Minerals and the communities in which we operate and wish to be welcome.

Building and maintaining strong supportive relationships and partnerships with local people in the areas where we operate drives value creation for both the business and communities and is within our core strategy. We seek to deliver long-term benefits to local communities and other stakeholders by engaging and collaborating with local communities, understanding the social (and other) impacts of our activities, and reducing the negative effects of our activities.

## Governance and Management Systems

OZ Minerals' Governance Structure is shown on page 17. The Board of Directors, the Chairman, Chief Executive Officer and Executive Committee are responsible for the supervision and management of our strategy. The strategic implementation of our social performance is overseen by the Sustainability Committee of the Board.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities with respect to financial reporting and disclosure, internal and external audit processes and, together with the Sustainability Committee, review the risk management processes.

# Community Engagement

OZ Minerals seeks to create opportunities for local communities to generate real value from activities.

OZ Minerals has a long-term interest in the relationships with local communities where we operate. Our Stakeholder Engagement Performance Standard defines the requirements in relation to stakeholder engagement and community consultation.

OZ Minerals engages with key community groups and stakeholders who may potentially be affected by the activities of the asset to determine the risks and social impacts of those activities. We consult and engage in good faith with each key community group and stakeholder in a transparent manner. This also means we provide accurate and relevant information in a timely manner, and anticipate and proactively address community and stakeholder issues and concerns.

Company assets have mechanisms in place to capture complaints and grievances and address them in a timely manner. OZ Minerals maintains an Incident and Complaint Register. OZ Minerals' assets are subject to a process to ensure major communications and consultation activities are monitored and reviewed to confirm their effectiveness, and to promote personnel and external stakeholder feedback.

## Engagement Programs

All of our operations have community engagement programs that target areas close to OZ Minerals' operations, and include communication with local pastoralists and the communities within the sphere of influence of the operational and project activities. Prominent Hill has an extensive engagement program with communities and stakeholders throughout the Far North and Upper Spencer Gulf regions of South Australia. These include, but are not limited to, the APY Lands, Oodnadatta and Port Augusta. We regularly meet with the local community in Coober Pedy and surrounding areas to discuss our activities and how we can support the needs of the community.

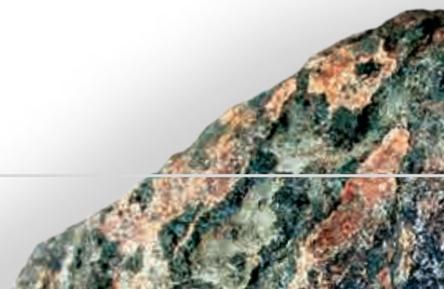
OZ Minerals and the wider Prominent Hill workforce contributed to a range of local and regional programs in 2016, including a Community Adaptability Program to support Coober Pedy, Coober Pedy School via scholarships and donation of goods. OZ Minerals is proud to have provided continued support to the Remote and Isolated Children's Exercise, the Coober Pedy Football Club, and the various Gymkhana and Race clubs within Prominent Hill's sphere of influence.

## Case Study – Remote and Isolated Children's Exercise

Remote and Isolated Children's Exercise (RICE) has been providing support to children and their families in the remote and isolated areas of South Australia since 1976. Their range of programs include health and wellbeing, childcare, early childhood education, play days and play sessions and a toy and resource library. RICE has been a very important organisation for pastoralists within the region surrounding Prominent Hill. OZ Minerals has long been a supporter of this program and again in 2016 provided a donation of \$20,000, as well as supporting RICE's 40th birthday celebrations held in Port Augusta on 10 December.

## Memberships

As a modern mining company, OZ Minerals is committed to creating and sustaining a positive culture where diversity is valued, encouraged and promoted. It also has a strong sustainability focus with significant contributions to people, communities and the environment. OZ Minerals is a member of numerous organisations, including the Australian Mines and Metals Association (AMMA) and the South Australian Chamber of Mines and Energy (SACOME). OZ Minerals is also represented on several South Australian associations in which company representatives hold positions on their governance body. This includes the Minerals and Energy Advisory Council and the Mining Industry Participation Office.



# Community Investment

We actively invest in the community through sponsorships, in-kind donations and participation by OZ Minerals employees.

OZ Minerals Stakeholder Engagement Standard sets out the requirements to align assets' community investment decisions with the assets' socioeconomic development plans.

Our preference is to support locally organised initiatives that provide long-term benefits to our host communities and are aligned with the wishes of these communities. Our sponsorship guidelines, available on our website, detail our approach to investing in community development.

OZ Minerals contributed to a broad range of local and regional programs in 2016. In addition to funding, OZ Minerals staff and contract partners provide in-kind assistance through the donation of time, expertise and resources for community events and initiatives. OZ Minerals is proud to have provided continued support to the Royal

Flying Doctors Service, the Remote and Isolated Children's Exercise and the Copper Sculpture Award as part of the South Australian Living Arts Festival.

Total sponsorship of local organisations and programs for 2016 was \$0.3 million. In developing sponsorships and community investment initiatives, OZ Minerals tries to avoid creating dependency, preferring to support organisations or projects achieving self-sustaining outcomes.

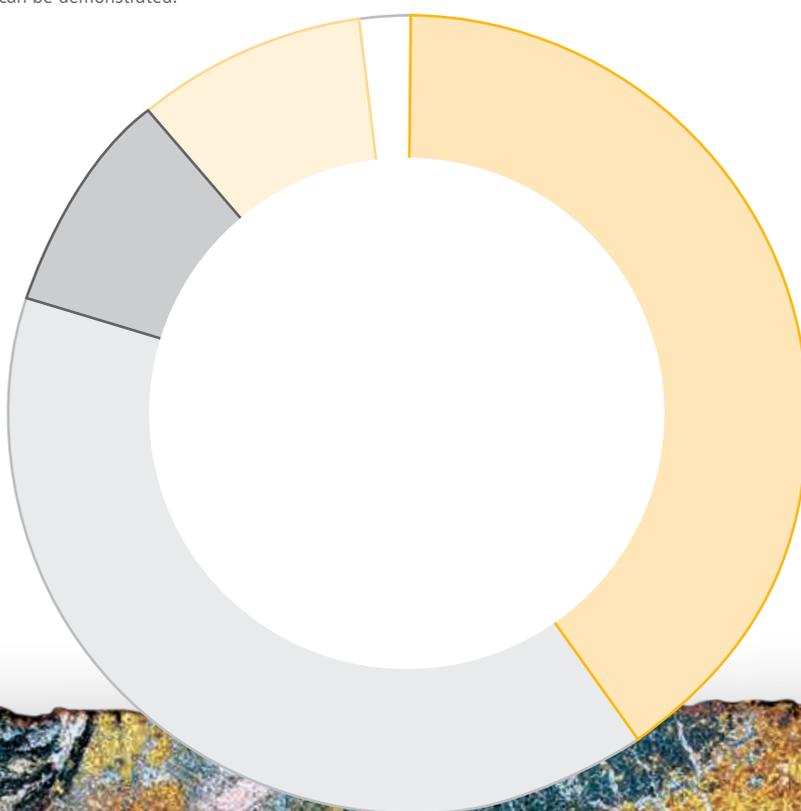
For community support, initiatives and areas located near our operations and projects are given priority. Other geographic areas may be considered as long as benefits to OZ Minerals' stakeholders can be demonstrated.

Community investment	\$
<b>Community appeal</b>	128,780
<b>Health</b>	102,945
<b>Education</b>	23,409
<b>Industry<sup>1</sup></b>	21,117
<b>Sports</b>	3,953
<b>Total</b>	<b>280,204</b>

<sup>(1)</sup> The community investment category 'Industry' includes sponsorships events and money paid to industry associations to support various events and activities related to the mining industry.

## Community investment

- Community appeal – 46%
- Health – 37%
- Education – 8%
- Industry – 8%
- Sport – 1%



# Indigenous Peoples

Stable local level agreements with land-connected people throughout the life-of-mine are fundamental to successful resource development.

A genuine partnership with land-connected indigenous groups is built on trust, respect and integrity. It allows us to build a common understanding and language, identify opportunities, learn from each other and work towards shared goals.

A comprehensive understanding of the culture and social structure of impacted communities is required to ensure respectful, inclusive and effective engagement. Each asset has dedicated personnel to ensure regular liaison with Aboriginal and Indigenous communities. The requirements regarding engagement with Aboriginal groups are set out in the Land-Connected Indigenous Peoples Performance Standard. As part of this, each asset must operate in accordance with the principles of the UN Declaration of the Rights of Indigenous Peoples (UNDRIP).

## Prominent Hill

Prominent Hill is located on the traditional lands of the Antakirinja Aboriginal community. The Antakirinja Matu-Yankunytjatjara (AM-Y) received determination in 2011 recognising native title rights and interests. The AM-Y Aboriginal

Corporation (AMYAC) perpetual trust fund has been established to assist the sustainable use of production payments as agreed under the Prominent Hill Part 9B Mining Agreement. Production payments from Prominent Hill are paid into the fund and distributed to the community in areas such as education, cultural and community development. Regular meetings are held with representatives of this group in relation to the OZ Minerals funded Antakirinja Education Scholarship Fund. This fund is ongoing and is opened twice a year to students to assist their studies. It is designed to support future generations of the AMYAC community.

## Carrapateena Partnering Approach

In developing a Native Title Mining Agreement for the Carrapateena project, OZ Minerals and the Kokatha Aboriginal Corporation (KAC) signed a Partnering Agreement. This agreement, "Nganampa palyanku kanyintjaku", translated as "keeping the future good for all of us", determines the nature and values of how both organisations will work together over life-of-mine and beyond.

The journey of partnering has assisted the Kokatha and OZ Minerals in identifying and agreeing on what success will look like for both organisations in the short and long term. The partnering approach is based on principles of equality, transparency and mutual benefit. It respects and protects the rights of the Kokatha people and is in line with the values of 'Free prior and informed consent' (FPIC). It will be on this basis that the relationship between the KAC and OZ Minerals will continue throughout the life of the project.



(l-r): Andrew Cole, Managing Director and CEO, OZ Minerals and Chris Larkin, Chairman, Kokatha Aboriginal Corporation signing of the Partnering Agreement at the opening of the Tjati decline, Carrapateena

## Awards



## Premier's Community Excellence Awards in Mining and Energy – Social Inclusion Award:

OZ Minerals and Antakirinja Matu-Yankunytjatjara Aboriginal Corporation together for establishing an innovative partnership with Aboriginal people, laying the foundation to leverage long term business opportunities beyond the life of the Prominent Hill mine and outside of the resource industry.

# Cultural Heritage

OZ Minerals works in partnership with Aboriginal and Indigenous communities, and consults with them regularly about the impacts and opportunities arising from projects.

The Cultural Heritage Performance Standard sets out the requirements for employees and contractors to proactively collaborate with relevant communities under national and local laws to protect and manage cultural heritage in the areas of their activities.

OZ Minerals adheres to all relevant legislative Acts and regulations regarding local communities, land and customary rights, including those of Aboriginal people. Each asset must implement a Cultural Heritage Management System and work with relevant community groups according to local cultural norms to maintain a register of tangible cultural heritage features and intangible cultural heritage features and values. The assets must mitigate unavoidable disturbance or destruction in active collaboration with heritage custodians

and report as soon as possible any significant incident involving disturbance of cultural heritage to senior management, local custodians and authorities.

## Cultural Awareness Training

In 2016, cultural heritage and awareness training was enhanced depending on each employee's role and responsibilities, and the likely exposure to cultural heritage risks. We provide employees and contractors training and information on how to avoid damage to cultural heritage, along with project obligations and requirements. The Prominent Hill cross-cultural awareness training programs are offered to all contractors and employees and they are encouraged to attend.

OZ Minerals has a Native Title Mining Agreement with the Kokatha people for Carrapateena. The

Kokatha people developed a cultural respect training program. It is endorsed and supported by OZ Minerals' executive team and is to be undertaken by all OZ Minerals Carrapateena employees and employees of contractors. It includes awareness training on heritage and artefact finds and working in areas of cultural significance.



## Case Study: Innovative Use of Technology to Reduce Land Disturbance

The Carrapateena project requires the establishment of regional infrastructure in areas with limited or no infrastructure to support the development and operations of the project. These include, for example, access roads, power transmission assets, communications assets, water assets and site infrastructure.

The OZ Minerals land access, approvals and projects team developed a collaborative and participatory process of working with each stakeholder utilising high-resolution aerial imagery. This approach allows us to expedite land access process in less time, obtain higher confidence on all options being assessed and reduced land disturbance on environment. It is in line with agreements we have with traditional owners and pastoralists.



# Ethics and Human Rights

Business ethics and corporate governance underpin every aspect of the way we act. Our policies and standards are designed to ensure we operate with integrity and undertake our business activities ethically.

OZ Minerals' internal governance is guided by international guidelines, such as the UN Guiding Principles on Business and Human Rights, United Nations Universal Declaration on Human Rights, Voluntary Principles on Security and Human Rights (VP), International Labour Organisations (ILO) Conventions and International Council on Mining and Metals (ICMM) principles. Expectations of OZ Minerals employees are further reinforced through the Code of Conduct.

The Ethics and Human Rights Policy helps protect the human rights of our stakeholders and prevent human rights breaches from occurring at OZ Minerals' assets. OZ Minerals commits to:

- Understanding, promoting and upholding fundamental human rights within our sphere of influence;
- Recognising and respecting the diversity of Aboriginal and Indigenous people and acknowledging the interests they have in the land, their history and cultural heritage;
- Not employing forced, bonded or child labour and supporting the elimination of child, forced and compulsory labour; and
- Ensuring all security contracts conform with the Voluntary Principles on Security and Human Rights.

## Human Rights Performance Standard

OZ Minerals' Human Rights Performance Standard defines OZ Minerals' requirements to respect human rights and articulate how to identify potential human rights threats. OZ Minerals adheres to all relevant legislative Acts and regulations regarding local communities, land and customary rights, including those of Aboriginal people.

It is expected all assets have a system for recording and investigating security and human rights contraventions. Any identified or reported contravention shall be reported to OZ Minerals within 24 hours. OZ Minerals uses the incident-cause-analysis method for all significant incidents, including breaches of the Ethics and Human Rights policy. All findings, learnings and actions are reported across the business until all have been addressed. Significant incidents are reviewed by the Sustainability Committee of the Board. OZ Minerals does not invest in opportunities where there is a belief that the Company's standards cannot be met.

## Training

Asset induction training includes guidance that raises awareness of human rights responsibilities with senior management, employees and contractors (particularly security forces and human resources), and other stakeholders in the asset's sphere of influence. OZ Minerals periodically provides training to employees on topics covered within the Human Rights Standards.

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# Socioeconomic Contributions

OZ Minerals understands the importance of generating economic value for its stakeholders. Disciplined financial management and control systems, together with a focus on creating value, are essential for long-term success.

The Company seeks to create sustainable benefits for the local region, which is defined as areas close to the operation where employees and suppliers may be sourced. OZ Minerals makes significant contributions to local, regional and national economies directly through the payment of taxes and royalties to governments, as well as payments to the workforce and suppliers.

Our operations preferentially purchase goods and services locally wherever feasible. We employ 1,302 people and many through our supply chain. In 2016, OZ Minerals paid more than \$60.4 million in wages and benefits, and spent \$596.8 million on goods and services. OZ Minerals contributed approximately \$42.2 million in royalties to the Government of South Australia. During the 2016 reporting period, activities at Prominent Hill and Carrapateena made significant contributions to local and regional economies totalling \$145.4 million. Major contractors have requirements in their agreements consistent with OZ Minerals' Code of Conduct, policies and standards.

Operationally, significant value is generated through indirect employment and investments in community development initiatives and programs. For information on community support, please see the 'Community Engagement' section of this report.

OZ Minerals delivered a strong financial performance in 2016 with revenue of \$822.9 million and Net Profit After Tax, including non-underlying items, of \$107.8 million. The operating discipline at Prominent Hill saw copper guidance achieved for the second consecutive year despite a major state-wide power outage which resulted in 15 days of lost production. The Prominent Hill mine life was extended to 2028 following a 40 per cent increase in underground Ore Reserve and development of a new mine plan. Copper production targets were lifted for 2018 and 2019.

A rigorous approach to capital discipline saw C1 costs of US 74.1 c/lb within guidance and remain in the bottom cost quartile of global copper producers. Strong operating cash flows generated a cash balance of \$655.7 million with no debt,

with annualised procurement costs savings of more than \$40 million delivered and \$90.5 million returned to shareholders. The lift in cash generation through 2016 saw the OZ Minerals Board approve a fully franked final dividend of 14 cents per share. An interim dividend of six cents per share, unfranked, was also paid bringing total dividends for 2016 to 20 cents per share. The company's robust financial position and strong operating cash flows supported growth objectives and allowed for shareholder returns.

The growth pipeline continued to expand with six exploration partnerships now in place. The West Musgrave earn-in agreement was executed and progressed to scoping study and Carrapateena feasibility studies remain on schedule with decline development at over 850 metres.

## Value generated and distributed for year ended 31 December 2016

All amounts are presented in A\$ millions for year ended 31 December 2016.

Region <sup>(a)</sup>	Revenues	Operations	Employees	Payments to providers of capital		Payments to government		Community investment	Economic value retained
	Revenue, other income and financing income <sup>(b)</sup>	Operating expenses <sup>(c)</sup>	Employee benefit expenses <sup>(d)</sup>	Shareholders <sup>(e)</sup>	Providers of funds <sup>(f)</sup>	Income taxes paid <sup>(g)</sup>	Royalties <sup>(h)</sup>	Community investments <sup>(i)</sup>	
<b>South Australia</b>	843.5	(363.8)	(60.4)	(90.5)	(4.8)	(28.4)	(42.2)	(0.3)	1,443.9
<b>Jamaica</b>		(3.7)							3.7
<b>Other</b>		(0.5)							0.5
<b>Total OZ Minerals</b>	<b>843.5</b>	<b>(368.0)</b>	<b>(60.4)</b>	<b>(90.5)</b>	<b>(4.8)</b>	<b>(28.4)</b>	<b>(42.2)</b>	<b>(0.3)</b>	<b>1,438.1</b>

### Notes:

- (a) Amounts are divided into the regions identified below based on where the segment is located (i.e. Prominent Hill is located in South Australia). The regions include the following entities: South Australia: Corporate Office, Prominent Hill Mine, Carrapateena; Overseas: Jamaica. The entities located outside Australia are not defined as operating segments of OZ Minerals.
- (b) Revenue includes sales adjusted for discounts, treatment charges, refining and distribution costs, other income and financing income as disclosed in the income statement in the OZ Minerals audited financial statements for the year ended 31 December 2016, as reconciled.
- (c) Operating expenses include changes in inventories, raw materials, consumables and other direct costs, contracting and consulting expenses, freight expenses and other expenses as disclosed in the income statement of the OZ Minerals audited financial statements for the year ended 31 December 2016.
- (d) Employee benefit expenses of \$60.4 million are as per the consolidated income statement of the OZ Minerals audited financial statements for the year ended 31 December 2016.
- (e) Payments to shareholders relates to dividend payments.
- (f) Payments to providers of funds relates to financing expenses of \$4.8 million as per the income statement in the OZ Minerals audited financial statements for the year ended 31 December 2016.
- (g) All organisation taxes (such as corporate, income, property) and related penalties paid at the international, national, and local levels. This figure does not include deferred taxes. Report the definition of segmentation used.
- (h) Royalty expenses of \$42.2 million as per the income statement in the OZ Minerals audited financial statements for the year ended 31 December 2016.
- (i) Community investments of \$0.3 million includes voluntary contributions, sponsorships, donations, education and training.

### Overview revenues and other income. All amounts in A\$ millions for year ended 31 December 2016.

<b>Revenue</b>	822.9
<b>Other Income</b>	6.8
<b>Financing income</b>	13.8
<b>Total</b>	<b>843.5</b>

### Overview operating expenses. All amounts in A\$ millions for year ended 31 December 2016.

<b>Changes in inventories</b>	227.8
<b>Raw materials</b>	(313.7)
<b>Exploration and evaluation</b>	(29.3)
<b>Freight expenses</b>	(52.9)
<b>Net foreign exchange gain (losses)</b>	2.7
<b>Capital expenditure</b>	(125.4)
<b>Other expenses</b>	(73.0)
<b>Total</b>	<b>(363.8)</b>

# Local Procurement

## OZ Minerals supports economic development in the surrounding communities in which it operates.

OZ Minerals' Local Enterprise Standard defines the requirements for local employment and enterprise opportunities to be proactively provided to local communities, and in particular, to relevant land-connected Indigenous groups.

We seek to preferentially purchase goods and services locally, within the region or within the state. National or international procurement is only considered when local procurement is not available or is not competitive. Local and Indigenous peoples are encouraged to apply for suitable positions and enterprise opportunities.

Local businesses are assisted through pre-qualification processes and the Company's

procurement standards, which outline a consistent approach to procuring goods and services. During the 2016 reporting period, activities at Prominent Hill and Carrapateena made significant contributions to local and regional economies.

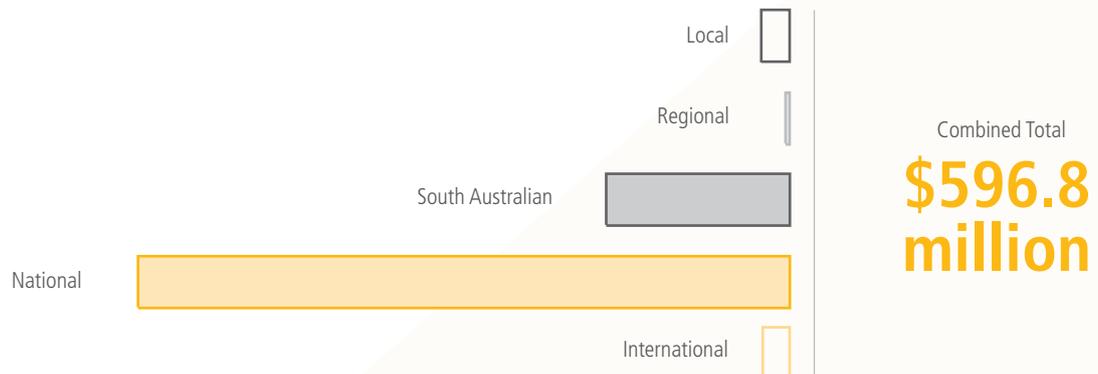
Prominent Hill activities dedicated \$145.4 million to South Australian regional and local suppliers and contractors. A total of approximately \$596.8 million was spent on goods and services. These figures do not include wages and salaries paid to major contractors or expenditure by contractors in the local region.

