Oxiana LIMITED

OXIANA ANNUAL REPORT 2007

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Building a major mining company

AT OXIANA, WE HAVE COME A LONG WAY IN A RELATIVELY SHORT PERIOD OF TIME. WE HAVE BUILT A SUCCESSFUL MID-SCALE MINING COMPANY AND HAVE DELIVERED SOME OF THE BEST SHAREHOLDER RETURNS ON THE AUSTRALIAN SECURITIES EXCHANGE IN RECENT YEARS. BUILDING A MAJOR MINING COMPANY IS OUR FIRM GOAL. WE BELIEVE THIS IS THE BEST WAY TO DELIVER VALUE AND BENEFITS TO ALL OUR STAKEHOLDERS.

Oxiana has also produced the Oxiana Review 2007, which does not contain the full financial report but provides a more detailed operational review. To obtain a copy of the Oxiana Review 2007 or the Oxiana Sustainability Report summary contact us via the details on the inside back cover of this report.

OXIANA LIMITED
ABN 40 005 482 824

Oxiana is a mining company going places

With our combination of high quality producing mines, new projects in development and extensive exploration portfolio, along with our proven track record of realising successful business development opportunities, we have established the foundation from which we will continue to build a major mining company.

We produce copper, zinc and other base metals, along with gold and silver, from two operating mines and have others in development.

The Sepon operation in the Lao PDR produces approximately 60,000t of copper cathodes and 100,000oz of gold doré on site each year. Exploration at Sepon has identified new copper Resources and an expansion of the plant from 60,000t/a to 80,000t/a is now underway.

In Western Australia, Oxiana owns the Golden Grove base and precious metals operation, which in 2007 produced 131,954t zinc and 15,404t copper, along with significant additional by-products of gold, silver and lead. Since acquiring Golden Grove in 2005, Oxiana has improved its operating efficiency and had significant exploration success. Work is now underway on studies to expand the mine life to 2020.

Oxiana also has two new mines in development

Prominent Hill in South Australia is now under construction and is scheduled to be producing copper and gold concentrates by the third quarter of 2008. This exciting project will more than double Oxiana's annual copper production.

The Martabe gold mine in Northern Sumatra, Indonesia, has been approved by Oxiana's Board. Martabe will produce an additional 200,000oz of gold and 2Moz of silver for Oxiana each year.

Oxiana's dedication to organic growth is evidenced by some six expansions currently underway or under study across our operations.

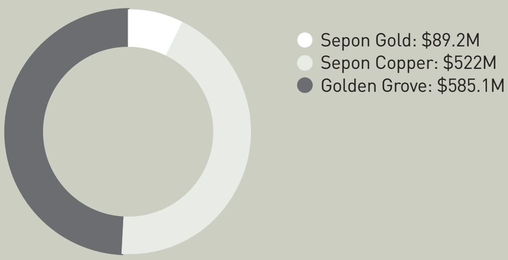
The Company has several equity interests, including a 46% stake in uranium explorer and developer Toro Energy Limited.

Oxiana also has what is arguably the most extensive exploration portfolio in the Asia-Pacific Australia area, with a clear strategy of using our competitive advantage in this region to discover and develop new mines. Exploration around our existing mines is also a priority, and major discoveries at both the Golden Grove and Prominent Hill operations have demonstrated our ability to add organically to our mine life.

Oxiana production 2005 to 2007

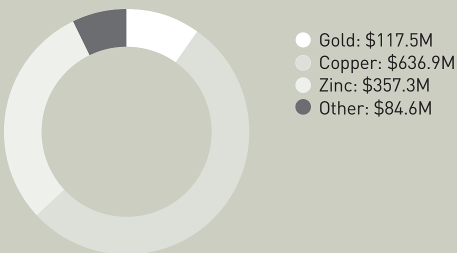
	2007	2006	2005
Sepon Operations			
Gold (ounces)	**102,390**	173,524	200,370
Copper (tonnes)	**62,541**	60,803	30,480
Silver (ounces)	**144,648**	203,547	109,460
Golden Grove Operations**			
Zinc (tonnes)	**131,954**	138,817	70,508*
Copper (tonnes)	**15,404**	10,811	21,808*
Gold (ounces)	**48,807**	49,354	25,272*
Silver (ounces)	**3,165,408**	3,005,611	2,174,620*
Lead (tonnes)	**8,119**	11,458	4,949*

* Oxiana's ownership is from 1 July 2005.
**Contained metal in concentrate, where there are payable terms.