The greatest supply impact is through the contracting of mining and other services. Largest material inputs include diesel fuel, explosives, grinding media used in the processing plant and cement used in the underground mine. These materials are sourced from large, reputable organisations with operations in Australia. Goods and services spent on local, regional, state provincial, national and international suppliers is shown in the graph below.

The direct benefits from investments made by OZ Minerals include improvements in infrastructure, health, safety awareness, education and training, as well as local business development.

Supplier	A\$ million	Percentage
Local	10.0	2%
Regional	2.4	0.4%
South Australian	133.0	22%
National	427.4	72%
International	24.0	4%
<b>Total</b>	<b>596.8</b>	<b>100%</b>

### Total spent A\$ on suppliers





# Safety

# Management Approach

OZ Minerals is committed to high standards in safety for our employees, contractors and the communities in which we operate.

OZ Minerals' Executive Committee, together with asset and line management, are committed to and responsible for safety management. Aspects of safety management are embedded as key performance indicators and the remuneration of the Managing Director and Executive Committee is, inter alia, linked to safety performance.

OZ Minerals understands that mining activities have the potential to impact the safety of people, and all threats must be identified, evaluated and managed to minimise all identified actual and potential adverse impacts so far as is reasonably practicable. More broadly, there is a continued emphasis on developing a strong safety culture and employing proactive initiatives. Safety data is reported weekly to management, including the Managing Director and Chief Executive Officer. Internal audits against select company processes and standards are conducted on an annual basis.

The Health and Safety Policy sets OZ Minerals' intent to be an injury and occupational disease-free workplace whilst achieving operational excellence. OZ Minerals is committed to:

- Developing a culture where our employees and contractors are vigilant, aware of the safety hazards around them, their personal obligations and acting accordingly;
- Encouraging our employees and contractors to collaborate and share learnings to proactively prevent incidents;
- Learning from incidents and strive to continually improve our health and safety performance;
- Training our leaders to proactively lead the improvement of our health and safety performance;
- Applying fit-for-purpose systems for our operating environment and conditions; and
- Complying with relevant statutory requirements and industry standards.

The Safety Performance Standards describe the minimum requirements of assets to manage threats associated with specific activities or tasks that have the potential to adversely affect the safety of our employees and contractors. By delivering a program of threat-and-opportunity-based safety management, we aim to protect the safety of our employees, contractors, communities and any other parties undertaking work at our assets – without compromise.

## Governance and Management Systems

OZ Minerals' Governance Structure is shown on pages 16 -18. The Board of Directors, the Chairman, CEO and Executive Committee are responsible for the supervision and management of our strategy. The strategic implementation of our safety performance is overseen by the Sustainability Committee of the Board.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities with respect to financial reporting and disclosure, internal and external audit processes and, together with the Sustainability Committee, the review of the risk management processes.

Management is responsible for implementing management systems across the business. We monitor their application and effectiveness through internal and external audits. Training and competency is part of the continuous improvement process and detailed in the Performance Standard.



# Safety Performance

A foundation element of the Company strategy is safety, which underpins activities across the business.

Our target is to achieve an injury and occupational disease-free workplace by ensuring that hazards are identified and managed at the source. All safety incidents are thoroughly investigated, learnings shared and corrective actions implemented.

While at work, employees and contractors must:

- Take reasonable care of their own health and safety;
- Ensure their behaviour or oversights do not adversely affect the health and safety of others; and
- Comply with any reasonable instruction from the OZ Minerals' management team to ensure, as a minimum requirement, employees and the business fulfil relevant health and safety legislation and regulations.

Active engagement from senior leadership teams, combined with activities focused on identifying and eliminating causes of incidents, has resulted in a reduction in the number of recordable workplace injuries in many OZ Minerals departments. Safety statistics are reported for the entire workforce, including employees,

contractors and visitors working on OZ Minerals' sites. It has also improved the safety and reporting culture. Employees and contractors are empowered to cease operations, if necessary, to ensure the safety of the workforce.

Statistics are calculated per one million working hours. In 2016, the total recordable injury frequency rate ('TRIFR') per million hours worked increased from 5.30 in 2015 to 6.80. An increase in recordable injuries in the underground mine resulted in this rise. While underground mining activity increased, there was an overall decrease in hours worked due to reduced activity in surface mining operations. The reduction in hours is related to a drop in the average daily number of people onsite in 2016. The lost time injury frequency rate ('LTIFR') per million hours worked increased from 0.99 to 1.07. There were no permanent or serious disabling injuries in 2016. We enhanced our safety programs and are committed to preventing work-related accidents, injuries and illnesses. Our key safety programs include: Site Safety Acceleration Program, Critical Risk Program, Byrnescut Under Ground Safety Improvement Program, Thiess Safety Essential Program and the SANO's Wellbeing, Health and

Injury Prevention Program. OZ Minerals' lead indicators are monitored to reduce workplace hazards and injuries. Incidents with potential or actual consequences are internally rated level one to five, assessing the impact on safety, health, environment, community and financial metrics. This classification enables identification of significant incidents that warrant an in-depth review and analysis. Significant incidents are those deemed to have potential or actual consequences rated as level four or above, or actual consequences rated as level four or above for injury and illness incidents and, level three and above for all other incident types. Potential and actual significant safety incidents are thoroughly investigated using the incident-cause-analysis method.

Significant incidents and incident trends are comprehensively reviewed by the Sustainability Committee of the Board and others, to ensure lessons are learnt, approved processes are complied with and additional controls implemented where necessary.

Safety performance	
Employee fatalities	0
Contractor fatalities	0
TRIFR (employees and contractors)	6.80
LTIFR (employees and contractors)	1.07
Significant safety incidents <sup>1</sup>	71

(1) As defined by OZ Minerals internal classification.

# Programs and Leadership

Leadership and culture are fundamental to not only safety performance, but overall business performance.

OZ Minerals has a number of initiatives to continue to mature our safety culture as part of holistic safety management. Effective safety management involves providing a safe working environment with supportive processes and systems, empowering the competent workforce to raise safety issues before there is potential for an incident, thoroughly investigating incidents when they occur and implementing controls to prevent the likelihood of reoccurrence using sound risk management practices. OZ Minerals is focused on developing strong leaders and safety leadership across the Company and with our contracting partners. All employees and contractors are empowered to cease operations if necessary to ensure the safety of the workforce.

In 2016, safety programs were enhanced to improve performance by focusing on identifying and analysing incidents with potential for serious consequences. Identification of root causes and effective controls to prevent or mitigate events has increased the number of incidents being self-reported. Each area of the asset has its own set of lead indicators measured monthly. Potential and actual significant safety incidents are investigated using the incident-cause-analysis method, and review of incidents to ensure learnings from these events are shared and implemented.

A component of the Prominent Hill Site Safety Acceleration program sees one Senior Leader

from each major company on site collaborate to establish a common set of beliefs around safety, and to set the standard and leadership intent.

As a part of risk management assessments, all assets evaluate risks relevant to OZ Minerals' Safety Performance Standards. Assets must identify the critical controls used to manage material risks, assess their adequacy, assign accountability and responsibilities for their implementation, and verify their effectiveness as part of their critical control management. Periodically, this verification is also conducted by external experts.



## Case Study: Critical and Material Risk Management

The Prominent Hill critical and material risk management program focused on prevention of fatalities and significant business disruptions at the asset. Engagement sessions to identify the risks were undertaken, and each risk was workshoped by employees and contractors across the site to produce a "Bowtie" risks analysis of each risk. These Bowtie analyses identify contributing factors that lead to a critical or material risk event and the controls that are in place (preventative and mitigating). Critical controls are being refined and the critical control standards will allow ongoing engagement of major contractors in the assessment of compliance.

# Contractor Management

OZ Minerals seeks to maintain long-term partnerships that develop mutual benefits and repeatable performance.

OZ Minerals works with contractors and suppliers to deliver projects. We rely in part on the capability of contractors and suppliers who help us to carry out our operations. Our management system includes the requirements and practices for working with contractors and suppliers.

## Qualification and Performance

Major contractors have requirements in their agreements consistent with the OZ Minerals' Code of Conduct, policies and standards. They must adhere to OZ Minerals' values and exhibit behaviour that ensures the safety of the workforce.

All contractors are subject to a pre-qualification process. Contractors may be comprehensively evaluated against criteria including safety, health, environment and community aspects as well risk management, internal auditing processes and employee management. Contractors may also be assessed on their processes when evaluating potential third party contract services.

Contractors are required to complete site inductions to develop a clear understanding of the requirements of working for the business. All high-value, high-risk contractors must submit a safety, health, environment and community management plan that outlines the operational

controls in place to manage significant risks.

There are minimum performance criteria (safety and environment) applied to contractors, plus performance criteria (including operating performance and site management) developed and applied to each contract. Onsite contractors must have an OZ Minerals' representative managing their contract. This provides a direct opportunity to maintain ongoing engagement with respect to management.



# Training and Emergency Preparedness

Trained and prepared teams are essential in effective operations and emergency situations.

OZ Minerals offers a wide range of development opportunities, including formal programs, technical and compliance training, online learning and mentoring. This year, the OZ Minerals workforce has undergone 12,709 hours of employee training, with the majority of training aimed at our employees based at Prominent Hill.

## Corporate Crisis Management Team

OZ Minerals' crisis management plan outlines the roles, responsibilities and processes that the Corporate Crisis Management Team would follow in the event of a crisis. The team includes representatives covering operations, legal, commercial, safety, environment, community, media and government relations aspects of a crisis event. OZ Minerals defines a crisis as an event that seriously threatens people, operations,

assets, environment or long-term prospects and reputation. Sites each have a specific crisis management plan that outlines the response to be initiated in the event of a crisis.

Training events are regularly undertaken, with the Prominent Hill Management Team and the Corporate Crisis Management Team completing one training simulation in 2016.

## Emergency Response Team

OZ Minerals coordinates the emergency response for Prominent Hill. The Emergency Response Team comprise full-time emergency service officers and full-time nurses. It also comprises a large group of volunteers, which includes employees and contractors working at Prominent Hill. The team members volunteer their own time for training and practice and are also on standby when they are on site. The team members are

trained to respond to a number of incidents, including injuries, fires, mass casualty, heights rescue and vehicle rescue. They are also able to respond to incidents in the local community such as Coober Pedy. At the Carrapateena project, the Emergency Response Team is coordinated by our mining contractor PYBAR and includes OZ Minerals employees.



## Case Study: South Australian Mine Rescue Competition

In November, OZ Minerals participated in the annual South Australian Mines Rescue Competition hosted by the South Australian Chamber of Mines and Energy (SACOME). The competition invites participation by mining emergency response teams to compete against each other in a range of activities. OZ Minerals was category-winner in rope rescue, team skills and breathing apparatus.

The Mines Rescue Competition is an opportunity for mine rescue teams across the State to hone their skills and share their knowledge with other emergency responders. It also strengthens the relationships between the emergency response teams, giving greater confidence in the ability to offer mutual aid in the event of a serious emergency.

# Safety and Technology

OZ Minerals believes that through innovative technology solutions, a step change in safety performance can occur.

OZ Minerals completed the Carrapateena pre-feasibility study during 2016. A focus in this study is a new generation copper mine of interconnected people, equipment and operations featuring seamless communications throughout.

Incorporation of latest proven technologies will allow remote monitoring and control, autonomous operations and new possibilities for risk reduction, safety improvement, productivity enhancement, process optimisation and

equipment utilisation that will come from the next wave of technology.

For example, all personnel, mobile equipment and key fixed plant will be digitally tagged and have advanced communications technology to allow transmission of current operating conditions and locations. This access to data and the enabled level of control will improve safety as personnel and equipment monitoring will enable a reduced interaction risk. There will also be instantaneous monitoring of

the environment to provide improved work conditions and monitoring of lone workers. Reliable communications and equipment location information will enable an increased reliance on remote and autonomous operations to significantly reduce personnel exposure hazard and operational downtime. Other benefits include improved safety environment, higher productivity and an improved unit cost.

## Awards



### The Statewide Super Innovation in Resources Award:

Awarded for the Hydromet (Concentrate Treatment Plant) technology that uses a new flowsheet arrangement to upgrade iron ore copper gold minerals concentrates and remove impurities, for a high grade copper product that will also substantially reduce export costs. The innovation has positive implications for the Carrapateena project, together with potential application for other copper developers.





# Health and Wellbeing

# Management Approach

The health and wellbeing of our employees and local community is a priority for OZ Minerals.

OZ Minerals is committed to high standards of health and wellbeing among our employees and contractors, and is focused on leadership, a supportive workplace culture, building capabilities, implementing prevention controls and promoting the return to work of affected individuals. OZ Minerals has three policies that guide our approach towards health and wellbeing.

## Health and Safety Policy

The Health and Safety Policy demonstrates a commitment to strive to be an injury and occupational disease free workplace whilst achieving operational excellence. OZ Minerals is committed to:

- Developing a culture where our employees and contractors are aware of the safety hazards around them and their personal obligations, and act accordingly;
- Learning from incidents and striving to continually improve our health and safety performance;
- Training our employees and contractors to proactively identify and manage health and safety risks; and
- Training our leaders to proactively lead the improvement of our health and safety performance.

## Diversity and Inclusion Policy

The Diversity and Inclusion Policy fosters a culture that values individual differences and further leverages these to deliver optimal outcomes for OZ Minerals. We are committed to:

- Integrating diversity and inclusion into the way we work;
- Developing an inclusive work environment regardless of age, gender, race, national or ethnic origin, cultural background, experience, social group, marital status, religion, language, political beliefs, sexual orientation and physical ability; and
- Providing appropriate levels of training, development and mentoring to ensure our employees and contractors understand and promote a diverse and inclusive workplace.

## Ethics and Human Rights Policy

The Ethics and Human Rights Policy helps protect the human rights of our stakeholders and prevent human rights breaches. OZ Minerals is committed to:

- Respecting the right of our employees and contractors to freedom of association and collective bargaining;
- Fostering and maintaining a work environment that is free from harassment and unlawful discrimination;
- Not tolerating any reprisals, discrimination, harassment, intimidation or victimisation against any person suspected of making a report of unacceptable conduct; and
- Conducting appropriate due diligence before engagement to ensure third party agents and contractors operate with strong ethical and moral standards.

## Health and Wellbeing Performance Standards

The Health and Wellbeing Performance Standards describe the minimum requirements of OZ Minerals assets to manage threats associated with specific activities or tasks, identify opportunities that have the potential to drive value creation for OZ Minerals and to protect and promote the health, safety and wellbeing of our employees and contractors, and the sustainability of the workplace.

## Governance and Management Systems

OZ Minerals' Governance Structure is shown on pages 16 -18. The Board of Directors, the Chairman, CEO and Executive Committee are responsible for the supervision and management of our strategy. The strategic implementation of our health and wellbeing performance is overseen by the Sustainability Committee of the Board.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities with respect to financial reporting and disclosure, internal and external audit processes and, together with the Sustainability Committee, the review of risk management processes.

Management is responsible for implementing management systems across the business. We monitor their application and effectiveness through internal and external audits. Training and competency is part of the continuous improvement process and detailed in the Performance Standard.

Left: The Prominent Hill village offers health and fitness sport facilities for our teams at Prominent Hill, including a 25-metre swimming pool (photo) and a cardio and weight gymnasium.

# Workforce Engagement

One of our principles of how we work together is to build a culture of respect that enables our people to succeed.

OZ Minerals' company strategy sets out the principles of how we work together. By demonstrating these principles, we enable growth, innovation and collaboration as we take further steps to become a modern mining company. The interrelation between physical, mental, emotional and social health on the overall wellbeing of our employees and contractors provides the platform for programs to support improved engagement and alignment across the organisation.

All employees have performance indicators that

are linked to the company strategy. OZ Minerals offers an array of benefits to our employees.

These include performance based incentive plans, career development opportunities, paid parental leave and health and wellbeing services such as health insurance, medical check-ups and health education programs.

During 2016, a targeted campaign was undertaken to ensure long-term employees of OZ Minerals took annual leave, which saw the average accrued number of annual leave days owing to employees at the end of the year

reduce by 25 per cent over the course of the year.

A strong workplace culture is a key driver in the health and wellbeing of employees. During 2016, OZ Minerals focused on alignment of the organisation to the company strategy. This campaign helped build a shared vision and sense of community across the organisation. With the introduction of Teamgage - an online survey tool - OZ Minerals will be able to monitor and measure strategic alignment and cultural development.



## Case Study: OZ Connect, Technology for Collaboration

In 2016, OZ Minerals completed the first stage of the OZ Connect project, which saw the roll out of new hardware devices, upgrades to the latest Office 365 suite of programs and a transition to cloud server operation. This was the first step in the Company's journey, not only to become agile and lean in our business processes, but to improve the ability for employees to collaborate and share ideas across the organisation wherever they may be working. The introduction of Skype for business, Yammer and external social media platforms such as LinkedIn and Facebook has not only improved the ability for employees to be engaged across assets, but for employees to communicate externally with family and friends.



## Case Study: Family Days

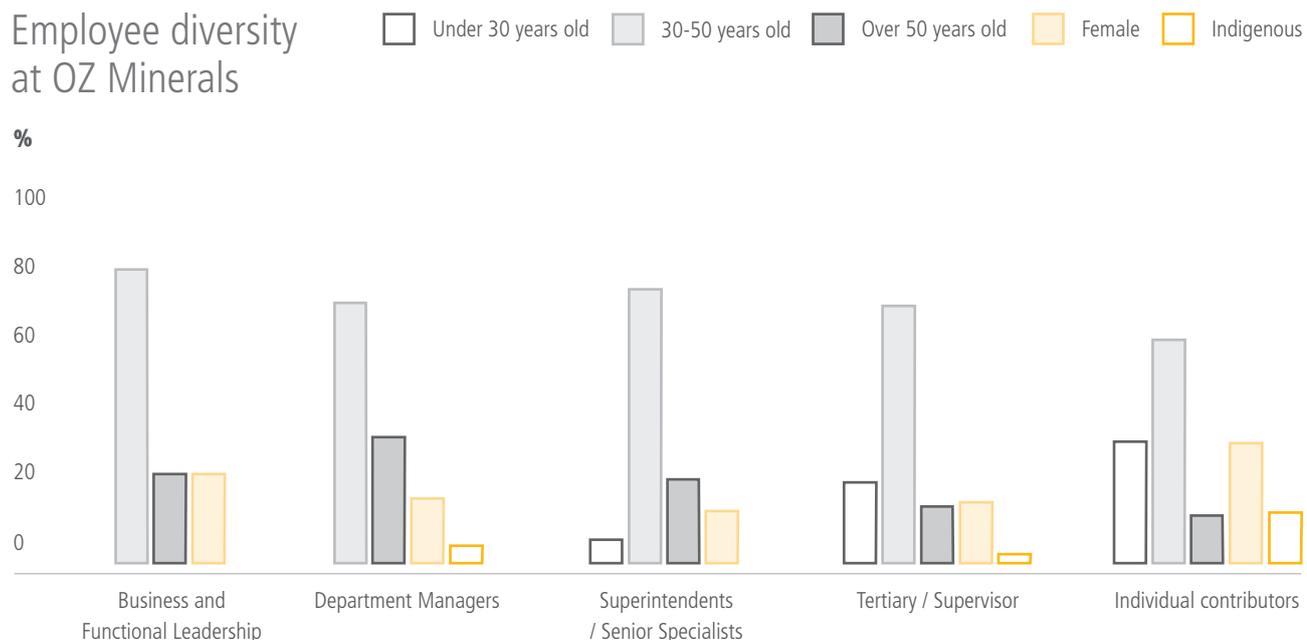
This year saw the much-loved return of the Prominent Hill and Carrapateena family days onsite. Family days are organised to gain a better understanding of site life, conditions and the environment in which family members work. Prominent Hill is a 24-hour/365-day FIFO operation, so employees will be onsite when workers in other industries are at home. In recognition of this, 150 family members and partners this year had the opportunity to come to the site and share Christmas Day celebrations. The day included trips out to the mine site with the opportunity to see a mining truck, sing Christmas carols, enjoy a special Christmas menu at the mess, and receive a visit from Santa.







## Employee diversity at OZ Minerals



### Awards



#### Women in Resources:

OZ Minerals has been nationally recognised with Jasmine Richards, our now Environment and Community Superintendent at Prominent Hill, being announced as the winner of the 'Exceptional Young Woman in Australian Resources Award' at the National Women in Resources Awards ceremony.

### Awards



#### Industry Collaboration Award / Australian Training Awards:

OZ Minerals, along with representatives from TAFE SA and Thiess, were awarded the "Industry Collaboration Award" at the SA Training Awards. We developed accredited training for industry-based competencies to upskill OZ Minerals' Prominent Hill mine team to broaden their employability beyond the mine's operation. The Partnerships, People and Production training program links the skills and experience obtained through on-the-job training with a nationally accredited qualification that supports the transfer of skills across industries and sectors to meet future skills and labour demands.

# Business Ethics

OZ Minerals' Board of Directors is committed to fostering a culture of compliance, ethical behaviour and good corporate governance.

OZ Minerals has a variety of programs to promote a culture of compliance and ethical business. The Code of Conduct defines our corporate guidelines and establishes procedures that allow the reporting of policy or business-related violations.

## Code of Conduct

OZ Minerals' Code of Conduct applies standards for appropriate ethical and professional behaviour. The Code of Conduct applies to and is mandatory for all our employees, directors, officers, and contractors of OZ Minerals and its subsidiaries. The Code of Conduct outlines the requirement for a wide range of business related situations, including:

- Compliance with the law;
- Protection of OZ Minerals' interests;
- Conflict of interest;
- Gifts, entertainment and gratuities;
- Professional behaviour and fair dealing;
- Health and safety;
- Community and environment;
- Reporting non-compliance; and
- Anti-bribery and corruption.

## Whistleblower and Reporting Violations

The Code of Conduct, the highest order of corporate governance, outlines the importance of - and OZ Minerals' commitment to - maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. OZ Minerals has appointed STOPline as the disclosure line for concerns relating to unacceptable conduct. STOPline ensures best practice and the highest level of independence, as well as impartiality and confidentiality in the receipt and management of concerns relating to unacceptable conduct. STOPline offers a simple and highly confidential solution to the difficult issues of ethics, compliance, risk management and corporate governance.

## Ethical Conduct Training Courses

Our mandatory online training courses reinforce our Code of Conduct and the information in our policies. We provide training and education on key legal and ethical risk areas. OZ Minerals' employees enrol in online learning courses that include OZ Minerals' equal employment

opportunity program, ethics and conduct program, as well as an anti-harassment and bullying program. Each program includes awareness training based on site-specific needs.

## Employee Assistance Program

Mental Health is one of the main health risks that continues to be a concern across the mining industry. OZ Minerals offers an employee assistance program (EAP) for professional, confidential counselling to all employees and contractors and their immediate family members, at no cost. The EAP is provided through a leading global health and wellness company and can help address work and/or personal issues through a network of accredited counsellors.



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# Health and Wellbeing Programs

We want to provide a great place for our employees to work, succeed and grow as individuals.

OZ Minerals seeks to make a positive impact on employees' health and wellbeing, both at work and at home. A series of programs are in place to promote, maintain and enhance a healthy lifestyle.

## **Fitness for Work**

OZ Minerals conducts a fitness-for-work program, including a wide range of activities and education in fatigue management, employee assistance programs, role-based assessments, ergonomic assessments, fitness, and drug and alcohol programs. The intent of all programs is to provide employees with the necessary education and information to self-manage their own fitness-for-work. OZ Minerals has a zero alcohol and drug policy at all operations.

## **Medical Programs**

All OZ Minerals sites are supported by onsite trained medical staff. At Prominent Hill, there are also two health and lifestyle coordinators who run gym sessions and fitness programs. Doctors run a clinic on site once a month, and a physiotherapist is available on site once a week to assess work and non-work practices.

Due to the location of sites and the risk of exposure to heat stress, employees are regularly tested for adequate hydration. Additional medical and occupational exposure management programs include, but are not limited to, audiometric testing, inhalable dust monitoring, diesel particulate

monitoring and wet bulb thermometer works.

These programs are focused on ensuring employees are not subject to occupational exposures above recognised and accepted industry standards, and to ensure appropriate provision of personal protective equipment is provided and used.

## **Rehabilitation and Return to Work**

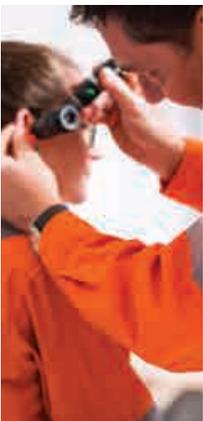
OZ Minerals maintains a rehabilitation and return to work program. There has been one workplace claim in 2016 and three employees have returned to work following continued support for rehabilitation efforts.



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## **Case Study: Skin Screening Assessments**

Skin Cancer Screening conducted for OZ Minerals Prominent Hill saw 124 staff participate, with an average age of 38.8 years. Of the 124 staff screened, there were eight referred for a follow up and no staff required an urgent follow up. This equates to approximately 6.4 per cent of staff requiring further examination or management of skin incidents. This program demonstrates OZ Minerals' proactive commitment to the general health and wellbeing of our employees.



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## **Case Study: SANO's Wellbeing Health and Injury Prevention Program**

SANO Health, in partnership with OZ Minerals, sends physiotherapists and exercise physiologists to site every three weeks. They are working directly with the Prominent Hill medical and emergency services team to improve the overall health and wellbeing of the site, as well as assisting to reduce injury and absenteeism rates. As part of their onsite education sessions, they have been able to reach all work groups and contractors and explain the health risk assessments in detail, the effects of living a sedentary lifestyle, the importance of nutrition and hydration, as well as sleep and recovery advice.

There have been more than 150 participants in the program, with assessments including blood analysis and an online health survey. As part of reducing injury rates onsite, all groups complete a Daily Injury Prevention routine. Videos are created by the representative, demonstrated and then given to the crew to perform each day. While onsite the SANO Health representatives provide time for one-on-one meetings, as well as individual programs based on each individual's requirements.

# Assurance Statement



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## Independent Limited Assurance Report to the Management and Directors of OZ Minerals Limited ('OZ Minerals') in relation to the 2016 Sustainability Report

To the Management and Directors of OZ Minerals:

We have carried out a limited assurance engagement in order to state whether anything has come to our attention that causes us to believe that the subject matter detailed below ('Subject Matter'), and as presented in the 2016 Sustainability Report ('the Report'), has not been reported and presented fairly, in all material respects, in accordance with the criteria ('Criteria') below.

### Subject Matter

The Subject Matter for our limited assurance engagement included:

- ▶ Material non-financial sustainability disclosures in OZ Minerals' 2016 Sustainability Report listed in Table 1

Table 1: Selected Material Topics

Selected Material Topics	GRI Standard
Energy and Emissions	302 and 305
Local Communities	413
Occupational Health and Safety	403

- ▶ Disclosures associated with alignment to the GRI Reporting Principles for defining sustainability content of stakeholder inclusiveness, sustainability context, materiality and completeness
- ▶ Disclosures associated with alignment to the GRI Reporting Principles for defining report quality of accuracy, balance, clarity, comparability, reliability and timeliness.

The Subject Matter did not include:

- ▶ Data sets, statements, information, systems or approaches other than the Selected Material Topics and related disclosures
- ▶ Management's forward looking statements
- ▶ Any comparisons made against historical data.

### Criteria

The following criteria have been applied:

- ▶ Company-specific definitions that are publically disclosed
- ▶ The Global Reporting Initiative's (GRI) Reporting Principles as defined in the GRI 101: Foundation 2016 Standard
- ▶ Definitions as per selected GRI Standards related to the material sustainability topics.

### Management's Responsibility

The management of OZ Minerals is responsible for the preparation and fair presentation of the Subject Matter in accordance with the Criteria, and is also responsible for the selection of methods used in the Criteria. No conclusion is expressed as to whether the selected methods are appropriate for the purpose described above. Further, OZ Minerals' management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

### Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Subject Matter based on our assurance engagement conducted in accordance with the Australian Auditing and Assurance Standards Board *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and the terms of reference for this engagement as agreed with OZ Minerals.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion, and, as such, do not provide all of the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Summary of Procedures Undertaken

Our procedures included, but were not limited to:

- ▶ Conducting interviews with key personnel to understand the process for collecting, collating and reporting information on the Selected Material Topics during the reporting period
- ▶ Checking that the calculation criteria have been applied in accordance with the methodologies outlined in the Criteria
- ▶ Undertaking analytical review procedures to support the reasonableness of the data
- ▶ Identifying and evaluating assumptions supporting calculations
- ▶ Considering, on a sample basis, underlying source information to check the accuracy of the data.

### Use of our Limited Assurance Engagement Report

We disclaim any assumption of responsibility for any reliance on this assurance report, or on the Subject Matter to which it relates, to any persons other than management and the Directors of OZ Minerals or for any purpose other than that for which it was prepared.

### Independence and Quality Control

In conducting our assurance engagement, we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants. We have the required competencies and experience to conduct this assurance engagement.

### Limited Assurance Conclusion

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the Subject Matter for the year ended 31 December 2016, have not been reported and presented fairly, in all material respects, in accordance with the Criteria.

Ernst & Young  
Melbourne, Australia  
16 March 2017

Terence Jeyaretnam  
Partner





# Resources and Reserves 2016

## OZ Minerals' Mineral Resources and Ore Reserves

The 2016 Mineral Resources and Ore Reserves of OZ Minerals are summarised in the table below along with the 2015 Ore Reserves and Mineral Resources for comparison.

	2016							2015						
	Tonnes Mt	Cu%	Au g/t	Ag g/t	Cu kt	Au Moz	Ag Moz	Tonnes Mt	Cu%	Au g/t	Ag g/t	Cu kt	Au Moz	Ag Moz
<b>Resources</b>														
Prominent Hill	172	1.0	0.7	2.7	1,770	3.7	15	179	1.0	0.7	2.6	1,800	3.9	15
Carrapateena	134	1.5	0.6	6.5	1,970	2.6	28	800	0.8	0.3	3.3	6,300	8.4	84
Khamsin	0	0.0	0.0	0.0	0	0	0	202	0.6	0.1	1.7	1,100	0.9	11
<b>Total</b>	<b>307</b>	<b>1.2</b>	<b>0.6</b>	<b>4.4</b>	<b>3,740</b>	<b>6.3</b>	<b>43</b>	<b>1,180</b>	<b>0.8</b>	<b>0.3</b>	<b>2.9</b>	<b>9,200</b>	<b>13.2</b>	<b>110</b>
<b>Reserves</b>														
Prominent Hill	75	1.0	0.6	3.0	740	1.4	7.1	73	1.0	0.6	2.9	720	1.4	7.0
Carrapateena	70	1.8	0.7	8.4	1,300	1.7	19	270	0.9	0.4	4.5	2,500	3.5	39
<b>Total</b>	<b>145</b>	<b>1.4</b>	<b>0.7</b>	<b>5.6</b>	<b>2,040</b>	<b>3.1</b>	<b>26</b>	<b>343</b>	<b>0.9</b>	<b>0.4</b>	<b>4.2</b>	<b>3,220</b>	<b>4.9</b>	<b>46</b>

Table subject to rounding errors.

Information in the table above was drawn from the following:

Deposit	Estimate date	Release date	
Prominent Hill	Mineral Resources 2015	30 June 2015	4 November 2015
Prominent Hill	Mineral Resources 2016	1 July 2016	15 November 2016
Carrapateena	Mineral Resources 2013	30 June 2013	28 November 2013
Carrapateena	Mineral Resources 2016	17 October 2016	7 November 2016
Khamsin	Mineral Resources 2015	23 March 2015	26 May 2015
Prominent Hill	Ore Reserves 2015	30 June 2015	4 November 2015
Prominent Hill	Ore Reserves 2016	1 July 2016	15 November 2016
Carrapateena	Ore Reserves 2014	15 August 2014	18 August 2014
Carrapateena	Ore Reserves 2016	20 October 2016	7 November 2016

All Mineral Resources and Ore Reserves are estimates. The Mineral Resource and Ore Reserve statements and their accompanying explanatory notes can be viewed in full at: [www.ozminerals.com/operations/resources--reserves.html](http://www.ozminerals.com/operations/resources--reserves.html).

## Prominent Hill 2016 Mineral Resources and Ore Reserves

The Prominent Hill Mineral Resources and Ore Reserves remain robust with the majority of changes due to mining depletion.

The Prominent Hill Mineral Resource as at 1 July 2016 has been estimated at 172 million tonnes of copper-gold mineralisation grading 1.0 percent copper, 0.7 grams per tonne gold and 2.7 grams per tonne silver. The Mineral Resource contains 2% fewer copper tonnes and 5% fewer gold ounces than the previous Mineral Resource estimate.

### Open Pit Mineral Resources

- The Open Pit Mineral Resource decreased mainly due to mining depletion.

## Resources and Reserves 2016

### Ankata Mineral Resources

- The Ankata Mineral Resource decreased mainly due to mining depletion.

### Malu Underground Mineral Resources

- The Malu Underground Mineral Resource increased with depletion more than offset by success in drilling.

### Kalaya Mineral Resources

- There is no current exploration or mining at Kalaya. There was a small change in the Mineral Resource due to a change of cut-off grade.

### Stockpiles

- Copper ore stockpiles to 30 June 2016 increased from 3 million tonnes to 7 million tonnes and gold ore stockpiles increased from 11 million tonnes to 13 million tonnes.

## Copper Mineral Resources at Prominent Hill - July 2016

Category	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Au (Moz)	Ag (Moz)
<b>Open Pit <sup>(1)</sup> – 0.25% Cu cut-off</b>							
Measured	10	1.2	0.5	3.6	120	0.2	1.2
Indicated	10	1.1	0.6	2.5	100	0.2	0.8
Inferred	0	0.8	0.4	2.5	2	0.0	0.0
<b>Total</b>	<b>20</b>	<b>1.1</b>	<b>0.6</b>	<b>3.1</b>	<b>220</b>	<b>0.4</b>	<b>1.9</b>
<b>Malu <sup>(2)</sup> – \$60 NSR cut-off</b>							
Measured	22	1.4	0.5	3.6	310	0.3	2.5
Indicated	26	1.1	0.7	2.8	290	0.6	2.4
Inferred	34	1.1	0.6	3.0	390	0.7	3.3
<b>Total</b>	<b>82</b>	<b>1.2</b>	<b>0.6</b>	<b>3.1</b>	<b>990</b>	<b>1.6</b>	<b>8.2</b>
<b>Kalaya <sup>(3)</sup> – \$60 NSR cut-off</b>							
Measured	0	0.0	0.0	0.0	0	0.0	0.0
Indicated	1	1.1	0.5	2.0	14	0.0	0.1
Inferred	30	1.0	0.5	1.9	310	0.5	1.8
<b>Total</b>	<b>31</b>	<b>1.0</b>	<b>0.5</b>	<b>1.9</b>	<b>320</b>	<b>0.5</b>	<b>1.9</b>
<b>Ankata <sup>(4)</sup> – \$60 NSR cut-off</b>							
Measured	7	2.2	0.4	4.3	160	0.1	1.0
Indicated	0	1.0	0.6	1.0	1	0.0	0.0
Inferred	0	1.2	0.1	3.0	5	0.0	0.0
<b>Total</b>	<b>8</b>	<b>2.1</b>	<b>0.4</b>	<b>4.2</b>	<b>170</b>	<b>0.1</b>	<b>1.1</b>
<b>Surface Stocks</b>							
<b>Measured</b>	<b>7</b>	<b>0.7</b>	<b>0.4</b>	<b>2.4</b>	<b>52</b>	<b>0.1</b>	<b>0.5</b>
<b>Total</b>							
Measured	46	1.4	0.5	3.5	640	0.7	5.2
Indicated	37	1.1	0.7	2.7	410	0.8	3.2
Inferred	64	1.1	0.6	2.5	700	1.2	5.2
<b>Total</b>	<b>148</b>	<b>1.2</b>	<b>0.6</b>	<b>2.9</b>	<b>1,750</b>	<b>2.6</b>	<b>13.6</b>

Table subject to rounding errors. (1) Within the final pit design. (2) Outside the final pit design and east of 55300mE. (3) Outside the final pit design and west of 55300mE (excluding Ankata Mineral Resource estimate). (4) Ankata Mineral Resource estimate.

## Gold Mineral Resources at Prominent Hill - July 2016

Category	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Au (Moz)	Ag (Moz)
<b>Open Pit <sup>(5)</sup> – 0.5 g/t Au cut-off Below 0.25% Cu</b>							
Measured	0	0.0	1.2	1.7	0	0.0	0.0
Indicated	2	0.1	1.0	1.3	1	0.1	0.1
Inferred	0	0.0	1.2	1.0	0	0.0	0.0
<b>Total</b>	<b>2</b>	<b>0.1</b>	<b>1.0</b>	<b>1.3</b>	<b>1</b>	<b>0.1</b>	<b>0.1</b>
<b>Malu <sup>(6)</sup> – \$60 NSR cut-off</b>							
Measured	0	0.0	0.0	0.0	0	0.0	0.0
Indicated	2	0.0	2.6	0.9	0	0.2	0.1
Inferred	2	0.0	2.1	0.8	0	0.1	0.0
<b>Total</b>	<b>4</b>	<b>0.0</b>	<b>2.4</b>	<b>0.9</b>	<b>1</b>	<b>0.3</b>	<b>0.1</b>
<b>Kalaya <sup>(7)</sup> – \$60 NSR cut-off</b>							
Measured	0	0.0	0.0	0.0	0	0.0	0.0
Indicated	0	0.0	0.0	0.0	0	0.0	0.0
Inferred	5	0.1	2.0	0.6	3	0.3	0.1
<b>Total</b>	<b>5</b>	<b>0.1</b>	<b>2.0</b>	<b>0.6</b>	<b>3</b>	<b>0.3</b>	<b>0.1</b>
<b>Ankata <sup>(8)</sup> – \$60 NSR cut-off</b>							
Measured	0	0.0	0.0	0.0	0	0.0	0.0
Indicated	0	0.0	0.0	0.0	0	0.0	0.0
Inferred	0	0.0	0.0	0.0	0	0.0	0.0
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
<b>Surface Stocks</b>							
<b>Measured</b>	<b>13</b>	<b>0.1</b>	<b>0.7</b>	<b>2.3</b>	<b>14</b>	<b>0.3</b>	<b>1.0</b>
<b>Total</b>							
Measured	13	0.1	0.7	2.3	14	0.3	1.0
Indicated	4	0.0	1.8	1.1	2	0.2	0.2
Inferred	7	0.0	2.0	0.6	3	0.5	0.1
<b>Total</b>	<b>25</b>	<b>0.1</b>	<b>1.3</b>	<b>1.6</b>	<b>19</b>	<b>1.0</b>	<b>1.3</b>

Table subject rounding errors. (5) Within the final pit design. (6) Outside the final pit design and east of 55300mE. (7) Outside the final pit design and west of 55300mE (excluding Ankata Mineral Resource estimate). (8) Ankata Mineral Resource estimate.

## Resources and Reserves 2016

### Prominent Hill Ore Reserves

The Ore Reserves at 1 July 2016 were estimated to be 75 million tonnes at 1.0 percent copper and 0.6 grams per tonne gold for 740 thousand tonnes of contained copper and 1.4 million ounces of contained gold. The 2016 Ore Reserve contains 3% more copper tonnes than the previous Mineral Resource estimate.

#### Open Pit Ore Reserves

- The Ore Reserves decreased due to mining.

#### Ankata Ore Reserves

- The Ore Reserves decreased due to mining.

#### Malu Underground Ore Reserves

- The Ore Reserves increased due to drilling success, design review and a change in cut-off grade despite mining depletion.

### Summary of the Ore Reserves at Prominent Hill - July 2016

Category	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Au (Moz)	Ag (Moz)
<b>Open Pit</b>							
Proved	10	1.1	0.5	3.6	110	0.2	1.2
Probable	12	0.8	0.7	2.3	92	0.2	0.9
<b>Total</b>	<b>22</b>	<b>0.9</b>	<b>0.6</b>	<b>2.9</b>	<b>200</b>	<b>0.4</b>	<b>2</b>
<b>Ankata</b>							
Proved	6	2.1	0.4	3.9	120	0.1	0.8
Probable	0	0.9	0.7	0.6	0	0.0	0.0
<b>Total</b>	<b>6</b>	<b>2.0</b>	<b>0.4</b>	<b>3.9</b>	<b>120</b>	<b>0.1</b>	<b>0.8</b>
<b>Malu / Kalaya</b>							
Proved	13	1.5	0.5	3.8	200	0.2	1.6
Probable	14	1.1	0.8	2.8	160	0.3	1.2
<b>Total</b>	<b>27</b>	<b>1.3</b>	<b>0.6</b>	<b>3.3</b>	<b>350</b>	<b>0.5</b>	<b>2.8</b>
<b>Stockpiles</b>							
<b>Proved</b>	<b>20</b>	<b>0.3</b>	<b>0.6</b>	<b>2.3</b>	<b>66</b>	<b>0.4</b>	<b>1.5</b>
<b>Surface Stocks</b>							
Measured							
<b>Prominent Hill all mining areas</b>							
Proved	49	1.0	0.5	3.2	490	0.8	5.0
Probable	25	1.0	0.7	2.6	250	0.6	2.1
<b>Total</b>	<b>75</b>	<b>1.0</b>	<b>0.6</b>	<b>3.0</b>	<b>740</b>	<b>1.4</b>	<b>7.1</b>

Table subject to rounding errors.

## Material changes in the Prominent Hill Mineral Resources and Ore Reserves Statement.

OZ Minerals is not aware of anything that materially affects the information contained in the Prominent Hill Mineral Resources and Ore Reserves Statement, 1 July 2016 other than changes due to depletion since 1 July 2016. Depletion for the six months to 31 December 2016 amounts to approximately 4.7 million tonnes at 1.4% Cu, 0.5 g/t Au and 3.8 g/t Ag.

## Competent Persons' Statements Prominent Hill Mineral Resources & Ore Reserves

The information set out in these tables is a summary of information relating to Prominent Hill Mineral Resources and Ore Reserves set out in the document, Prominent Hill Mineral Resources and Ore Reserves Statements and Explanatory Notes as at 1 July 2016, which was released to the market on 15 November 2016 and is available at [www.ozminerals.com/operations/resources--reserves.html](http://www.ozminerals.com/operations/resources--reserves.html).

The information in this report that relates to Mineral Resources is based on and fairly represents information and supporting documentation compiled by Colin Lollo, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM Membership No. 225331). Colin Lollo is a full time employee of OZ Minerals Limited. He is a shareholder in OZ Minerals Limited and is entitled to participate in the OZ Minerals Performance Rights Plan.

Colin Lollo BSc (Geology) has over 19 years of relevant experience as a geologist including nine years in Iron-Oxide-Copper-Gold style deposits.

Colin Lollo has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC 2012). Colin Lollo consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The Mineral Resource estimate has been reported in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition).

The information in this report that relates to the open pit Ore Reserves is based on and fairly represents information and supporting documentation compiled by Michael Wood BEng (Min), a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM Membership No. 225408).

Michael Wood is a full time employee of OZ Minerals Limited. Michael Wood is a shareholder in OZ Minerals Limited and is entitled to participate in the OZ Minerals Performance Rights plan.

Michael Wood has over 10 years of experience as a mining engineer including five years in Iron Oxide Copper Gold style deposits. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Michael Wood consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to the underground Ore Reserves is based on and fairly represents information and supporting documentation compiled by Luke Sandery BEng (Min), a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM Membership No. 212082).

Luke Sandery is a full time employee of OZ Minerals Limited. Luke Sandery is a shareholder in OZ Minerals Limited and is entitled to participate in the OZ Minerals Performance Rights plan.

Luke Sandery has over 10 years of experience as a mining engineer including five years in Iron Oxide Copper Gold style deposits. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Luke Sandery consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The Ore Reserve estimates have been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition).