2007 Gross Revenue by Operations*

* Gross of treatment and refining charges.



2007 Gross Revenue by Commodity*

Above left: Oxiana's core commodities are copper, zinc and gold. As part of its strategy, Oxiana aims to expand into other base metals like nickel.

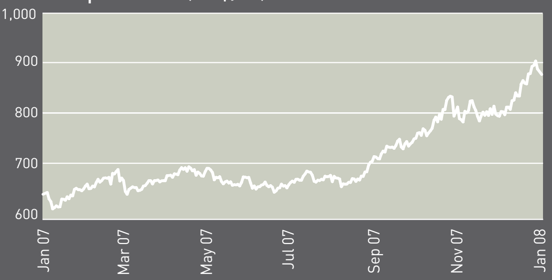
Above right: The majority of Oxiana's revenue comes from the Sepon copper and Golden Grove operations. In 2008 and 2009, Prominent Hill will also be a major contributor to Group earnings.

2007 WAS A SUCCESSFUL YEAR FOR OXIANA ON A NUMBER OF FRONTS. OUR PRODUCTION VOLUMES WERE GOOD AND OUR COSTS WELL CONTROLLED. WE KEPT VERY ACTIVE WITH DEVELOPMENTS AND EXPANSIONS TO FUEL OUR GROWTH. OUR COMMITMENT TO EXPLORATION BROUGHT NEW VALUE ADDING DISCOVERIES AND OUR FINANCIAL PERFORMANCE WAS SOUND. STRONG PRODUCTION WAS OFFSET BY A STRONGER AUSTRALIAN DOLLAR, A WEAKER ZINC PRICE AND HIGHER TAX.

Commodities performance

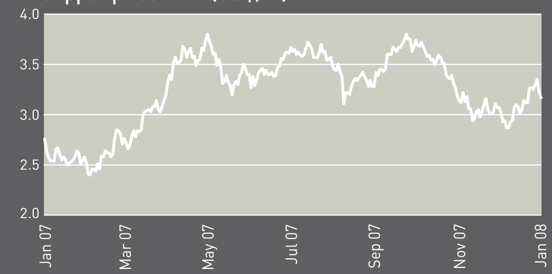
The gold price continued to strengthen throughout 2007 on the back of the weakening US dollar, geopolitical tension, particularly in the Middle East, and global inflationary concerns. A record price of US$914/oz was reached in January 2008.

Gold price 2007 (US$/oz)



The copper price regained the losses of late 2006 as supply continued to lag behind strong demand. Prices were well supported above US$3.00/lb and inventory levels remain low. The fundamentals for copper remain firm and infrastructure spending in China, India and the Middle East are expected to offset weaker demand in the US.

Copper price 2007 (US$/lb)



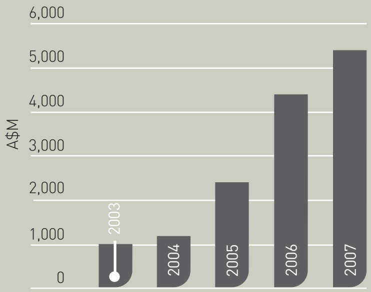
The average 2007 zinc price for the year was similar to 2006 despite prices falling in the 4th quarter as mine supply appeared to have matched demand by year-end.

Zinc price 2007 (US$/lb)

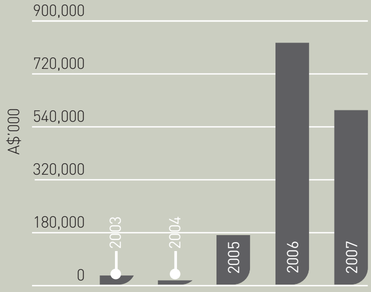
Share price performance

The Oxiana share price reached new record highs during the year on the back of solid operating figures, encouraging exploration results and continued strong commodity prices.