## Resources and Reserves 2016

### Carrapateena Mineral Resources and Ore Reserves and Khamsin Mineral Resources

The complete Carrapateena Mineral Resource and Ore Reserve statements can be found at: [www.ozminerals.com/operations/resources-reserves.html](http://www.ozminerals.com/operations/resources-reserves.html).

#### Carrapateena Mineral Resources

There have been four Mineral Resources estimated for Carrapateena by OZ Minerals. These are:

Year	Classification	Tonnes (Mt)	Cu %	Estimate Date	Release Date
2013	Indicated	356	1.0		
	Inferred	444	0.6		
	<b>Total</b>	<b>800</b>	<b>0.8</b>	<b>30 June 2013</b>	<b>28 November 2013</b>
2015	Indicated	55	2.4		
	Inferred	6	2.5		
	<b>Total</b>	<b>61</b>	<b>2.4</b>	<b>25 September 2015</b>	<b>6 October 2015</b>
2016	Indicated	126	1.5		
	Inferred	7	1.0		
	<b>Total</b>	<b>133</b>	<b>1.5</b>	<b>17 October 2016</b>	<b>7 November 2016</b>
2016	Measured	61	1.4		
	Indicated	65	1.6		
	Inferred	8	0.8		
	<b>Total</b>	<b>134</b>	<b>1.5</b>	<b>18 November 2016</b>	<b>9 December 2016</b>

Table subject to rounding errors. (1) Based on 0.3 percent copper cut-off grade

The 2013 Mineral Resource estimate was included in OZ Minerals' total Mineral Resource statement in the 2015 Annual Report despite the declaration of the 2015 Mineral Resource. This was done because the Carrapateena Ore Reserve current at that time (but now superseded) was based on the 2013 Mineral Resource estimate.

The 2015 Mineral Resource estimate was to form the basis of a high grade sub-level open stoping mine. The scoping study conducted in 2016 confirmed that the best mining method for Carrapateena was sub-level caving. Consequently, on 7th November 2016 the 2015 Mineral Resource estimate was superseded by a Mineral Resource estimate more appropriate to the sub-level caving mining method. It was this Mineral Resource estimate on which the current Ore Reserve estimate is based. The Ore Reserve was one of the primary outputs of the Prefeasibility Study conducted in 2016.

A diamond drilling program was conducted in parallel with the Prefeasibility Study to upgrade some of the Mineral Resource to Measured status. On 9th December 2016 a new Mineral Resource was released which incorporated the results of the additional drilling. Timing was such that it was not possible to incorporate the new Mineral Resource estimate in the Prefeasibility Study.

#### Carrapateena Mineral Resources – 18 November 2016 <sup>(1)</sup>

Classification	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu (Mt)	Au (Moz)	Ag (Moz)
Measured	61	1.4	0.6	6.3	880	1.2	12.4
Indicated	65	1.6	0.6	7.0	1,030	1.3	14.7
Inferred	8	0.8	0.4	3.5	60	0.1	0.9
<b>Total</b>	<b>134</b>	<b>1.5</b>	<b>0.6</b>	<b>6.5</b>	<b>1,970</b>	<b>2.6</b>	<b>27.9</b>

Table subject to rounding errors. (1) All material, whether mineralised or not, contained in a reasonable prospects shape designed at a cut-off of A\$70/t NSR

## Khamsin Mineral Resources

The Khamsin Iron Oxide Copper Gold (IOCG) deposit is located 10 kilometres north-west of Carrapateena. Khamsin was discovered in late 2012.

The initial Mineral Resource for Khamsin was based on 30 holes (including eight wedged holes) drilled since discovery and is summarised in the table below. Holes were diamond drill holes spaced approximately 100 metres apart. The assessment of the prospects for extraction of the Khamsin Mineral Resource were deemed reasonable with the accompanying economies of scale, when the Carrapateena deposit was designed as a block cave and forecast to be processed at 12 Mtpa. However with recent developments at Carrapateena now focusing on a 4 Mtpa processing plant, OZ Minerals has taken the decision to re-assess the Khamsin target and consequently a Mineral Resource will no longer be stated.

## Carrapateena Ore Reserves

A Pre-Feasibility Study for Carrapateena based on mining by sub-level caving was completed in 2016 and demonstrated a positive economic outcome at which time an Ore Reserve was declared. The Ore Reserve estimate was based on the Mineral Resource estimate as at 17 October 2016.

### Carrapateena Ore Reserves as at 20 October 2016

Classification	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu (Mt)	Au (Moz)	Ag (Moz)
Proved	0	0.0	0.0	0.0	0	0	0
Probable	70	1.8	0.7	8.4	1,300	1.7	19
<b>Total</b>	<b>70</b>	<b>1.8</b>	<b>0.7</b>	<b>8.4</b>	<b>1,300</b>	<b>1.7</b>	<b>19</b>

Table subject to rounding errors. (1) Based on \$100 NSR cut-off grade.

## Material changes in Carrapateena Mineral Resources and Ore Reserves and Khamsin Mineral Resources

OZ Minerals confirms that it is not aware of any new information or data that would materially affect the Carrapateena Mineral Resource estimate as at 18 November 2016 or Carrapateena Ore Reserve estimate as at 20 October 2016.

For the reasons stated above a Mineral Resource will no longer be quoted for Khamsin.

## Competent Persons' Statements

### Carrapateena Mineral Resources and Ore Reserve and Khamsin Mineral Resource

The information set out in these tables is a summary of information relating to Carrapateena Mineral Resources and Ore Reserves set out in the documents, Carrapateena Project Mineral Resource, released on 9 December 2016; and Carrapateena Ore Reserve Statements and Explanatory Notes released on 7 November 2016 and are available at [www.ozminerals.com/operations/resources-reserves.html](http://www.ozminerals.com/operations/resources-reserves.html).

The information in this report that relates to Mineral Resources is based on information compiled by Stuart Masters, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy (108430) and a Member of the Australian Institute of Geoscientists (5683).

Stuart Masters BSc (Geology), CFSG, has over 30 years of relevant and continuous experience as a geologist including 11 years in Iron-Oxide-Copper-Gold style deposits. Stuart Masters has visited site on ten occasions since OZ Minerals acquired the project including three times since the 2013 Mineral Resource was reported and once since the 2015 Mineral Resource was originally reported.

Stuart Masters is a full time employee of CS 2 Pty Ltd and has no interest in, and is entirely independent of, OZ Minerals. Stuart Masters has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a

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## Resources and Reserves 2016

Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC 2012). Stuart Masters consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Stuart Masters

CS-2 Pty Ltd.

The information in this report that relates to Carrapateena Ore Reserves is based on and fairly represents information and supporting documentation compiled by Justin Taylor BEng (Min), a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AUSIMM Membership No. 307796).

Justin Taylor is a full time employee of OZ Minerals Limited. Justin Taylor is a shareholder in OZ Minerals Limited and is entitled to participate in the OZ Minerals Performance Rights plan.

Justin Taylor BEng (Min) has over 30 years of experience as a mining engineer including nine years in Iron-Oxide-Copper-Gold style deposits. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC 2012). Justin Taylor consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

The Ore Reserve estimate has been compiled in accordance with the guidelines defined in the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code, 2012 Edition).

## Governance arrangements

OZ Minerals has a longstanding Mineral Resource and Ore Reserve Policy, which establishes company-wide consistency, rigour and discipline in the preparation and reporting of Mineral Resources and Ore Reserves in accordance with industry best practice. The policy sets out:

- Reporting requirements.
- Review and approval requirements.
- Company standards.
- Accountabilities in relation to the assumptions and estimates used for Mineral Resource and Ore Reserve calculations; review, implementation and compliance with the policy; and delivery of Mineral Resource and Ore Reserve estimates and findings to the Board.

Updates to Mineral Resource and Ore Reserve estimates compiled during 2016 were completed in accordance with the guiding principles contained within the policy, suitably modified to meet current company structures, delegated authorities and estimate requirements.

This included:

- Reporting in compliance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition).
  - Suitably qualified and experienced Competent Persons.
  - All Mineral Resource and Ore Reserve estimates being subject to internal and external review and independent review by suitably qualified practitioners, inclusive of the Competent Persons.
  - Approval by the Board of the Mineral Resources and Ore Reserves estimates prior to release to the market.
-

# Consolidated Financial Statements

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# Auditor's Independence Declaration

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

To: the Directors of OZ Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2016 there have been:

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

A handwritten signature of 'KPMG' in black ink, enclosed in a light grey rectangular box.

KPMG

A handwritten signature in black ink, appearing to be 'Paul Cenko'.

Paul Cenko

Partner

Adelaide

23 February 2017

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

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# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016	Notes	2016 \$m	2015 \$m
Revenue	1	822.9	879.4
Net foreign exchange gains		2.7	33.2
Other income		6.8	5.9
Changes in inventories of ore and concentrate		227.8	79.8
Consumables and other direct costs		(313.7)	(259.0)
Employee benefit expenses		(60.4)	(63.9)
Exploration and evaluation expenses		(29.3)	(39.5)
Freight expenses		(52.9)	(54.1)
Royalties expense		(42.2)	(47.9)
Depreciation expense	7	(361.5)	(285.1)
Restructuring expenses – employee benefits		–	(7.6)
Legal costs associated with Class Action	16	(37.9)	(13.4)
Other expenses		(35.1)	(41.0)
<b>Profit before net financing income and income tax</b>		<b>127.2</b>	<b>186.8</b>
Financing income		13.8	7.6
Financing expenses		(4.8)	(4.7)
Net financing income		9.0	2.9
<b>Profit before income tax</b>		<b>136.2</b>	<b>189.7</b>
Income tax expense	3	(28.4)	(59.5)
<b>Profit for the year attributable to equity holders of OZ Minerals</b>		<b>107.8</b>	<b>130.2</b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified subsequently to Income Statement</i>			
Change in fair value of investments in equity securities, net of tax	14	(10.3)	(18.5)
<i>Items that may be reclassified to Income Statement</i>			
Net gains/(losses) on cash flow hedges, net of tax		3.6	–
Other comprehensive gain/(loss) for the year, net of tax		<b>(6.7)</b>	<b>(18.5)</b>
Total comprehensive income for the year attributable to equity holders of OZ Minerals		<b>101.1</b>	<b>111.7</b>
<b>Basic and diluted earnings per share</b>			
Basic and diluted earnings per share	2	35.7	42.9

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016	Notes	Issued capital \$m	Retained earnings \$m	Cash flow hedge reserve \$m	Treasury shares \$m	Total equity \$m
<b>Balance as at 1 January 2016</b>		2,058.9	285.6	–	(0.6)	2,343.9
Total comprehensive income for the year						
Profit for the year		–	107.8	–	–	107.8
Other comprehensive gain/(loss)		–	(10.3)	3.6	–	(6.7)
<b>Total comprehensive income for the year</b>		–	97.5	3.6	–	101.1
<b><i>Transactions with owners, recorded directly in equity</i></b>						
Dividends	4	–	(60.6)	–	–	(60.6)
Share-based payment transactions, net of income tax	13	–	6.9	–	–	6.9
Share buy-back	12	(29.9)	–	–	–	(29.9)
Purchase of treasury shares		–	–	–	(7.1)	(7.1)
Exercise of performance rights		–	(5.6)	–	5.6	–
<b>Total transactions with owners</b>		(29.9)	(59.3)	–	(1.5)	(90.7)
<b>Balance as at 31 December 2016</b>		2,029.0	323.8	3.6	(2.1)	2,354.3
<b>For the year ended 31 December 2015</b>						
<b>Balance as at 1 January 2015</b>		2,058.9	190.2	–	–	2,249.1
Total comprehensive income for the year						
Profit for the year		–	130.2	–	–	130.2
Other comprehensive loss		–	(18.5)	–	–	(18.5)
<b>Total comprehensive income for the year</b>		–	111.7	–	–	111.7
<b><i>Transactions with owners, recorded directly in equity</i></b>						
Dividends	4	–	(18.2)	–	–	(18.2)
Share-based payment transactions, net of income tax	13	–	4.4	–	–	4.4
Purchase of treasury shares		–	–	–	(3.1)	(3.1)
Exercise of performance rights		–	(2.5)	–	2.5	–
<b>Total transactions with owners</b>		–	(16.3)	–	(0.6)	(16.9)
<b>Balance as at 31 December 2015</b>		2,058.9	285.6	–	(0.6)	2,343.9

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

# Consolidated Balance Sheet

As at 31 December 2016	Notes	2016 \$m	2015 \$m
<b>Current assets</b>			
Cash and cash equivalents		655.7	552.5
Trade receivables		69.4	91.4
Other receivables		7.8	7.2
Inventories	5	197.1	143.2
Prepayments		4.9	4.9
Assets held for sale	9	9.4	–
<b>Total current assets</b>		<b>944.3</b>	<b>799.2</b>
<b>Non-current assets</b>			
Inventories	5	360.0	186.6
Investments in equity securities	14	18.2	31.8
Derivative financial instruments	14	5.1	–
Exploration assets - Carrapateena	9	284.9	252.2
Lease receivable	8	27.5	34.8
Property, plant and equipment	7	990.6	1,261.8
<b>Total non-current assets</b>		<b>1,686.3</b>	<b>1,767.2</b>
<b>Total assets</b>		<b>2,630.6</b>	<b>2,566.4</b>
<b>Current liabilities</b>			
Trade payables and accruals		74.4	63.4
Other payables		3.0	1.7
Current tax provision	3	69.0	–
Employee benefits		9.0	9.2
Provisions	10	8.3	8.6
Derivative financial instruments	14	11.1	–
<b>Total current liabilities</b>		<b>174.8</b>	<b>82.9</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	3	63.5	102.6
Employee benefits		2.0	3.6
Provisions	10	36.0	33.4
<b>Total non-current liabilities</b>		<b>101.5</b>	<b>139.6</b>
<b>Total liabilities</b>		<b>276.3</b>	<b>222.5</b>
<b>Net assets</b>		<b>2,354.3</b>	<b>2,343.9</b>
<b>Equity</b>			
Issued capital	12	2,029.0	2,058.9
Cash flow hedge reserve		3.6	–
Retained earnings		323.8	285.6
Treasury shares		(2.1)	(0.6)
<b>Total equity attributable to equity holders of OZ Minerals Limited</b>		<b>2,354.3</b>	<b>2,343.9</b>

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016	Notes	2016 \$m	2015 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		874.0	929.6
Payments to suppliers and employees		(529.9)	(463.0)
Payments for exploration and evaluation		(29.3)	(39.5)
Financing costs		(2.0)	(2.8)
Interest received		11.3	5.5
<b>Net cash inflows from operating activities</b>	6	<b>324.1</b>	<b>429.8</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(99.8)	(251.4)
Payment for Carrapateena evaluation expenditure	9	(25.6)	–
Proceeds from disposal of investments	14	3.3	126.5
Net proceeds from sale of pre-commissioning Malu UG ore concentrates		–	46.4
Dividends received		–	1.0
<b>Net cash outflows from investing activities</b>		<b>(122.1)</b>	<b>(77.5)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	4	(60.6)	(18.2)
Payments for share buy-back	12	(29.9)	–
Payments for acquisition of treasury shares		(7.1)	(3.1)
<b>Net cash outflows from financing activities</b>		<b>(97.6)</b>	<b>(21.3)</b>
Net increase/(decrease) in cash held		104.4	331.0
Cash and cash equivalents at beginning of the year		552.5	218.5
Effects of exchange rate changes on foreign currency denominated cash balances		(1.2)	3.0
<b>Cash and cash equivalents at the end of the year</b>		<b>655.7</b>	<b>552.5</b>

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

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# Notes to the Consolidated Financial Statements

## Introduction

The principal business activities of OZ Minerals Limited (OZ Minerals or the Company) and its controlled entities (collectively the 'Consolidated Entity') were the mining and processing of ore containing copper, gold and silver, undertaking exploration activities and development of mining projects.

The company is incorporated and domiciled in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. OZ Minerals registered office is Level 1, 162 Greenhill Road, Parkside, 5063, South Australia, Australia.

The Consolidated Financial Statements of OZ Minerals Limited and its controlled entities for the year ended 31 December 2016:

- include general purpose Financial Statements prepared by a for profit entity in accordance with Australian Accounting Standards ('AASBs') and the Corporations Act 2001, and comply with International Financial Reporting Standards ('IFRS')
- are presented in Australian dollars which is also the functional currency of the Company and all its controlled entities
- have amounts rounded off to within the nearest million dollars to one decimal place unless otherwise stated, in accordance with Instrument 2016/191, issued by the Australian Securities and Investments Commission.

The Consolidated Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the following items which are measured at fair value, or otherwise, in accordance with the provisions of applicable accounting standards:

- financial instruments, including trade receivables
- investments in equity securities
- derivative financial instruments
- items of inventory and property, plant and equipment which have been written down in accordance with applicable accounting standards.

Other than the final dividend for the year ended 31 December 2016, discussed in Note 4, no events have occurred subsequent to reporting date which have significantly affected or may significantly affect the Consolidated Entity's operations or results in future years.

## Notes to the Consolidated Financial Statements

### Group Performance

#### 1 Operating Segments

Segment	Principal activities
<b>Prominent Hill</b>	Mining and processing ore containing copper, gold and silver from the Prominent Hill Mine, a combined open pit and underground mine located in the Gawler Craton of South Australia. The Prominent Hill Mine generates revenue from the sale of concentrate products containing copper, gold and silver to customers in Asia, Europe and Australia.
<b>Carrapateena</b>	Exploration, evaluation and long lead item development associated with the Carrapateena project located in South Australia.
<b>Exploration &amp; Development</b>	Exploration and evaluation activities associated with other projects and include interests in Chile and exploration arrangements with Minotaur Exploration Ltd, Cassini Resources Limited, Toro Energy Limited, and Corporate Development activities.
<b>Corporate (corporate activities)</b>	Other corporate activities include the Consolidated Entity's group office (which includes all corporate expenses that cannot be directly attributed to the operation of the Consolidated Entity's operating segments), other investments in equity securities and cash balances.

#### Recognition and measurement of revenue

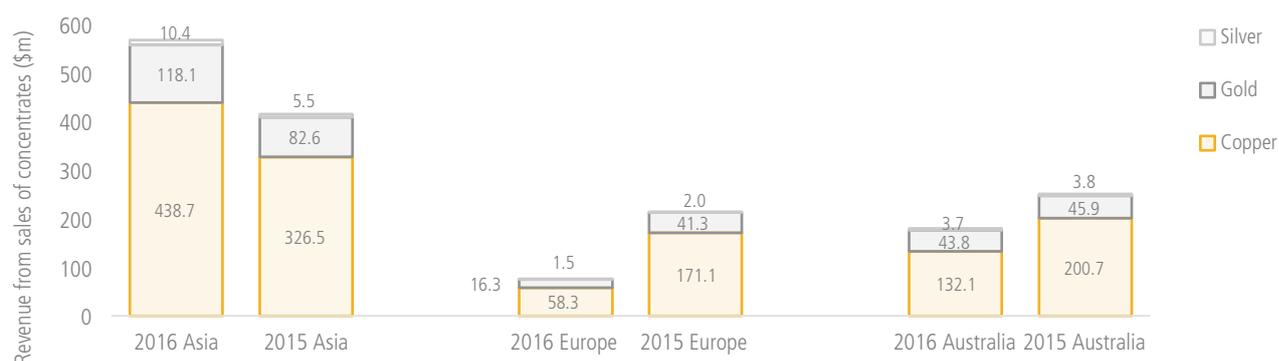
Revenue from sale of concentrates is recognised upon transfer of risks and rewards to the customer when the price is fixed or determinable, no further processing is required, the quantity and quality of the goods has been determined with reasonable accuracy, and collectability is probable. This is generally when the concentrates are loaded on to the vessel at the port of shipment or in the case of domestic sales when the concentrates are delivered to the customer's premises.

Measurement of sales revenue is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination of metal content in concentrates by customer. These adjustments are typically insignificant relative to the total sales value.

The terms of concentrate sales contracts contain provisional pricing arrangements. The commodity price for metal in concentrate is based on prevailing prices at the time of shipment to the customer. Adjustments to the commodity price occur based on movements in quoted market prices up to the date of final settlement. Receivables arising from sales contracts are initially recognised at fair value, with subsequent changes in fair value recognised in the Income Statement in each period until final settlement, as an adjustment to revenue. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices.

Revenue is reported net of treatment and refining charges, other commercial costs, pricing adjustments, and gains/losses from copper derivative contracts.

#### Net Revenue by geographical region



Revenue information presented on the previous page is based on the location of the customer's operations. Major customers who individually accounted for more than ten per cent of total revenue contributed approximately 69 per cent of total revenue (2015: 56 per cent).

Segment Result: Underlying EBITDA, Underlying EBIT and Underlying NPAT are used internally by management to assess performance of the business, make decisions on allocating resources and assess operational management.

31 December 2016	Prominent Hill \$m	Carrapateena \$m	Exploration & Development \$m	Corporate \$m	Consolidated \$m
Revenue – Copper	725.1	–	–	–	725.1
Revenue – Gold and Silver	197.0	–	–	–	197.0
Treatment and refining charges <sup>1</sup>	(99.2)	–	–	–	(99.2)
<b>Net Revenue</b>	<b>822.9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>822.9</b>
Mining	(296.2)	–	–	–	(296.2)
Processing	(91.3)	–	–	–	(91.3)
Transport	(52.9)	–	–	–	(52.9)
Site general and administration	(19.7)	–	–	–	(19.7)
Royalties	(42.2)	–	–	–	(42.2)
Deferred waste adjustment	36.6	–	–	–	36.6
Inventory adjustment	85.4	–	–	–	85.4
<b>Cost of goods sold</b>	<b>(380.3)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(380.3)</b>
Corporate general and administration	(10.5)	–	(0.5)	(25.7)	(36.7)
Exploration and other income/(expenses)	0.7	(12.9)	(16.4)	4.3	(24.3)
Net realisable value adjustments	(10.5)	–	–	–	(10.5)
Foreign exchange gain/(loss)	(4.1)	–	–	6.8	2.7
<b>Underlying EBITDA</b>	<b>418.2</b>	<b>(12.9)</b>	<b>(16.9)</b>	<b>(14.6)</b>	<b>373.8</b>
Depreciation of PPE	(356.5)	(3.1)	–	(1.9)	(361.5)
Capitalised depreciation into inventory	152.8	–	–	–	152.8
Net Depreciation	(203.7)	(3.1)	–	(1.9)	(208.7)
<b>Underlying EBIT</b>	<b>214.5</b>	<b>(16.0)</b>	<b>(16.9)</b>	<b>(16.5)</b>	<b>165.1</b>
Net finance income					9.0
Income tax expense					(39.8)
<b>Underlying Net Profit after tax</b>					<b>134.3</b>
Non underlying items net of tax <sup>2</sup>					(26.5)
<b>Net Profit for the year attributable to equity holders of OZ Minerals Ltd</b>					<b>107.8</b>

<sup>1</sup> Treatment and refining charges includes other commercial costs

<sup>2</sup> Non underlying items net of tax include the legal costs associated with the Class Action. Refer to Note 16 for further discussion.

## Notes to the Consolidated Financial Statements

### Group Performance

31 December 2015	Prominent Hill \$m	Carrapateena \$m	Exploration & Development \$m	Corporate \$m	Consolidated \$m
Revenue – Copper	794.5	–	–	–	794.5
Revenue – Gold and Silver	182.0	–	–	–	182.0
Treatment and refining charges	(97.1)	–	–	–	(97.1)
<b>Net Revenue</b>	<b>879.4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>879.4</b>
Mining	(351.7)	–	–	–	(351.7)
Processing	(87.0)	–	–	–	(87.0)
Transport	(54.1)	–	–	–	(54.1)
Site general and administration	(23.3)	–	–	–	(23.3)
Royalties	(47.9)	–	–	–	(47.9)
Deferred waste adjustment	148.1	–	–	–	148.1
Inventory adjustment	34.2	–	–	–	34.2
<b>Cost of goods sold</b>	<b>(381.7)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(381.7)</b>
Corporate general and administration	(14.2)	–	(1.3)	(27.5)	(43.0)
Exploration and other income/(expenses)	(1.5)	(29.9)	(9.6)	–	(41.0)
Restructuring costs	(3.0)	–	–	(4.6)	(7.6)
Net realisable value adjustments	(4.4)	–	–	–	(4.4)
Foreign exchange gain	12.5	–	–	20.7	33.2
<b>Underlying EBITDA</b>	<b>487.1</b>	<b>(29.9)</b>	<b>(10.9)</b>	<b>(11.4)</b>	<b>434.9</b>
Depreciation of PPE	(281.5)	(0.8)	–	(2.8)	(285.1)
Capitalised depreciation into inventory	50.0	–	–	–	50.0
Net Depreciation	(231.5)	(0.8)	–	(2.8)	(235.1)
<b>Underlying EBIT</b>	<b>255.6</b>	<b>(30.7)</b>	<b>(10.9)</b>	<b>(14.2)</b>	<b>199.8</b>
Net finance income					2.9
Income tax expense					(63.1)
<b>Underlying Net Profit after tax</b>					<b>139.6</b>
Non underlying items net of tax <sup>1</sup>					(9.4)
<b>Net Profit for the year attributable to equity holders of OZ Minerals Ltd</b>					<b>130.2</b>

The above Segment Note for the year ended 31 December 2015 has been restated to reflect changes in line with segment information reported for 2016, and reflects the manner in which information is reported internally.

<sup>1</sup> Non underlying items net of tax include the legal costs associated with the Class Action. Refer to Note 16 for further discussion.

## 2 Earnings per share

Basic and diluted earnings per share – cents	2016	2015
Basic and diluted earnings per share	35.7	42.9
Reconciliation of earnings used in calculating basic and diluted earnings per share – \$ millions		
Profit after tax	107.8	130.2
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	301,740,328	303,433,159

Basic earnings per share is calculated by dividing the profit attributable to equity holders of OZ Minerals Limited, by the weighted average number of ordinary shares outstanding during the financial year. The weighted average is determined by the total number of shares on issue less treasury shares held by the Company throughout the period.

Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## 3 Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax expenses are recognised in Other Comprehensive Income or directly in equity as appropriate.

### Recoverability of deferred tax assets

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

Assumptions about the generation of future taxable profits influence the ability of the Consolidated Entity to recognise (or continue to recognise) deferred tax assets. Taxable profit estimates are based on estimated future production and sales volumes, commodity prices, foreign exchange rates, operating costs, restoration costs and capital expenditure. A change in these assumptions may impact the amount of deferred tax assets recognised in the balance sheet in future periods.

### Tax consolidation

OZ Minerals Limited and its wholly-owned Australian controlled entities are part of a tax consolidated group. OZ Minerals Limited is the head company of the tax consolidated group.

	2016 \$m	2015 \$m
Income tax expense in the Income Statement		
Current income tax (expense)/benefit	(69.0)	–
Deferred income tax (expense)/benefit	40.6	(59.5)
<b>Income tax (expense)/benefit</b>	<b>(28.4)</b>	<b>(59.5)</b>

## Notes to the Consolidated Financial Statements

### Group Performance

#### Reconciliation of income tax expense to pre-tax profit

	2016 \$m	2015 \$m
Profit before income tax	136.2	189.7
Income tax expense at the Australian tax rate of 30 per cent	(40.9)	(56.9)
Adjustments:		
Non-deductible expenditure	(2.1)	(2.1)
Revision for prior periods	1.0	(0.5)
Recognition of previously unrecognised tax losses	13.6	–
<b>Income tax expense</b>	<b>(28.4)</b>	<b>(59.5)</b>

#### Deferred tax assets and liabilities

	Opening balance \$m	Recognised in Income Statement \$m	Recognised in Equity \$m	Closing balance \$m
<b>2016</b>				
Unrestricted tax losses and offsets	8.3	(8.3)	–	–
Restricted tax losses	49.0	0.5	–	49.5
Property plant and equipment	(170.6)	35.0	–	(135.6)
Inventories	(4.8)	–	–	(4.8)
Provisions and accruals	10.5	0.7	–	11.2
Derivative Financial Instruments	–	3.3	(1.5)	1.8
Other	5.0	9.4	–	14.4
<b>Net deferred tax liabilities</b>	<b>(102.6)</b>	<b>40.6</b>	<b>(1.5)</b>	<b>(63.5)</b>
<b>2015</b>				
Unrestricted tax losses and offsets	74.7	(66.4)	–	8.3
Restricted tax losses	54.4	(5.4)	–	49.0
Property plant and equipment	(179.5)	8.9	–	(170.6)
Inventories	(5.3)	0.5	–	(4.8)
Provisions and accruals	10.1	0.4	–	10.5
Other	2.5	2.5	–	5.0
<b>Net deferred tax liabilities</b>	<b>(43.1)</b>	<b>(59.5)</b>	<b>–</b>	<b>(102.6)</b>

Recognised restricted tax losses are subject to an available fraction which limits the amount of these losses that can be utilised each year and may only be utilised after unrestricted tax losses are utilised. Recognised unrestricted tax losses and tax offsets have no restrictions, and under current legislation, do not have an expiry date.

## Unrecognised tax losses

During the year, \$13.6 million of restricted tax losses were recognised in the Balance Sheet. Restricted tax losses of \$178.1 million tax effected (2015: \$191.4 million tax effected) remain unrecognised in the Balance Sheet at 31 December 2016, after adjusting for \$0.3 million that was previously assessed as non-recoverable. Capital tax losses of \$592.5 million tax effected (2015: \$592.5 million tax effected) remain unrecognised in the Balance Sheet at 31 December 2016.

## Recognition and measurement of income taxes

### Current tax

The tax currently payable is based on taxable profit for the year, using rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

### Deferred tax

Deferred tax assets and liabilities are determined using the balance sheet method which calculates temporary differences based on the difference between the carrying amount of the Consolidated Entity's assets and liabilities in the balance sheet and their associated tax bases.

Deferred tax assets and liabilities are not recognised for temporary differences arising from investments in subsidiaries where the consolidated entity is able to control the reversal of the temporary differences, and it is probable they will not reverse in the foreseeable future. Deferred tax assets are recognised, to the extent that it is probable that future taxable income will be available to utilise them.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and adjusted based on estimates of future taxable income and or capital gains against which the deferred tax asset could be utilised.

Deferred tax assets and liabilities are measured at the tax rates applicable to each jurisdiction which are expected to apply in the period when the assets are realised or liabilities discharged and are offset where they relate to the same tax authority and there is a legally enforceable right to offset.

## 4 Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked dividend of 14.0 cents per share, to be paid on 24 March 2017. The record date for entitlement to this dividend is 10 March 2017. The financial impact of the dividend amounting to \$41.8 million has not been recognised in the Consolidated Financial Statements for the year ended 31 December 2016, and will be recognised in subsequent Consolidated Financial Statements.

The details in relation to dividends announced or paid since 1 January 2015 are set out below:

Record date	Date of payment	Unfranked cents per share <sup>(a)</sup>	Fully franked cents per share	Total dividends \$m
10 March 2017	24 March 2017	—	14	41.8
9 September 2016	23 September 2016	6	—	18.1
24 February 2016	10 March 2016	14	—	42.5
10 September 2015	24 September 2015	6	—	18.2

(a) For Australian income tax purposes, all unfranked dividends were declared to be conduit foreign income

## Notes to the Consolidated Financial Statements

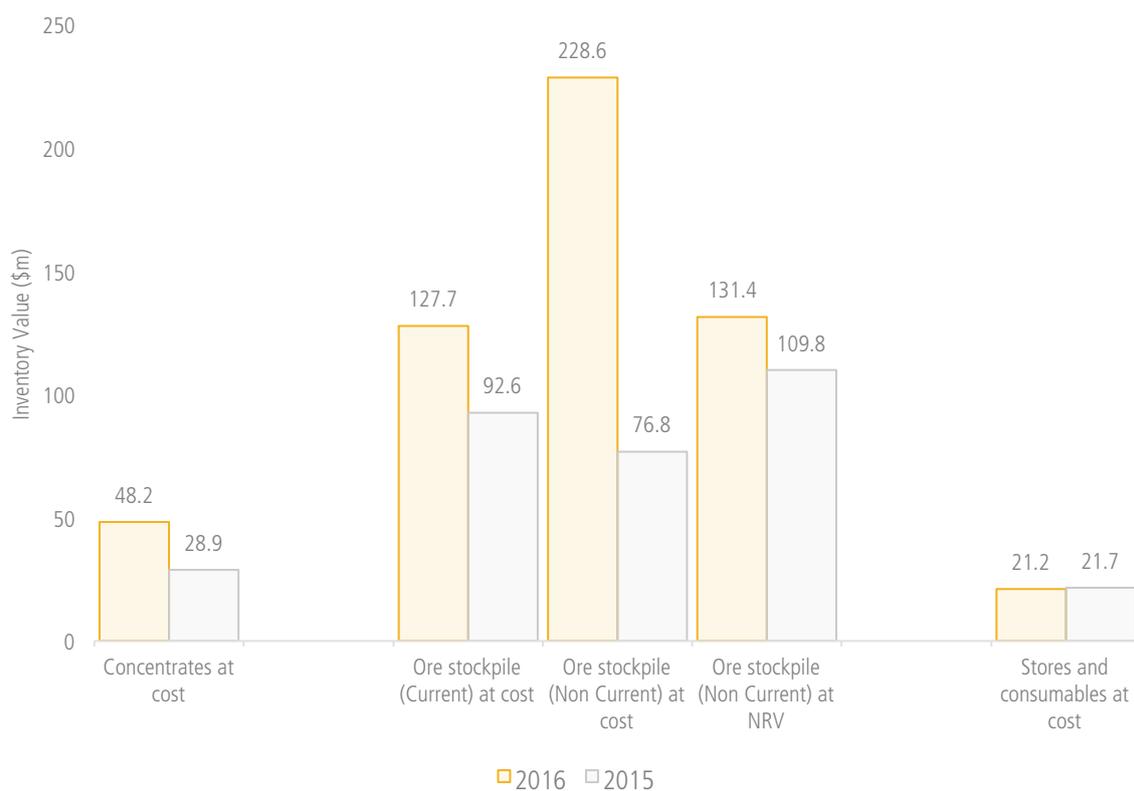
## Net Cash and Capital Employed

## 5 Inventories

## Net realisable value of inventories

Inventories are recognised at the lower of cost and net realisable value ('NRV').

Net realisable value of ore is based on the estimated amount expected to be received when the ore is processed and sold, less incremental costs to convert the ore to concentrate and selling costs. The computation of net realisable value for stockpiles involves significant judgements and estimates in relation to future ore blend rates, timing of processing, processing costs, commodity prices, foreign exchange rates, discount rates and the ultimate timing of sale of concentrates produced. A change in any of these critical assumptions will alter the estimated net realisable value and may therefore impact the carrying value of inventories.



## Notes to the Consolidated Financial Statements

### Net Cash and Capital Employed

	2016 \$m	2015 \$m
Concentrates – at cost	48.2	28.9
Ore Stockpile – at cost	127.7	92.6
Stores and consumables – at cost	21.2	21.7
<b>Inventories – current</b>	<b>197.1</b>	<b>143.2</b>
Ore Stockpile – non-current at cost	228.6	76.8
Ore Stockpile – non-current at net realisable value	131.4	109.8
<b>Inventories – non-current</b>	<b>360.0</b>	<b>186.6</b>
<b>Total Inventories</b>	<b>557.1</b>	<b>329.8</b>

A net realisable value inventory adjustment to reduce the value of inventory of \$10.5 million in respect of low grade gold ore stockpiles was recognised in 2016 (2015: \$4.4 million).

### Recognition and measurement of inventories

Inventory is valued at the lower of cost incurred in bringing product to its present location and condition and net realisable value.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost comprises direct materials and labour, and a proportion of overhead expenditure directly related to the production of inventories. Expenditure directly related to the production of inventories includes processing costs, transportation costs to the point of sale, and depreciation of plant and equipment and mining property and development assets, the latter of which includes deferred stripping assets and mine rehabilitation costs incurred in the mining process.

Net realisable value is calculated by estimating the value that is expected to be realised upon sale of concentrate after deducting estimated costs of processing, and selling costs. This estimation is based on assumptions of future prices and costs, as well as expected future ore blend rates and timing of processing.

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

## Notes to the Consolidated Financial Statements

### Net Cash and Capital Employed

## 6 Operating cash flows

The Consolidated Entity's operating cash flow reconciled to profit after tax is as follows:

	2016 \$m	2015 \$m
<b>Profit after tax for the year</b>	<b>107.8</b>	<b>130.2</b>
<b>Adjustments for:</b>		
Depreciation	361.5	285.1
Lease amortisation	7.3	7.4
FX gain/(loss) on cash balances	1.2	(3.1)
Dividends classified as investing activities	–	(1.0)
Share based payments	6.9	3.6
Other items	9.6	3.4
Change in assets and liabilities:		
Trade and other receivables	25.9	29.2
Prepayments	–	1.1
Inventories	(227.3)	(76.4)
Trade and other payables	5.2	(11.6)
Provision for employee benefits	(1.8)	(1.4)
Provision for demobilisation and other provisions	(0.7)	3.8
Net current and deferred tax liability	28.5	59.5
<b>Net cash inflow from operating activities</b>	<b>324.1</b>	<b>429.8</b>

### Recognition and measurement of cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand, demand deposits and cash equivalents.

## 7 Property, Plant and Equipment

2016	Plant and equipment \$m	Mine property and development \$m	Freehold land and buildings \$m	Capital work in progress \$m	Total \$m
At cost	1,139.6	1,621.2	187.3	21.2	2,969.3
Accumulated depreciation and impairment losses	(794.6)	(1,063.6)	(120.5)	–	(1,978.7)
<b>Closing carrying amount</b>	<b>345.0</b>	<b>557.6</b>	<b>66.8</b>	<b>21.2</b>	<b>990.6</b>
Reconciliation of carrying amounts					
Opening carrying amount	389.6	774.5	75.5	22.2	1,261.8
Additions and transfers including deferred mining	9.4	82.1	(0.2)	8.4	99.7
Transfer of Tunnel Boring Machine to Assets held for sale	–	–	–	(9.4)	(9.4)
Depreciation expense	(54.0)	(299.0)	(8.5)	–	(361.5)
<b>Closing carrying amount</b>	<b>345.0</b>	<b>557.6</b>	<b>66.8</b>	<b>21.2</b>	<b>990.6</b>
2015	Plant and equipment \$m	Mine property and development \$m	Freehold land and buildings \$m	Capital work in progress \$m	Total \$m
At cost	1,130.2	1,539.1	187.5	22.2	2,879.0
Accumulated depreciation and impairment losses	(740.6)	(764.6)	(112.0)	–	(1,617.2)
<b>Closing carrying amount</b>	<b>389.6</b>	<b>774.5</b>	<b>75.5</b>	<b>22.2</b>	<b>1,261.8</b>
Reconciliation of carrying amounts					
Opening carrying amount	440.5	685.8	87.5	118.0	1,331.8
Additions and transfers including deferred mining	17.5	335.8	1.2	(103.7)	250.8
Disposals – at cost	(9.8)	–	–	–	(9.8)
Accumulated depreciation on disposals	9.8	–	–	–	9.8
Malu underground pre commissioning revenue adjustment	–	(54.3)	–	7.9	(46.4)
Increase in mine rehabilitation asset – Note 10	–	10.7	–	–	10.7
Depreciation expense	(68.4)	(203.5)	(13.2)	–	(285.1)
<b>Closing carrying amount</b>	<b>389.6</b>	<b>774.5</b>	<b>75.5</b>	<b>22.2</b>	<b>1,261.8</b>

### Recognition and measurement of property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing assets into use.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable. After transfer, all subsequent expenditures to develop the mine to the production phase which are considered to benefit mining operations in future periods are capitalised.

## Notes to the Consolidated Financial Statements

### Net Cash and Capital Employed

The proceeds from sale of any concentrate produced from ore extracted and processed as part of development of the asset prior to being deemed ready for use, less any further processing and selling costs incurred, is deducted from the cost of the asset.

The present value of the expected cost of decommissioning an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property Plant and Equipment is tested for impairment when there is an indication of impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. An impairment loss is recognised for the amount by which the asset or CGU carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Assets that have been impaired are reviewed for possible reversal of impairment at each reporting date.

Value in use is the net amount expected to be recovered through cash flows arising from continued use and subsequent disposal of an asset (or group of assets). In assessing value in use, 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.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

### Recoverability of assets

The Consolidated Entity undertook a review of the carrying value of the Prominent Hill CGU and determined that no adjustment to the carrying value was necessary. The recoverable amount was estimated on the basis of Fair Value Less Cost to Dispose and based upon an internal discounted cash flow for presently approved mine plans and an estimate of the value of resources known to exist but not yet included in mine plans. The latter was estimated from independent publically available information for recent transactions involving comparable resources. No value was ascribed to exploration potential associated with the CGU despite the prospectivity of the region.

Significant estimates and judgements are made in estimating the recoverable amount including future cash flows, commodity prices, foreign exchange rates, costs and mine plans. Key areas of judgement and assumptions include the following:

- Future cash flows are based on latest internal budgets and forecasts which reflect expectations of the volume and grade of ore to be mined and processed, mine plans, sales, short and long term commodity prices and exchange rates, operating and capital costs and operational assumptions. These estimates are based on past experience, current market conditions and expectation of future changes to the market in which the CGU operates. Commodity price and exchange rate assumptions were based on consensus of independent industry analysts and commentators.
- Mineral resources not modelled in Board approved budgets are included in the assessment of fair value less cost to dispose based on the application of an appropriate resource valuation multiple to the contained copper equivalent within these resources.
- Discount rate applied to the cash flows which would be applied by a market participant in considering the value of the CGU and is reflective of current market conditions. A real post-tax discount rate of 9.5 per cent (2015: 9.5 per cent) was used in 2016.

The valuation is sensitive to such assumptions which are subject to change as a result of changing economic and operational conditions. As a result, changes in key assumptions will alter the estimate of recoverable amount and consequently it could in the absence of other factors require a change to the carrying value of assets associated with the Prominent Hill CGU in the future.

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

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

Depreciation of assets commences when the assets are ready for their intended use. The depreciation of mine property and development commences when the mine is commissioned or deemed ready for use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting period and adjusted prospectively, if appropriate. Where depreciation rates are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate, with the change accounted for as a change in accounting estimate.

During 2016, the useful life of mine property and development and processing plant assets were reassessed and are now based on mining inventory, which includes both resources and reserves. This more closely aligns benefits received by the assets from their use.

## Ore reserves and resources estimates

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding exchange rates, commodity prices, future capital requirements and future operating performance.

Changes in reported reserves and resources estimates can impact the carrying value of property, plant and equipment including deferred mining expenditure, intangible assets, capitalised exploration, provisions for mine rehabilitation, restoration and dismantling obligations, recognition of deferred tax assets, as well as the amount of depreciation charged to the Income Statement.

Changes in the carrying value of the assets may arise principally through changes in the income that can be economically generated from each project. Changes in depreciation expense may arise through a change in the useful life over which property, plant and equipment is depreciated.

## Notes to the Consolidated Financial Statements

### Net Cash and Capital Employed

#### Open pit stripping (waste removal) costs – Deferred Mining

Stripping (waste removal) activity is removal of waste material to access ore in an open-pit mine. Stripping costs incurred in the development phase (those to initially access the ore body) are capitalised as part of the cost of constructing the mine and depreciated as outlined above. Stripping costs incurred during the production phase (production stripping costs) generate two benefits:

- Production of inventory ('ore') - accounted for as a part of producing those ore inventories; or
- Improved access to a component of the ore body to be mined in future – recognised as 'deferred mining asset' and classified as part of Mine Property and Development, if the following criteria are met:
  - Future economic benefits are probable;
  - The component of the ore body for which access will be improved can be accurately identified; and
  - The costs associated with improved access can be reliably measured.

A component is a specific part of the ore body that is made more accessible as a result of the stripping activity and is determined based on mine plans. Any changes are applied prospectively.

Production stripping costs are allocated between ore produced and the deferred mining asset on the basis of the relative volume of waste mined in a period which exceeds the remaining waste-to-ore stripping ratio at the beginning of the period applicable to the component. Deferred mining costs are subsequently depreciated using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Deferred mining costs are carried at cost less depreciation and any impairment losses.