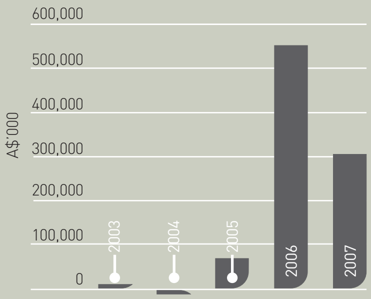
Oxiana share price 2007 (A$)



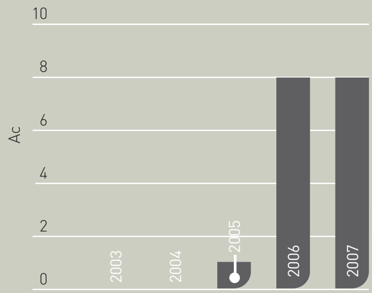
Oxiana market capitalisation



Oxiana EBITDA



Oxiana NPAT



Oxiana dividend cents per share

Operational achievements

- Record production of copper at Sepon
- Production of gold at Sepon to target
- Record throughput at Golden Grove
- Costs constrained to forecasts

Development achievements

- Prominent Hill copper-gold mine development on schedule
- Board approval for the development of the Martabe gold mine in Indonesia
- Expansion of the Sepon copper plant approved
- Expansion studies to take Golden Grove production to 2020 commenced
- Underground mining studies initiated to take mine life to 2030 at Prominent Hill

Exploration highlights

- Discovery of further copper and gold Resources at Prominent Hill
- Discovery of extensions to orebodies at Golden Grove
- Discoveries of new gold and copper deposits in the Sepon district
- Several high-potential copper, gold, nickel and iron ore projects identified in Thailand, Cambodia and Indonesia

Financial highlights	**2007 $'000**	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Revenue	**1,097,449**	1,275,209	389,169	73,634	88,134
Operating costs	**(502,385)**	(448,033)	(221,022)	(59,840)	(58,031)
EBITDA	**595,064**	827,176	168,147	13,794	30,103
Interest expense	**(43,604)**	(45,778)	(36,242)	(7,027)	–
Interest income	**25,450**	19,308	1,702	1,288	1,889
Tax expense	**(151,258)**	(145,327)	(11,239)	(2,984)	–
Depreciation and amortisation	**(101,191)**	(105,361)	(52,058)	(13,885)	(20,624)
Outside equity interest	**(12,366)**	–	–	9	(3,175)
Profit/(loss) attributable to discontinued operations	**(6,295)**	3,148	855	–	–
NPAT attributed to shareholders	**305,800**	553,166	71,165	(8,805)	8,193
Number of shares on issue (millions)	**1,545.4**	1,384.8	1,371.0	1,189.3	946.7
Earnings per share (diluted)	**18.83c**	37.04c	5.47c	(0.70)c	0.90c
Dividends declared	**123,319**	117,664	13,724	–	–
Dividend per share (cents)	**8.00c**	8.00c	1.00c	–	–
Franking percentage	**50%**	29%	0%	n/a	n/a
Dividend payout ratio	**40%**	21%	19%	0%	0%
Operating cash flow	**466,722**	792,978	178,188	17,081	36,046
Net cash/(debt)	**(174,722)**	243,231	(308,667)	(119,138)	34,919
Gearing (net debt: net debt and equity)	**10%**	–	37%	25%	–
EBITDA Interest coverage	**13.65**	18.07	4.64	1.96	n/a
EBIT margin	**45%**	57%	30%	(0)%	11%
Average return on equity	**24%**	72%	16%	(3)%	6%
Average return on assets	**15%**	38%	9%	(3)%	5%
Average return on capital employed	**18%**	50%	11%	(3)%	4%

OUR STRATEGY

So we have said that building a major mining company is what we want to do. But how are we planning to do that?

Our core focus is on those domains which we think we know best. We have been successful operating in Asia and believe our approach there has given us competitive advantage in the region. So while we will look outside the square for the right value adding asset – we will continue to focus on developing projects in the Asia-Pacific Australia region.

Our metals of choice are copper, zinc and gold. These are all metals we currently produce and are those which we believe have strong supply demand fundamentals. We also plan to move into nickel, which we believe is a base metal with good fundamentals and one which can be developed economically on a scale which is suitable for a company of Oxiana's size.

Our operational strategy has remained unchanged for the past 10 years, and that is to develop only high quality operations. It sounds obvious, but having high margin projects with long lives or the potential for long lives has been a key success factor for Oxiana. Possessing these kind of assets not only maximises revenues in times of industry strength, but protects from market volatility which might be experienced from time to time.

We are also vigilant about maintaining a project pipeline (below) to ensure our continued organic growth. We have expansion plans and studies at each of our operations which we consider critical to push us towards continued growth. Our own internal expertise in managing and executing these studies in-house has grown considerably, and expansions at Sepon, Golden Grove and Prominent Hill are now in development or under study.

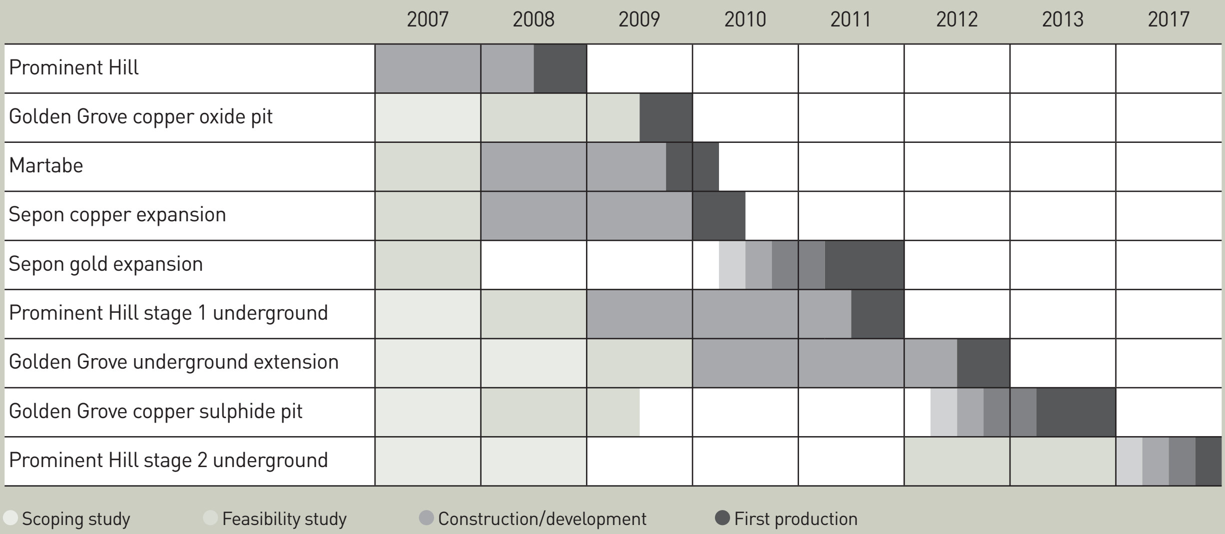
Our exploration commitment is also a big part of this pipeline as near mine discoveries continue to add to our Resource base. The near mine discoveries at Prominent Hill and Golden Grove in 2007 are outstanding examples of the value that this type of exploration can add to a company.

We have also always had a major commitment to regional greenfields exploration and are focused on a major new discovery in the under-explored, highly-prospective Asian region. Australia may have a mature exploration history, but discoveries like the Prominent Hill discovery in 2001 demonstrate that there is still the potential for new world-class orebodies to be found in Australia, and we continue to remain active there.

A successful part of Oxiana's growth strategy has always been, and will continue to be, merger and acquisition activity. In recent years, Oxiana has acquired the Prominent Hill project at an advanced exploration stage and has successfully taken it to development; acquired the Golden Grove mine, significantly improving its performance; and acquired Agincourt Resources and with it the Martabe project, which is a future source of gold production for Oxiana.

Oxiana has a dedicated Corporate Development team which will continue to consider this 'bolt on' style of acquisition and will also consider larger, company transforming merger styles of acquisition. Oxiana's strict overarching M&A criteria are that any transaction has to add value to Oxiana and there must be scope for Oxiana to add to the value of the acquisition.