#### Stripping (waste removal) costs – Deferred Mining

Judgement is required in determining the estimated future ore and waste to be mined from a component of the open pit. The estimate of ore and waste remaining to be mined influences the amount of mining costs which are capitalised as mine property and development or included in the cost of inventory. The estimates that determine the amounts capitalised or expensed are based on board approved mine plans. A change in ore or waste expected to be mined will influence both the future rate at which mining costs may be capitalised as a deferred mining asset, as well as altering the useful life for depreciation purposes of any existing deferred mining asset.

## 8 Lease receivable

	2016 \$m	2015 \$m
Finance lease receivable	27.5	34.8

#### Recognition and measurement of finance lease receivable

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

The finance lease receivable represents the consideration paid by OZ Minerals to acquire mining equipment which was leased back to Thiess on an interest free basis. OZ Minerals benefits progressively over the mining services contract from reduced mining services charges by Thiess. Upon termination of the mining services contract, any carrying value of lease receivable will be recovered by OZ Minerals from resale of the equipment to Thiess.

The finance lease receivable of \$27.5 million as at 31 December 2016 comprises \$34.8 million from the comparative year, less \$7.3 million (2015: \$7.4 million) amortisation of the finance lease receivable during the year.

## 9 Exploration assets - Carrapateena

### Carrying value of capitalised exploration expenditure

The accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In the event future economic benefits are unlikely or a reasonable assessment of the existence or otherwise of economic reserves is possible an impairment test may be required which may result in an adjustment to the carrying value of capitalised exploration expenditure.

The ultimate recoupment of costs capitalised for exploration and evaluation phases is dependent on successful development and commercial exploitation or sale of the respective areas of interest.

	2016 \$m	2015 \$m
Exploration assets - intangible	252.2	252.2
Exploration assets - tangible	32.7	–
Exploration assets - Carrapateena	284.9	252.2

Intangible exploration assets represent acquisition costs of the Carrapateena copper-gold project in South Australia. The terms of this asset acquisition provide for two further payments by OZ Minerals to vendors upon commercial production being reached:

- US\$50.0 million is payable on first commercial production of copper, uranium, gold or silver.
- US\$25.0 million is payable on first commercial production of rare earths, iron or any other commodity.

The further payments amounting to US\$75.0 million do not constitute a liability in accordance with accounting standards as OZ Minerals can control whether the amounts will ever be paid and therefore no liability is recognised for the year ended 31 December 2016.

Tangible exploration assets represent the capitalised carrying value of exploration expenditure incurred since 1 July 2016. Following the PFS results, OZ Minerals has made the determination to capitalise expenditure related to exploration and evaluation activities in relation to Carrapateena, in accordance with the policy described below.

### Recognition and measurement of exploration expenditure

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

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. Exploration and evaluation assets are not depreciated and are assessed for impairment if:

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

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. A Cash Generating Unit ('CGU') is not larger than the area of interest.

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

From time to time the Consolidated Entity enters into arrangements which enable it to secure the opportunity to explore and potentially earn the right to mineralisation if discovered on underlying exploration tenements held by other entities (earn-in arrangements). Expenditure incurred under earn-in arrangements is expensed as incurred. Under the agreements OZ Minerals does not assume any liabilities or hold any rights to other assets that the holder of the tenement may possess.

## Notes to the Consolidated Financial Statements

### Net Cash and Capital Employed

#### Assets held for sale

	2016 \$m	2015 \$m
Property, plant and equipment held for sale	9.4	–

Following a decision to dispose of the Tunnel Boring Machine the carrying value was reclassified in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* from Capital Work in Progress to Assets held for sale.

## 10 Provisions

### Mine rehabilitation, restoration and dismantling obligations

The provision for mine rehabilitation includes future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demobilisation of equipment, decontamination, water purification and permanent storage of historical residues.

Uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation, and many other factors, including future changes in technology, price increases and changes in interest rates. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

### Recognition and measurement of provisions

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provisions due to the passage of time is recognised in the Income Statement as financing expenses.

Provisions are made for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during mining and exploration operations up to the reporting date but not yet rehabilitated. Provisions for mine rehabilitation are based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated costs include the current cost of rehabilitation necessary to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise. The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and non-current components based on the expected timing of these cash flows.

Provision for demobilisation relates to the Consolidated Entity's obligation to reimburse contractors for the cost of removing equipment from the mine site. Additions to the provision are made over the life of the equipment while in use at OZ Minerals to match the expected demobilisation costs with the related benefit.

	2016 \$m	2015 \$m
<b>Current</b>		
Equipment demobilisation	6.3	6.8
Other provisions	2.0	1.8
<b>Total current provisions</b>	8.3	8.6
<b>Non-current</b>		
Equipment demobilisation	2.3	2.5
Mine rehabilitation	33.7	30.9
<b>Total non-current provisions</b>	36.0	33.4
<b>Aggregate</b>		
Other provisions	2.0	1.8
Equipment demobilisation	8.6	9.3
Mine rehabilitation	33.7	30.9
<b>Total provisions</b>	44.3	42.0

<b>Reconciliation of provisions</b>	<b>Mine rehabilitation provision</b>	<b>Equipment demobilisation provision</b>
Opening carrying amount	30.9	9.3
Unwind of discount	2.8	–
Provisions released – Prominent Hill	(1.0)	(0.7)
Provisions recognised – Carrapteena	1.0	–
<b>Closing carrying amount</b>	33.7	8.6

## 11 Capital expenditure commitments

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

OZ Minerals has entered into contracts for ongoing capital projects. While these contracts are cancellable, termination payments are not reliably measurable as they are dependent on various factors including application of termination clauses which can only be estimated in the event of termination.

The minimum unavoidable payments in relation to contracts for development of capital projects and equipment which can be reliably estimated, and which were not required to be recognised as liabilities at 31 December 2016 amount to \$5.0 million (2015: nil).

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## Notes to the Consolidated Financial Statements

### Contributed Equity

#### 12 Issued capital

	2016	2015
	\$m	\$m
298,664,750 shares (2015: 303,470,022 shares)	2,029.0	2,058.9

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.

In February 2016, OZ Minerals announced an on-market share buyback program of up to \$60 million as part of an updated capital management framework. This updated framework reinforces OZ Minerals' strategy of maximising shareholder returns by ensuring that capital is allocated efficiently.

During the year, 4,805,272 shares have been bought and cancelled at an average cost of \$6.23 per share. The buyback period expires on 26 February 2017.

#### Recognition and measurement of issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction.

Shares bought and held by Employee Share Plan Trust to meet the Consolidated Entity's obligation to provide shares to employees in accordance with the terms of their employment contracts and employee share plans as and when they may vest, are classified as treasury shares and are presented as a deduction from total equity, until the shares are cancelled or reissued.

Shares acquired as part of the on-market share buyback program are cancelled and presented as a deduction to issued capital, and measured at the amount paid.

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## Notes to the Consolidated Financial Statements

### Contributed Equity

### 13 Share-based payments

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses was \$6.9 million (2015: \$4.4 million). A description of OZ Minerals' significant Performance Rights Plans ('PRP') and Long Term Incentive Plans ('LTIP') are provided below:

Element	Performance rights granted under PRP	Performance rights granted under LTIP																				
<b>Performance period</b>	2016: 1 July 2016 to 1 July 2017 2015: 22 July 2015 to 1 July 2016 2014: 2 May 2014 to 1 July 2015	2016: 1 January 2016 to 31 December 2018 2015: 1 July 2015 to 30 June 2018 2014: 1 July 2014 to 30 June 2017 2013: 20 December 2013 to 19 December 2016 2012: 21 December 2012 to 20 December 2015																				
<b>Service period</b>	2016: 1 July 2016 to 1 July 2017 2015: 22 July 2015 to 1 July 2016 2014: 2 May 2014 to 1 July 2015	2016: 1 January 2016 to 31 December 2018 2015: 1 July 2015 to 30 June 2018 2014: 28 July 2014 to 15 July 2017 2013: 20 December 2013 to 19 December 2016 2012: 21 December 2012 to 20 December 2015																				
<b>Vesting conditions</b>	Percentage vesting based on individual performance against Key Performance Indicators	<table border="1"> <thead> <tr> <th colspan="2">1. Total Shareholder Return (TSR)</th> </tr> <tr> <th>TSR performance measured Comparator Group</th> <th>Percentage of vesting</th> </tr> </thead> <tbody> <tr> <td>75<sup>th</sup> percentile or greater</td> <td>100</td> </tr> <tr> <td>Between the 50<sup>th</sup> and 75<sup>th</sup> percentile</td> <td>Between 50 and 100 vest progressively by using a straight-line interpolation</td> </tr> <tr> <td>50<sup>th</sup> percentile</td> <td>50</td> </tr> <tr> <td>Less than 50<sup>th</sup> percentile</td> <td>Nil</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="2">2. Absolute Share Price Growth<sup>(a)</sup></th> </tr> <tr> <th>OZ Minerals Share Price Growth over the Performance Period</th> <th>Percentage of vesting</th> </tr> </thead> <tbody> <tr> <td>Less than 20%</td> <td>Nil</td> </tr> <tr> <td>20% or greater</td> <td>100</td> </tr> </tbody> </table>	1. Total Shareholder Return (TSR)		TSR performance measured Comparator Group	Percentage of vesting	75 <sup>th</sup> percentile or greater	100	Between the 50 <sup>th</sup> and 75 <sup>th</sup> percentile	Between 50 and 100 vest progressively by using a straight-line interpolation	50 <sup>th</sup> percentile	50	Less than 50 <sup>th</sup> percentile	Nil	2. Absolute Share Price Growth <sup>(a)</sup>		OZ Minerals Share Price Growth over the Performance Period	Percentage of vesting	Less than 20%	Nil	20% or greater	100
1. Total Shareholder Return (TSR)																						
TSR performance measured Comparator Group	Percentage of vesting																					
75 <sup>th</sup> percentile or greater	100																					
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50 <sup>th</sup> percentile	50																					
Less than 50 <sup>th</sup> percentile	Nil																					
2. Absolute Share Price Growth <sup>(a)</sup>																						
OZ Minerals Share Price Growth over the Performance Period	Percentage of vesting																					
Less than 20%	Nil																					
20% or greater	100																					
<b>Exercise price</b>	Not applicable – provided at no cost	Not applicable – provided at no cost																				

(a) The LTI Plan performance vesting conditions for periods 2015 and prior were set only on Total Shareholder Return (TSR). The LTI Plan performance vesting conditions for 2016 were set on both Total Shareholder Return (TSR) and Absolute Share Price Growth, weighted at 70% and 30% respectively.

Performance rights granted under the PRPs or LTIPs are not entitled to dividends nor have voting rights. All performance rights under current performance rights plans are automatically exercised upon vesting which is dependent upon the meeting of both the service condition and the performance condition. The shares when issued on vesting of performance rights rank equally in all respects with previously issued fully paid ordinary shares.

## Notes to the Consolidated Financial Statements

### Contributed Equity

The fair value of services received in return for share-based payments granted during the year is based on the fair value of the performance rights granted, measured using a Binomial Approximation Option Valuation Model and Monte-Carlo Simulation Valuation Model for Performance Rights Plans and Long-Term Incentive Plans respectively, with the following inputs:

Grant date	Fair value at grant date \$	Share price at grant date \$	Expected volatility per cent	Expected dividends Per cent	Risk-free interest rate per cent
Performance rights granted under the LTIP					
1 January 2016					
MD & CEO Tranche One (70%)	4.1	5.2	50.0	3.8	2.0
MD & CEO Tranche Two (30%)	3.5	5.2	50.0	3.8	2.0
Other KMP Tranche One (70%)	3.7	5.2	50.0	3.8	2.0
Other KMP Tranche Two (30%)	3.2	5.2	50.0	3.8	2.0
21 July 2015	2.8	3.9	45.0	2.6	2.0
28 July 2014	3.1	4.8	45.0	4.1	2.7
20 December 2013	2.0	3.1	45.0	3.5	2.9
21 December 2012	4.1	6.8	37.0	5.7	2.7
Performance rights granted under the PRP					
1 July 2016	5.8	6.8	50.0	3.3	1.8
21 July 2015	3.8	3.9	45.0	2.6	2.1
2 May 2014	3.3	3.5	44.0	4.9	2.7

### Performance rights

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

	2016 Number	2015 Number
Opening balance	2,661,774	2,157,530
Rights granted	1,895,830	1,949,343
Rights vested and exercised	(1,000,724)	(623,720)
Rights forfeited	(921,884)	(821,379)
Closing balance	2,634,996	2,661,774

### Recognition and measurement of share-based payments

The fair values of share-based payment transactions measured at grant date are recognised as an employee benefit expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the instruments. If the employee does not meet a non-market condition, such as a service condition or Internal KPI's, any cumulative previously recognised expense is reversed.

The fair values of the share-based payment transactions granted are adjusted to reflect market vesting conditions at the time of grant, and are not subsequently adjusted. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable and are updated at each balance sheet date. The impact of the revision to original estimates for non-market conditions, if any, is recognised in the Income Statement with a corresponding adjustment to equity. Changes as a result of market conditions are not adjusted after the initial grant date.

## Notes to the Consolidated Financial Statements

### Risk Management

#### 14 Financial risk management

OZ Minerals' Group Treasury Function ('Group Treasury') manages the financial risks of the Consolidated Entity. Group Treasury identifies, evaluates and manages financial risks in close co-operation with OZ Minerals' operating units. The Board approves principles for overall risk management, as well as policies covering specific risk areas, such as market, credit and liquidity risk.

This note presents information about the Consolidated Entity's financial assets and liabilities, its exposure to financial risks, as well as its objectives, policies and processes for measuring and managing risks. The Consolidated Entity's activities expose it primarily to the following financial risks:

- Commodity prices
- Foreign currency exchange rates
- Credit Risk
- Liquidity Risk

The Consolidated Entity holds the following financial instruments as presented on the face of the Balance Sheet:

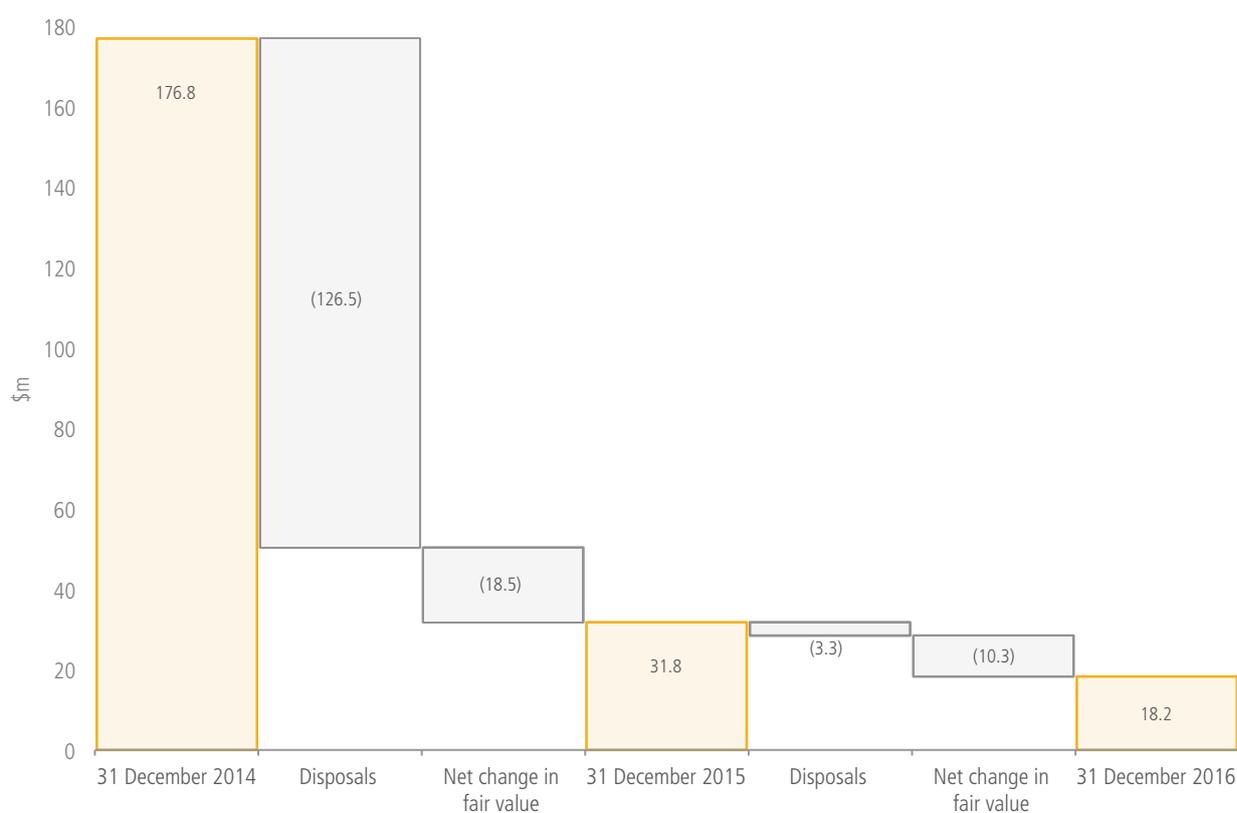
Carried at fair value using level 1 valuation technique (based on share prices quoted on the relevant stock exchanges)	Carried at fair value using level 2 valuation technique (Quoted market prices of copper, gold and silver adjusted for specific settlement terms)	Carried at amortised cost
Investments in equity securities	Trade Receivables	Cash and cash equivalents
	Derivative Financial Instruments	Other receivables
		Trade payables
		Other payables

The carrying value of each of these items approximates fair value.

## Notes to the Consolidated Financial Statements

### Risk Management

#### Investments in equity securities



#### Accounting for investments in equity securities

Judgement is required in assessing whether power over an investee exists where the Consolidated Entity holds less than a majority of the voting rights. Factors considered include rights arising from other contractual arrangements, any contractual arrangements with other vote holders as well as the Consolidated Entity's voting and potential voting rights.

Despite holding 21.1 per cent of Toro Energy Limited's ('Toro') voting rights it was determined that OZ Minerals does not exert significant influence over Toro considering the distribution of voting rights amongst Toro's other shareholders and given OZ Minerals does not have board or management representation and does not participate in the financial or operating policies of Toro.

Financial assets measured at fair value include investments in equity instruments which are not held for trading. The Consolidated Entity recognises fair value changes in Other Comprehensive Income based on an irrevocable election at initial recognition. Amounts related to the change in fair value of equity securities are classified in Other Comprehensive Income and are never reclassified to the Income Statement at a later date.

### **Recognition and measurement**

Financial assets and liabilities are recognised when a member of the Consolidated Entity becomes party to the contractual provisions of an instrument.

#### **Non-derivative financial assets**

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

- Financial assets at fair value through Other Comprehensive Income;
- Financial assets at fair value through profit and loss; and
- Loans and receivables at amortised cost.

Financial assets measured at amortised cost are recognised initially at fair value plus any directly attributable transaction costs.

Trade receivables, including those containing an embedded derivative, are carried at fair value. On adoption of AASB 9, the embedded derivative and the receivables are accounted for as one instrument and measured at fair value through profit or loss and recognised in the Income Statement as part of 'Revenue'.

Concentrate sales receivables are recognised in accordance with the recognition and measurement criteria disclosed in Note 1. Provisional payments in relation to trade receivables are usually due within 30 days from the date of invoice issue, with final settlement usually due within 60 days. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The Consolidated Entity derecognises a financial asset or part of it when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On de-recognition of a financial asset, the difference between the carrying amount (measured at the date of de-recognition) and the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the Income Statement.

A financial asset measured at amortised cost is assessed at each reporting date as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the Income Statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the event that an impairment loss is reversed, it will be to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the Income Statement.

#### **Non-derivative financial liabilities**

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are non-interest-bearing, unsecured and are usually paid within 30 days of recognition.

The Consolidated Entity derecognises financial liabilities when its obligations are discharged, cancelled or expire. The difference between the carrying amount of the liability derecognised and the consideration paid and payable is recognised in the Income Statement.

## Derivative financial instruments

### **Recognition and measurement**

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in the fair value of any derivative instrument are recognised in the Income Statement, or Other Comprehensive Income based the designation and effectiveness of the hedge instrument.

Derivative financial instruments that have been designated as a hedge instrument are initially recognised at fair value on the date the derivative contract is entered into, and are subsequently remeasured to their fair value at each reporting date. Formal designation of the hedge and documentation of the relationship between the hedging instrument and the hedged item is finalised at the inception of the transaction.

## Notes to the Consolidated Financial Statements

### Risk Management

Changes in the fair value of the derivative financial instrument which has been designated in a hedge relationship will be recognised in Other Comprehensive Income if the hedging relationship remains effective and the underlying hedge item has not been recognised in the Income Statement, or recognised in the Income Statement if the hedge relationship is no longer effective or the underlying hedged item has been recognised in the Income Statement. Any ineffective portion of changes in the fair value of derivative financial instruments is recognised immediately in Income Statement. The amount recognised in Other Comprehensive Income is reclassified to Income Statement in the same period as the underlying item is recognised in the Income Statement.

### Commodity price risk management and sensitivity analysis

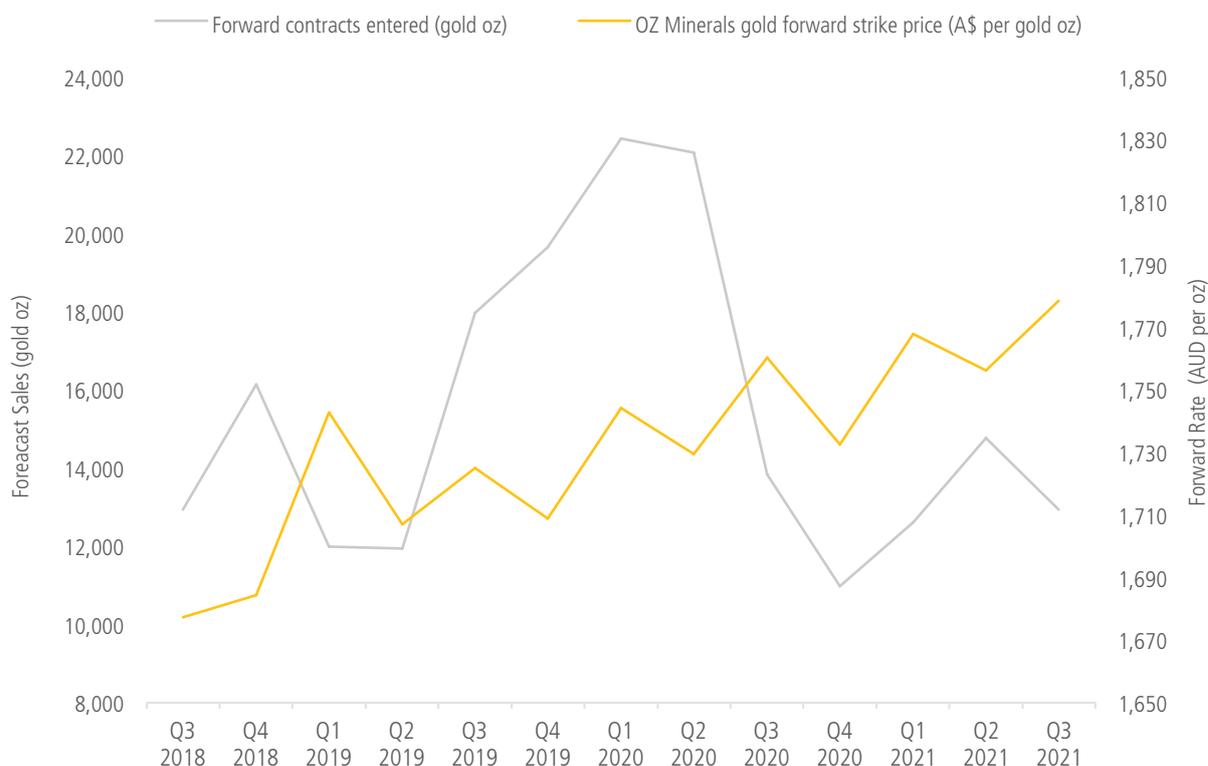
The Consolidated Entity is exposed to commodity price volatility on the sale of metal in concentrates such as copper and gold, which are priced on, or benchmarked to, open market exchanges. OZ Minerals aims to realise the prevailing forward copper price at the time of shipment of concentrates to customers which match the quotation period of the underlying sale.

#### Gold derivative contracts

OZ Minerals has entered into gold forward contracts to manage its risk of fluctuations in cash flows arising from forecast gold sales in US\$ due to movements in gold prices. The company has designated these gold derivative contracts as cash flow hedges.

The hedged gold sales represent around 40 per cent of forecast sales (gold oz.) in the period from 2018 to 2021 and around 60 per cent of the gold contained in stockpiles at 31 December 2016. This program will be reviewed on a quarterly basis as the stockpile continues to grow.

The forward contracts have been designated as cash flow hedges under AASB 9 and were assessed to be fully effective in managing the underlying risk. Accordingly, a tax-effected fair value adjustment of \$3.7 million (net of tax) was recognised in Other Comprehensive Income. At 31 December 2016, contracts for 200,263 ounces of gold were outstanding with an average strike of A\$1,731 per ounce, provided in the chart below.



## Hedge effectiveness

Hedge relationship which is established at inception is assessed for existence and effectiveness in managing the underlying risk. Where a derivative has expired or is assessed to be ineffective, all future fair value changes will be recognised in the Income Statement. Determination of effectiveness requires the exercise of significant judgement regarding mine plans, sales forecasts and recoverable metal contained in mineral reserves and resources.

### Copper derivative contracts

The consolidated entity manages the exposure to volatility in copper price on completed sales from contractual Quotation Pricing adjustments, by entering into copper derivative contracts at the time of concentrate shipments which fix the forward price at the time of shipment. These derivative contracts are designated as hedges and are recognised within the Income Statement as part of 'Revenue'. As a result of these hedges, the impact of changes in copper price on the Income Statement is expected to be negligible.

### Commodity price sensitivity analysis

Due to the copper price hedging activity, if copper prices were to vary, the expected impact on the Income Statement would be negligible. As such, the below analysis focuses on the impact of movements in the gold prices, as variations in silver prices have been deemed immaterial for the purpose of this analysis. In accordance with Australian Accounting Standards, the sensitivity analysis is on all financial assets and liabilities deemed material to the Consolidated Entity.

	+10% movement in Gold prices		-10% movement in Gold prices	
	Impact on Income Statement	Impact on Other Comprehensive Income	Impact on Income Statement	Impact on Other Comprehensive Income
<b>2016</b>				
Trade receivables	1.2	–	(1.2)	–
Gold hedges (FEC's)	–	(0.8)	–	0.8
<b>Total</b>	<b>1.2</b>	<b>(0.8)</b>	<b>(1.2)</b>	<b>0.8</b>
<b>2015</b>				
Trade receivables	1.6	–	(1.6)	–
Gold hedges (FEC's)	–	–	–	–
<b>Total</b>	<b>1.6</b>	<b>–</b>	<b>(1.6)</b>	<b>–</b>

A 10% movement in gold prices, which is based on reasonably possible changes over a financial year and reflects the variability management applies in forecasting sensitivity results in \$1.6 million impact on the Income Statement on the trade receivables balance of \$64.9 million (2015: \$91.4 million) and \$0.6 million impact on the derivative financial liability of \$11.4 million (2015: nil). In accordance with the Accounting standards, the impact has been calculated on the outstanding balance that is subject to commodity price risk and does not include the impact of the movement in commodity prices on the total revenue for the year.

## Foreign currency exchange risk management and sensitivity analysis

The Consolidated Entity is exposed to foreign currency risk arising from assets and liabilities that are held in currencies other than the Australian dollar.

All OZ Minerals operations have a functional currency of Australian dollars. An entity's functional currency is the currency of the primary economic environment in which the entity operates. Determination of an entity's functional currency requires management's judgement when considering a number of factors including the currency that mainly influences revenue, costs of production, and competitive forces and regulations which impact revenue. In addition, consideration must be given to the currency in which financing and operating activities are undertaken.

## Notes to the Consolidated Financial Statements

### Risk Management

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of financial assets and liabilities denominated in foreign currencies are recognised in the Income Statement except for gold derivative contracts which are recognised in Other Comprehensive Income. The carrying amount of the Consolidated Entity's financial assets and financial liabilities by its currency risk exposure at the reporting date is disclosed below. In early 2016, the consolidated entity determined to maintain its cash holdings in A\$ with US\$ maintained only to meet US\$ commitments.

	Denominated in US\$ presented in A\$m	Other currencies presented in A\$m	Total A\$m
<b>2016</b>			
Cash and cash equivalents	64.1	–	64.1
Derivative Financial Instruments	(11.1)	–	(11.1)
Trade receivables	69.4	–	69.4
Trade payables	(1.3)	(0.1)	(1.4)
<b>Total</b>	<b>121.1</b>	<b>(0.1)</b>	<b>121.0</b>
<b>2015</b>			
Cash and cash equivalents	268.0	–	268.0
Derivative Financial Instruments	–	–	–
Trade receivables	91.4	–	91.4
Trade payables	(0.6)	(2.2)	(2.8)
<b>Total</b>	<b>358.8</b>	<b>(2.2)</b>	<b>356.6</b>

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

	Average rate		31 December spot rate	
	2016	2015	2016	2015
A\$:US\$	0.7441	0.7527	0.7219	0.7287

At reporting date, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by 5 per cent (2015: 5 per cent), and all other variables were held constant, the Consolidated Entity's after tax profit would have changed by \$4.7 million, and Other Comprehensive Income would have changed by \$0.6 million (2015: after tax profit \$13.3 million, and Other Comprehensive Income nil).

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 5 per cent change in the foreign currency rate (2015: 5 per cent).

### Interest rate risk management and sensitivity analysis

The Consolidated Entity does not have any borrowings at 31 December 2016 and therefore is not exposed to interest rate risk on borrowings. The Consolidated Entity carries term deposits with fixed interest rates. The effect of a change in interest rates at balance date would not have a significant impact on the after tax profit as substantially all cash deposits have fixed interest rate terms.

## Credit risk management

Credit risk refers to the risk that any counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. Counterparty credit risk arises through sales of metal in concentrate on normal terms of trade, through deposits of cash, finance lease receivable and derivative financial instruments.

At the reporting date, the carrying amount of financial assets in the balance sheet represents the maximum credit exposure on cash and cash equivalents, trade receivables, other receivables, derivative assets and lease receivables.

The credit risk on cash and cash equivalents is managed by restricting financial transactions to banks which are assigned S&P equivalent of A-1 short term credit ratings by international credit rating agencies and limiting the amount of funds that can be invested with a single counterparty in accordance with OZ Minerals' Credit Risk Management Policy.

Credit risk in trade receivables is managed by undertaking regular risk assessment and reviewing credit limits of customers. As there are a relatively small number of transactions, they are closely monitored to ensure risk of default is kept to an acceptably low level. Sales contracts require a provisional payment of at least 90 per cent of the estimated value of each sale either promptly after vessel loading or upon vessel arriving at the discharge port. Where applicable, sales are covered by letter of credit arrangements with approved financial institutions.

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

	2016 \$m	2015 \$m
Europe	—	34.9
Asia	46.7	27.5
Australia	22.7	29.0
<b>Total</b>	69.4	91.4

Major customers who individually accounted for more than 10 per cent of total revenue contributed approximately 69 per cent of total revenue (2015: 56 per cent). These customers also represent 96.0 per cent of the trade receivables balance as at 31 December 2016 (2015: 28.1 per cent). There have been no instances of customer default during 2016 and there are no significant receivables which are past due at the reporting date.

Credit risk on derivative financial instruments is managed by restricting transactions only with counterparties who are at least Category Two members of the LME, or which are assigned S&P equivalent of A-1 short term credit ratings by international credit rating agencies

## Notes to the Consolidated Financial Statements

### Risk Management

#### Liquidity risk management

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

The following table reflects all contractual repayments from recognised financial assets and liabilities at the reporting date, including derivative financial instruments. For derivative financial instruments, the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming financial years are presented.

	Less than 1 year	1 – 2 years	2 – 5 years	Greater than 5 years	Total
<b>2016</b>					
Cash and cash equivalents	655.7	–	–	–	655.7
Trade Receivables	69.4	–	–	–	69.4
Other Receivables	7.8	–	–	–	7.8
Lease Receivable	27.5	–	–	–	27.5
Derivative Financial Assets	–	0.6	4.5	–	5.1
Trade Payables	(74.4)	–	–	–	(74.4)
Derivative Financial Liabilities	(11.1)	–	–	–	(11.1)
<b>Total</b>	<b>674.9</b>	<b>0.6</b>	<b>4.5</b>		<b>680.0</b>
<b>2015</b>					
Cash and cash equivalents	552.5	–	–	–	552.5
Trade Receivables	91.4	–	–	–	91.4
Other Receivables	7.2	–	–	–	7.2
Lease Receivable	34.8	–	–	–	34.8
Derivative Financial Assets	–	–	–	–	–
Trade Payables	(63.4)	–	–	–	(63.4)
Derivative Financial Liabilities	–	–	–	–	–
<b>Total</b>	<b>622.5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>622.5</b>

The Consolidated Entity had access to the following borrowing facilities which were undrawn at the end of the year.

	Expires on	Security	2016 A\$m <sup>(a)</sup>	2015 US\$m
Revolving facility	November 2019	Unsecured	100.0	200.0

(a) The standby credit facility of US\$200m was renegotiated to a three year committed facility of \$A100m with an uncommitted accordion facility for an additional \$A300m which remains subject to financial institutions approval.

## 15 Contingencies

### Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. Determination of contingent liabilities disclosed in the Financial Statements requires the exercise of significant judgement regarding the outcome of future events. In the event of an unfavourable outcome of a number of matters listed below the financial results of OZ Minerals in future periods may be impacted unfavourably.

#### Bank guarantees

OZ Minerals Group Treasury Pty Ltd has provided certain bank guarantees to third parties, primarily associated with the terms of mining leases, exploration licences and office leases, in respect of which the relevant entity is obliged to indemnify the bank if the guarantee is called upon. At the end of the financial year, no claims have been made under any of these guarantees. The amount of some of these guarantees may vary from time to time depending upon the requirements of the recipient. These guarantees are backed by deposits which amounted to \$34.6 million as at 31 December 2016 (31 December 2015: \$34.8 million). Presently, all guarantees are voluntarily cash backed by deposits in order to reduce the bank fees payable, however, should the need arise all funds can be withdrawn as and when required.

#### Deeds of indemnity

The Consolidated Entity has granted indemnities under Deeds of Indemnity with current and former Executive and Non-executive Directors, former officers, the General Counsel – Special Projects, the former Group Treasurer and each employee who was a director or officer of a controlled entity of the Consolidated Entity, or an associate of the Consolidated Entity, in conformity with Rule 10.2 of the OZ Minerals Limited Constitution.

Each Deed of Indemnity indemnifies the relevant director, officer or employee to the fullest extent permitted by law for liabilities incurred while acting as an officer of OZ Minerals, its related bodies corporate and any associated entity, where such an office is or was held at the request of the Company. Under these indemnities, the Company meets the legal costs incurred by Company officers in responding to investigations by regulators and may advance funds to meet defence costs in litigation, to the extent permitted by the Corporations Act 2001(Cth).

#### Warranties and indemnities

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

#### Former Cambodian operations

The Australian Federal Police (AFP) advised OZ Minerals in September 2014 that it was conducting an investigation of OZ Minerals' 2009 acquisition of the remaining equity holding in the Okvau exploration joint venture in Cambodia in relation to foreign bribery claims. Since that time, the Company has been advised by the AFP that the scope of the AFP's investigation has been extended to OZ Minerals' former Cambodian operations generally. The AFP is continuing its investigation and OZ Minerals is continuing to cooperate with the AFP. OZ Minerals has concluded that it is not probable that a present obligation exists and accordingly, no provision has been recognised in the balance sheet at 31 December 2016.

#### Other

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

## 16 Litigation settlement expense

OZ Minerals reached an agreement in June 2016 to settle the class action proceedings filed by former Zinifex shareholders who held Zinifex shares on 1 July 2008 and received shares in OZ Minerals following the merger between Oxiana and Zinifex on 1 July 2008, for an amount of \$32.5 million. Other parties to the proceedings contributed \$8.5 million. OZ Minerals incurred legal defence costs of \$13.9 million during the year which together with OZ Minerals' net contribution to the settlement of \$24.0 million resulted in a total expense of \$37.9 million (after tax \$26.5 million).

As a result of the agreement, the class action against OZ Minerals was dismissed without admission of liability by the Company.

## Notes to the Consolidated Financial Statements

### Group Structure & Other Information

#### 17 Parent entity disclosures

As at, and throughout the financial year ended 31 December 2016, the parent entity of the Consolidated Entity was OZ Minerals Limited.

	2016 \$m	2015 \$m
<b>Results of the parent entity</b>		
Write-up of investment in subsidiary	–	95.7
Provision for non-recovery of loan to subsidiary	(1.0)	(39.4)
Net other expense	(29.0)	(29.9)
<b>Net profit/(loss) for the year</b>	<b>(30.0)</b>	<b>26.4</b>
Other comprehensive loss	(12.2)	(4.9)
<b>Total comprehensive income/(loss)</b>	<b>(42.2)</b>	<b>21.5</b>
<b>Financial position of the parent entity</b>		
<b>Assets</b>		
Current assets	2.7	2.4
Non-current assets	2,160.5	2,224.9
<b>Total assets</b>	<b>2,163.2</b>	<b>2,227.3</b>
<b>Liabilities</b>		
Current liabilities	79.6	10.3
Non-current liabilities	0.4	0.9
<b>Total liabilities</b>	<b>80.0</b>	<b>11.2</b>
<b>Net assets</b>	<b>2,083.2</b>	<b>2,216.1</b>
<b>Equity</b>		
Issued capital	2,029.0	2,058.9
Treasury shares	(2.1)	(0.6)
Retained earnings	304.8	365.4
Accumulated losses	(248.5)	(207.6)
<b>Total equity</b>	<b>2,083.2</b>	<b>2,216.1</b>

OZ Minerals Limited is able to manage its net current liability position, by its ability to control the timing of dividends from its subsidiaries.

Refer to Note 15 for Contingencies and Note 18 for Deed of Cross Guarantee disclosures. The parent entity's capital expenditure commitment as at 31 December 2016 was nil (2015: nil).

## Notes to the Consolidated Financial Statements

### Group Structure & Other Information

#### Franking account details

	2016 \$m	2015 \$m
Franking account balance at beginning of year	0.9	0.9
Franking credits from income tax paid during the year	–	–
Franking debits from income tax refund received during the year	–	–
<b>Franking account balance at end of year</b>	<b>0.9</b>	<b>0.9</b>

#### Basis of consolidation

##### *Investments in subsidiaries*

Subsidiaries are those entities over which the Consolidated Entity is capable of exerting control. The Consolidated Entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where the Consolidated Entity holds less than a majority of the voting rights, other relevant factors are considered in assessing whether power over the entity exists. Factors considered include rights arising from other contractual arrangements, any contractual arrangements with other vote holders as well as the Consolidated Entity's voting and potential voting rights.

The Consolidated Entity reassesses whether it controls an entity if facts and circumstances indicate that there has been a change in one of the factors which indicate control. Subsidiaries are consolidated from the date on which control is assessed to exist until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains and losses on transactions between companies controlled by the Consolidated Entity are eliminated on consolidation.

#### Subsidiaries

The wholly owned controlled entities of OZ Minerals Limited are listed below:

Entity	Country of incorporation
Minotaur Resources Holdings Pty Ltd	Australia
OZ Exploration Pty Ltd	Australia
OZ Minerals Equity Pty Ltd	Australia
OZ Minerals Group Treasury Pty Ltd	Australia
OZ Minerals Holdings Limited	Australia
OZ Minerals Insurance Pte Ltd	Singapore
OZ Minerals International (Holdings) Pty Ltd	Australia
OZ Minerals Investments Pty Ltd	Australia
OZ Minerals Jamaica Limited	Jamaica
OZ Minerals Prominent Hill Operations Pty Ltd	Australia
OZ Minerals Prominent Hill Pty Ltd	Australia
OZ Minerals Zinifex Holdings Pty Ltd	Australia
OZ Minerals Carrapateena Pty Ltd	Australia
OZ Exploration Chile Limitada	Chile
OZM Carrapateena Pty Ltd	Australia
OZ Exploration (USA) LLC	USA
ZRUS Holdings Pty Ltd	Australia

## Notes to the Consolidated Financial Statements

### Group Structure & Other Information

#### 18 Deed of cross guarantee

The Company and all its Australian domiciled subsidiaries listed in Note 17 to the Consolidated Financial Statements, except for OZ Minerals Equity Pty Ltd, OZ Minerals International (Holdings) Pty Ltd, and ZRUS Holdings Pty Ltd are party to a Deed of Cross Guarantee ('Deed').

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

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

Consolidated Statement of Comprehensive Income of the entities within the Deed of Cross Guarantee	2016 \$m	2015 \$m
Revenue from sale of concentrates	822.9	879.4
Other income	6.3	5.4
Net foreign exchange gains	2.6	32.4
Changes in inventories of ore and concentrate	227.8	79.8
Consumables, concentrate purchases and other direct costs	(313.7)	(259.0)
Employee benefit expenses	(60.4)	(63.9)
Exploration and evaluation expenses	(25.1)	(32.2)
Freight expenses	(52.9)	(54.1)
Royalties expense	(42.2)	(47.9)
Depreciation expense	(361.5)	(285.1)
Restructuring expense – employee benefits	–	(7.6)
Legal costs associated with Class Action	(37.9)	(13.4)
Other expenses	(34.9)	(50.1)
<b>Profit before net financing income and income tax from continuing operations</b>	131.0	183.7
Financing income	13.8	7.5
Financing expenses	(4.8)	(4.7)
<b>Net financing income</b>	9.0	2.8
<b>Profit before income tax from continuing operations</b>	140.0	186.5
Income tax expense from continuing operations	(28.4)	(59.5)
<b>Profit for the year</b>	111.6	127.0
Other comprehensive loss	(6.7)	(18.5)
<b>Total comprehensive profit/(loss) for the year</b>	104.9	108.5

<b>Consolidated Balance Sheet of the entities within the Deed of Cross Guarantee</b>	<b>2016 \$m</b>	<b>2015 \$m</b>
<b>Current assets</b>		
Cash and cash equivalents	648.0	545.2
Trade receivables	69.4	91.4
Other receivables	6.6	6.3
Inventories	197.1	143.2
Prepayments	4.9	4.9
Assets held for sale	9.4	–
Total current assets	935.4	791.0
<b>Non-current assets</b>		
Inventories	360.0	186.6
Investments in equity securities	18.2	31.8
Derivative financial instruments	5.1	–
Exploration assets - Carrapateena	284.9	252.2
Lease receivable	27.5	34.8
Property, plant and equipment	990.6	1,261.8
Investment in subsidiaries which are not party to the Deed	3.0	3.0
Total non-current assets	1,689.3	1,770.2
Total assets	2,624.7	2,561.2
<b>Current liabilities</b>		
Trade payables and accruals	72.6	62.2
Other payables	3.0	1.7
Current tax liabilities	69.0	–
Employee benefits	9.0	9.2
Provisions	8.3	8.6
Derivative financial instruments	11.1	–
Total current liabilities	173.0	81.7
<b>Non-current liabilities</b>		
Deferred tax liabilities	63.5	102.6
Employee benefits	2.0	3.6
Provisions	36.0	33.4
Total non-current liabilities	101.5	139.6
Total liabilities	274.5	221.3
Net assets	2,350.2	2,339.9
<b>Equity</b>		
Issued capital	2,029.0	2,058.9
Cash flow hedge reserve	3.6	–
Retained earnings	319.7	281.6
Treasury shares	(2.1)	(0.6)
Total equity	2,350.2	2,339.9

## Notes to the Consolidated Financial Statements

### Group Structure & Other Information

## 19 Key management personnel

### Key management personnel remuneration

Key management personnel ('KMP') are accountable for planning, directing and controlling the affairs of the Company and its controlled entities. During the financial year, the number of KMP increased by two to four members. The KMP remuneration for the Consolidated Entity was as follows:

	2016 \$	2015 \$
Short-term employee benefits	4,737,886	3,547,871
Other long term benefits	22,540	(110,856)
Post-employment benefits	168,272	147,428
Termination benefits	—	562,320
Share-based payments	480,542	286,135
<b>Total</b>	<b>5,409,240</b>	<b>4,432,898</b>

Information regarding individual directors' and executives' compensation and some equity instrument disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report.

### Recognition and measurement of wages and salaries and short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on costs, when the liabilities are settled.

### Recognition and measurement of other long term employee benefits

Long term employee benefits include annual leave liabilities which are expected to be settled in the period greater than twelve months from balance date and long service leave liabilities. Other long term benefits are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### Transactions with related parties

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

## 20 Remuneration of auditors

	2016 \$	2015 \$
<b>Audit services provided by KPMG</b>		
Audit and review of Financial Reports and other audit work under the <i>Corporations Act 2001</i> , including audit of subsidiary Financial Statements		
KPMG Australia	439,722	532,000
Overseas KPMG firms	34,990	33,343
<b>Total fees for audit services provided by KPMG</b>	<b>474,712</b>	<b>565,343</b>
<b>Other services provided by KPMG Australia</b>		
Taxation compliance and other taxation advisory services	160,124	165,882
Other services	77,025	120,000
<b>Total fees for other services provided by KPMG Australia</b>	<b>237,149</b>	<b>285,882</b>
<b>Total fees</b>	<b>711,861</b>	<b>851,225</b>

## 21 New accounting standards

### (i) Changes in accounting policies and mandatory standards adopted during the year

The accounting policies applied by the Consolidated Entity in these Consolidated Financial Statements are consistent with those applied by the Consolidated Entity in its Annual Report for the year ended 31 December 2015, except for the early adoption of AASB 9 (2014) Financial Instruments with an initial application date of 1 January 2016. The Consolidated Entity has adopted all of the new, revised or amending standards that are mandatory. The adoption of these new and revised mandatory Australian Accounting Standards has not had a significant impact on the Consolidated Entity's accounting policies or the amounts reported during the year.

### (ii) Early adoption of Standards

The Consolidated Entity early adopted AASB 9 (2009) *Financial Instruments* issued in December 2009 in the year ended 31 December 2010. AASB 9 (2009) replaced the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement of financial assets.

The Consolidated Entity has early adopted AASB 9 (2014) Financial Instruments issued in July 2014 with an initial application date of 1 January 2016. AASB 9 (2014) introduced a new hedge accounting model to simplify hedge accounting outcomes and more closely align hedge accounting with risk management objectives.

The early adoption of AASB 9 (2014) had no material impact on the Consolidated Entity and resulted in no change in the carrying amount of financial assets and liabilities in the balance sheet on the date of initial application. Refer to Note 14 for additional disclosure.

### Transition to AASB 9 (2014)

Changes in accounting policies resulting from the adoption of AASB 9 (2014) have been applied retrospectively, except as described below:

- Comparative periods have not been restated. There were no differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 (2014) as at 1 January 2016.
- AASB 9 (2014) replaces the "incurred loss" model in AASB 139 with an "expected credit loss" model for calculating the impairment of financial assets including trade receivables. The adoption of AASB 9 (2014) has not had material impact on the carrying value of trade receivables.

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## Notes to the Consolidated Financial Statements

### Group Structure & Other Information

#### (iii) Issued Standards and pronouncements not early adopted

At the date of authorisation of the Financial Statements, the following AASB Standards and interpretations had been issued but were not yet effective. The Consolidated Entity has not yet assessed the full impact of the below standards:

- AASB 15 *Revenue from Contracts with Customers* changes the timing (and in some case, the quantum) of revenue recognised from customers. The standard does not apply mandatorily before 1 January 2018 and is not expected to have a material impact when it is first adopted for the year ending 31 December 2018.
- AASB 16 *Leases* eliminates the distinction between operating and finance leases, and brings all leases (other than short term leases) onto the balance sheet. The standard does not apply mandatorily before 1 January 2019 and is not expected to have a material impact when it is first adopted for the year ending 31 December 2019.

The following standards, all consequential amendments and interpretations are mandatory from 1 January 2017, have not been adopted early by the group, and will be first adopted for the year ending 31 December 2017. They are not expected to have material impact on application:

- AASB 2016-1 *Recognition of Deferred Tax Assets for Unrealised Losses*; and
- AASB 2016-2 *Disclosure Initiative: Amendments to AASB 107 (Statement of Cash Flows)*

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# Directors' Declaration

1. In the opinion of the Directors of OZ Minerals Limited ('the Company'):
  - (a) the Consolidated Financial Statements and Notes set out on pages 125 to 166 and the remuneration disclosures that are contained in the Remuneration Report on pages 52 to 67, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2016 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
  - (b) the directors draw attention to page 131 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.
2. There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 18 to the Consolidated Financial Statements will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2016.

Signed in accordance with a resolution of the directors.



Neil Hamilton  
Chairman  
Perth  
23 February 2017



Andrew Cole  
Managing Director and Chief Executive Officer  
Adelaide  
23 February 2017

# Independent Auditor's Report



To the shareholders of OZ Minerals Limited

## Opinion

In our opinion, the accompanying Financial Report of OZ Minerals Limited is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

We have audited the Financial Report of the Consolidated Entity.

The Consolidated Entity consists of OZ Minerals Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year.

The Financial Report comprises the:

- Consolidated balance sheet as at 31 December 2016;
- Consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including summary of significant accounting policies; and
- Directors' Declaration.

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

## Key audit matters

The Key Audit Matters we identified are:

- Carrying value of Prominent Hill Property, Plant and Equipment (PP&E)
- Valuation of Low Grade Gold Ore Stockpiles

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Liability limited by a scheme approved under Professional Standards Legislation.

## Independent Auditor's Report



### Carrying value of Prominent Hill PPE (contained within total PP&E \$990.6 million)

Refer to Note 7 to the Financial Report

#### The key audit matter

Significant judgment is required by management in the determination of the carrying value of Prominent Hill PP&E which is highly sensitive to changes in inputs. Assessment of the value of Prominent Hill PP&E is a key audit matter given impairment was recorded in 2013 for these assets, and the significant judgment required by us in evaluating management's assessment of the value, which is principally based on a Net Present Value (NPV) model for the Prominent Hill mine. We particularly focus on those judgements listed below which impact estimated future cash flows:

- Assumptions about future commodity prices and foreign exchange rates;
- Prominent Hill operational assumptions, such as:
  - Future metal production levels which are dependent on extraction of ore from the mine, estimated grades of metal in the ore body, and ability to recover metal contained in the ore extracted.
  - Future capital expenditure and operating costs.
  - The discount rate applied to forecast cash flows.

To assess the significant judgements of this key audit matter, we involved senior audit team members, including valuation specialists, with experience in the industry and the valuation methodology.

#### How the matter was addressed in our audit

We involved KPMG valuation specialists and our procedures included:

- We tested the controls for management's valuation of the Prominent Hill PP&E including board authorisation of key inputs to the assessment such as commodity prices and exchange rates, and operational assumptions.
- We compared the valuation methodology to industry standards and criteria in the relevant accounting standards. This included consideration of assumptions about the price that may be received if selling the Prominent Hill PP&E in an orderly transaction between market participants at the measurement date.
- We assessed the discount rate applied against comparable market rates and industry trends.
- We critically evaluated the Consolidated Entity's key cash flow assumptions by:
  - comparing forecast commodity prices and foreign exchange rates applied by management to published analyst and broker data about future commodity prices and foreign exchange rates;
  - using our knowledge of previous production levels and the current business model to assess the Consolidated Entity's capacity to achieve future production levels;
  - using our knowledge of historical capital and operating costs and future plans to assess the Consolidated Entity's assumptions in these areas;
  - comparing ore to be mined and processed in the NPV model to the Mineral Resources and Ore Reserves Statements prepared by the Consolidated Entity in accordance with Joint Ore Reserves Committee (JORC) requirements. These requirements govern evaluation and reporting of the existence of minerals resources. We also compared ore to be mined and processed to historical estimates;
  - reading and considering findings from independent external specialists engaged by the Consolidated Entity to assess the accuracy of JORC Resource and Reserve estimates for information which may indicate that estimates of ore to be mined and processed are not achievable.
- We performed sensitivity analysis on key assumptions to assess how management had addressed estimation uncertainty through alternative assumptions or outcomes which could indicate the potential for further write downs or reversal of a previously recognised impairment.
- We assessed the value ascribed to the ore bodies known to exist at Prominent Hill but have not been included in the NPV model, by comparing it to market data for comparable transactions.
- We assessed the appropriateness of the Consolidated Entity's method used to determine the recoverable amount against the relevant Australian Accounting Standards.
- We assessed the Consolidated Entity's disclosures in respect of asset values and impairment testing against the requirements of Australian Accounting Standards.

## Independent Auditor's Report




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### Valuation of Low Grade Gold Ore Stockpiles (\$131.4 million)

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Refer to Note 5 to the Financial Report

#### The key audit matter

Significant judgment is required to be exercised by management in assessment of the value of low grade gold ore which will be combined with copper ore to be mined in the future to produce concentrate. The valuation of low grade gold ore stockpiles is a key audit matter because significant judgment is required by us in evaluating management's assessment of the value. This is based on a model which estimates future revenue expected to be derived from low grade gold ore contained in existing ore stockpiles, less selling costs and further processing costs to convert ore into concentrate. We particularly focus on those judgments listed below which impact the valuation model:

- Future metal production levels which are dependent on the volume and grade of existing low grade gold ore stockpiles and the amount of metal expected to be recovered.
- Future processing costs of low grade gold ore, and related selling costs.
- Future commodity prices and foreign exchange rates expected to prevail when the concentrate containing gold from existing low grade gold ore stockpiles is processed and sold.

In assessing this key audit matter, we used team members who understand the Consolidated Entity's business, industry and the relevant economic environment.

#### How the matter was addressed in our audit

Our procedures included:

- We tested the controls relevant to:
    - management's valuation of low grade gold ore stockpiles, including authorisation of key inputs to the assessment such as commodity prices, foreign exchange rates, and processing costs; and
    - management's process for recording and monitoring volumes and grades of stockpiled low grade gold ore such as the use of independent quantity surveyors and management review and approval of grades.
  - We assessed the methodology applied by the Consolidated Entity in determining the value of low grade gold ore stockpiles against the requirements of Accounting Standards for determining the net realisable value of inventories which are yet to be converted into finished goods.
  - We compared the results of independent quantity surveyors to volume of low grade gold ore stockpiles.
  - We compared grades of stockpiled low grade gold ore to stockpiled low grade gold ore in previous periods, and against grades reported in the JORC Ore Reserves Statement.
  - We evaluated the Consolidated Entity's key assumptions used to determine the value of low grade gold ore stockpiles by:
    - comparing forecast processing costs of low grade gold ore against historical actual processing costs to assess forecast processing cost assumptions;
    - assessing forecast selling costs by comparing to trends from evaluation of existing customer sales contracts;
    - assessing commodity prices and foreign exchange rates applied by management against published analyst and broker data about commodity prices and foreign exchange rates expected to prevail in the future.
-



## Other Information

Other Information is financial and non-financial information in OZ Minerals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the 2016 Snapshot, Message from the Chairman and CEO, Our Company Strategy, Prominent Hill, Carrapateena, Exploration and Growth, Governance, Results for Announcement to the Market, Directors' Report including the Operational and Financial Review, Remuneration Overview and Report, Sustainability Report, Reserves and Resources 2016, Letter from the Chairman of the Human Resources and Remuneration Committee and Shareholder Information. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report including the Operational and Financial Review, Remuneration Overview and Report, Letter from the Chairman of the Human Resources and Remuneration Committee, and Results for Announcement to the Market. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Consolidated Entity's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our Auditor's Report.

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## Independent Auditor's Report



### Report on the Remuneration Report

#### Opinion

In our opinion, the Remuneration Report of OZ Minerals Limited for the year ended 31 December 2016, complies with *Section 300A* of the *Corporations Act 2001*.

#### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

#### Our responsibilities

We have audited the Remuneration Report included in pages 52 to 67 of the Directors' Report for the year ended 31 December 2016.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

A stylized, handwritten-style KPMG logo in black ink on a light grey rectangular background.

KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko  
Partner

Adelaide  
23 February 2017

# Shareholder Information

## Capital

Share capital comprised 298,664,750 fully paid ordinary shares on 17 March 2017.

## Shareholder details

At 17 March 2017, the Company had 46,869 shareholders. There were 4,455 shareholdings with less than a marketable parcel of \$500 worth of ordinary shares.

## Top 20 investors at 17 March 2017

Name	Number of Shares	Issued Capital %
HSBC Custody Nominees (Australia) Limited	105,197,166	35.22
Citicorp Nominees Pty Limited	47,613,532	15.94
J P Morgan Nominees Australia Limited	45,349,773	15.18
National Nominees Limited	12,886,636	4.31
BNP Paribas Nominees Pty Ltd, <Agency Lending DRP A/C>	6,448,633	2.16
BNP Paribas Noms Pty Ltd <DRP>	5,596,478	1.87
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	4,550,102	1.52
AMP LIFE Limited	2,780,169	0.93
BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	2,580,000	0.86
Romsup Pty Ltd <Romadak Super Fund A/C>	2,467,057	0.83
UBS Nominees Pty Ltd	1,367,547	0.46
HSBC Custody Nominees (Australia) Limited - GSCO ECA	1,329,680	0.45
Brispot Nominees Pty Ltd <House Head Nominee A/C>	1,094,889	0.37
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	1,039,773	0.35
Mr Jose Manuel Do Rego Medeiros	850,000	0.28
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	630,248	0.21
Merrill Lynch (Australia) Nominees Pty Limited	575,441	0.19
Debortoli Wines Pty Limited	558,254	0.19
Pacific Custodians Pty Limited <OZL Plans Ctrl A/C>	530,033	0.18
OZ Minerals Equity Pty Ltd <DESP A/C>	502,737	0.17
<b>Total</b>	<b>243,948,148</b>	<b>81.68</b>

## Substantial shareholders of OZ Minerals Limited at 17 March 2017

BlackRock Group advised that as at 22 November 2016, it and its associates had an interest in 20,240,676 shares, which represented 6.76 per cent of OZ Minerals capital at that time.

Dimensional Entities advised that as at 10 November 2015, it and its associates had an interest in 21,336,936 shares, which represented 7.03 per cent of OZ Minerals capital at that time.

Vinva Investment Management advised that as at 19 August 2015, it and its associates had an interest in 18,537,801 shares, which represented 6.11 per cent of OZ Minerals capital at that time.

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## Shareholder Information

### Investor categories at 17 March 2017

Ranges	Number of Investors	Number of Shares	Issued Capital %
1 – 1,000	36,966	11,779,056	3.94
1,001 – 5,000	8,240	18,139,684	6.07
5,001 – 10,000	1,057	7,648,397	2.56
10,001 – 100,000	563	12,879,391	4.31
100,001 – and Over	43	248,218,222	83.11
<b>Total</b>	<b>46,869</b>	<b>298,664,750</b>	<b>100.00</b>

### Voting rights

On a show of hands, every member present in person or by attorney or by proxy or by representative shall have one vote. Upon a poll, every member present in person or by attorney or by proxy or by representative shall have one vote for every share held by the member. Where more than one proxy, representative or attorney is appointed, none may vote on a show of hands.

### Other securities on issue

The Company has performance rights on issue in addition to ordinary shares. The details of the securities held as at 17 March 2017 are as follows:

Class of security	Number of holders	Number of securities
Performance Rights	266	2,634,294

No voting rights attach to the above securities, however, any ordinary shares that are allotted to the holders of the securities upon vesting or conversion of the above mentioned securities will have the same voting rights as all other ordinary OZ Minerals shares.

### Dividends

A final dividend of 14 cents per share fully franked in respect of the 2016 Financial Year was paid to shareholders on 24 March 2017. An interim dividend with respect to the six months ended 30 June 2016 of six cents per share unfranked was paid to shareholders on 23 September 2016. This brings the total dividend for calendar year 2016 to 20 cents per share.

### Dividend payments

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

### On-market buy-back

The Company announced on 23 February 2017 that it would not renew the on-market buy-back of fully paid ordinary shares that was due to end no later than 26 February 2017. Between 14 March 2016 and 26 February 2017 there were 4.8 million shares bought back for total consideration of \$29.9 million.

### Annual Report

You can access a full copy of the Annual Report online at [www.ozminerals.com](http://www.ozminerals.com). If you no longer wish to receive a hard copy of the Annual and Sustainability Report, log into your shareholding or contact our share registry to update your shareholder communication instructions.

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## Share registry information

The OZ Minerals share registry is maintained by Link Market Services Limited.

Visit Link Market Services' website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and access a wide variety of holding information, change your personal details and download forms. You can:

- Check your current and previous holding balances;
- Elect to receive financial reports electronically;
- Update your address details;
- Update your bank details;
- Confirm whether you have lodged your Tax File Number (TFN), Australian Business Number (ABN) or exemption;
- Check transaction and dividend history;
- Enter your email address;
- Check the share prices and graphs; and
- Download a variety of instruction forms.

You can access this information via a security login using your Security Holder Reference Number (SRN) or Holder Identification Number (HIN) as well as your surname (or company name) and postcode (must be the postcode recorded on your holding record).

## Contact information

Shareholder enquiries about their shareholding should be addressed to Link Market Services. You can contact the Company's share registry by calling (61) 1300 306 089, local call cost within Australia. Share registry contact information can be found on the back cover of this report.



# Glossary

## Acid rock drainage

When rock surfaces are exposed to air and rain, a reaction can occur with the elements in the rock which results in a change in the characteristics of the water that runs off. If the rock contains sulphides, oxidation processes can acidify the water. This process is known as acid rock drainage.

## Biodiversity

Biodiversity is the variety of plants, animals and micro-organisms, their genetic variation and the different ecosystems of which they inhabit.

## Carbon dioxide equivalent (CO<sub>2</sub>-e)

Carbon dioxide equivalent is a standard measurement used to indicate the impact of various greenhouse gas emissions on global warming relative to the same amount of carbon dioxide (CO<sub>2</sub>).

## Copper concentrate

The Prominent Hill operation produces copper concentrate. This is a fine-grained material that contains a percentage of copper, gold and other minerals which has been concentrated to increase its copper concentration through the removal of waste materials. Copper concentrate is used by smelters to produce copper in its metal form.

## Footprint

The area disturbed by OZ Minerals' operations and activities.

## Global Reporting Initiative (GRI)

An international multi-stakeholder process aimed at producing and disseminating globally applicable sustainability reporting guidelines. These guidelines are for voluntary use by organisations for reporting on the economic, environmental and social dimensions of their activities, products and services. For more information, see [www.globalreporting.org](http://www.globalreporting.org).

## Greenhouse gases

Gases in the Earth's atmosphere that absorb and re-emit infrared radiation, including carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride (SF<sub>6</sub>).

## Hectare (ha)

A hectare is a unit of area equal to 10,000 square metres. Usually used to measure land.

## IUCN Red List

The International Union for Conservation of Nature and Natural Resources (IUCN) Red List of threatened species provides information about the characteristics, conservation status and distribution of flora and fauna species facing the risk of extinction.

## Kilolitre (kL)

One kilolitre is equal to one thousand litres.

## Leading my career

A training and mentoring program for high-performing females, run collaboratively between OZ Minerals, Beach Energy and Thiess Mining (Prominent Hill).

## Lost time injury frequency rate (LTIFR)

A Lost Time Injury is a work-related injury or illness resulting in an absence from rostered work of at least one full day or shift any time after the day or shift on which the injury occurred. The LTIFR is the number of LTIs per million hours worked.

## Megalitre (ML)

One megalitre is equal to one million litres.

## Petajoule

One petajoule is equal to 10<sup>15</sup> joules.

## Significant community incidents

Level 3 and above significant incidents are internally classified as those that cause or have the potential to cause moderate to major community and/or external impact within OZ Minerals' operational control.

## Significant community issues

Key concerns raised by local community stakeholders that are a result of or strongly influenced by OZ Minerals' activities within operational control.

## Significant incidents

Any occurrence that has actually resulted in or had the potential to result in consequences that have moderate to major impacts on safety, health, environment or the community. These

are internally classified as Level 3 and above. In previous reports, safety-related significant incidents were referred to as high potential incidents.

## Significant occupational exposures

Substances that potentially may present a significant health risk from exposure to OZ Minerals' Prominent Hill employees and similar exposure groups.

## Site culture development strategy

A Prominent Hill initiative that enables employee and contractor management to define, assess and improve key areas to improve the overall safety culture.

## Stakeholders

Any person, group or interested party that may be impacted by OZ Minerals' operations, activities or performance.

## Tailings

Finely ground materials from which valuable minerals have been largely extracted.

## Tailings storage facility (TSF)

Facility designed for the storage of tailings material produced during ore processing.

## Total recordable injury frequency rate (TRIFR)

TRIFR is the total number of recordable injuries per million working hours. 'Recordable Injuries' include those that result in lost time, medical treatment and restricted work injuries. First aid injuries are not included.

## Waste rock

Material such as soils, barren or uneconomic mineralised rock that surrounds a mineral orebody and must be removed in order to mine the ore.





OZ Minerals' Prominent Hill mine



## Contact Details/Annual General Meeting

### **OZ Minerals Limited**

ABN 40 005 482 824

### **Corporate Office**

162 Greenhill Road, Parkside  
South Australia 5063 Australia  
Telephone: (61 8) 8229 6600  
Facsimile: (61 8) 8229 6601  
info@ozminerals.com

### **Share Registry**

Link Market Services Limited  
Level 1, 333 Collins Street  
Melbourne  
Victoria 3000 Australia  
Telephone: (61) 1300 306 089  
Facsimile: (61 2) 9287 0303  
www.linkmarketservices.com.au

### **Investor enquiries**

Tom Dixon  
Investor Relations Advisor  
Telephone: (61 8) 8229 6628  
tom.dixon@ozminerals.com

### **Annual General Meeting**

Wednesday 24 May 2017  
at 2.30pm (Adelaide time)  
Adelaide Oval  
William Magarey Room  
Level 3, Riverbank Stand  
North Adelaide  
South Australia 5006