Oxiana – development pipeline



The Prominent Hill, Martabe and Sepon copper projects have been given formal Board approval to proceed. The other projects are under study.

Organic growth is an important part of adding value to Oxiana. We currently have an impressive suite of projects including the Prominent Hill mine in South Australia which is now in construction, the Martabe gold project in Indonesia, which is close to final approval to begin development, an expansion of the Sepon copper mine underway and studies into further expansions at Sepon, Golden Grove and Prominent Hill.

CHAIRMAN'S STATEMENT

Oxiana continues to grow in line with our stated vision to build a major mining company.

Dear Shareholder

Oxiana continues to grow in line with our stated vision to build a major mining company.

We increased our exploration budget and spread with successful additions to near mine resources and promising early greenfields successes. At Sepon, in Laos, near mine discoveries enabled the approval of an expansion of copper output to 80,000t/a, at Golden Grove, in Western Australia, the identification of orebody extensions saw the commencement of expansion studies, and at Prominent Hill, in South Australia, we confirmed a major resource beyond our initial plans. We acquired Agincourt Resources and committed to the development of the Martabe gold project in Indonesia.

We demonstrated continued focus on the 'quadruple bottom line' excellence of our business – our economic, social, environmental and governance performance – further establishing our credentials as a company which can convert resources into value whilst maintaining our reputation as a trustworthy corporate citizen, reliable supplier and favoured employer.

Financial Results

2007 saw a slight weakening in commodity prices, particularly for zinc, but demand and price remain well above long-term trends.

Our full year NPAT of $305.8 million was below our record year in 2006, but remains a sound return on investment. Continued growth in market capitalisation this year by around $1 billion to $5.4 billion lifted Oxiana into the MSCI Index, resulting in increased institutional holdings of our stock.

We foresee a similar year in terms of volumes and costs in 2008, with a major increase in production in 2009, when we will benefit from a full year of production from Prominent Hill and with that, significant additions to cash flow.

In 2008, we continue to have an ambitious project pipeline and maintain the ability to fund this through our own balance sheet, access to debt and the pending increase in cash flow.

Operations

At Sepon, we exceeded our copper and gold production targets – with record copper production – and our costs were constrained to forecast in a rising cost environment. While mill improvements saw record throughputs for the year at Golden Grove, zinc production did not meet forecasts due to some one-off events.

I am pleased to report that there is a good culture of cost consciousness at Oxiana and that a suite of margin improvement projects – which range from small savings on consumables to major plant modifications to improve throughput – are in place to help maintain our cost competitiveness.

Board

The establishment of a Risk Management Policy, which formalised and strengthened Oxiana's practices, was a positive development in 2007. Our financial and business-process risk management was also strengthened with the introduction of an outsourced Internal Audit function.

And your Directors, as is practice each year, visited each of our sites. At Sepon, the Compliance Committee undertook a formal review of operations and practices.

This year saw the resignation of Director Peter Cassidy. Peter's contribution to Oxiana over a six year period was highly valuable and the Board thank him for his efforts. Work to identify a replacement Director is underway.

In 2008, we will undertake an external review of Board composition, performance and succession planning.

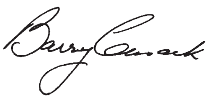
Outlook

2007 was a more volatile year for financial markets than we have seen in the recent past and this volatility intensified in the New Year. Volatility may continue, but the market fundamentals of supply and demand which are driving strong commodity prices have not changed markedly.
It continues to be our view that long-term growth in demand for metals will continue, and will continue to be driven from Asia and developing economies. This drive from Asia is reflected in price premiums received in our major product destinations.

We at Oxiana therefore take a long-term view when forming our growth strategy and have a major focus on organic growth – including expansions at Sepon, Golden Grove and Prominent Hill – and on accumulating more long-life assets. Our 'action orientation' has been evidenced by the rate at which we successfully develop our projects and undertake expansions.

Our growth strategy will continue – expanding and extending the lives of existing operations, exploration and discovery of new orebodies or undertaking merger and acquisition activity that adds value for our shareholders.

We have demonstrated credentials in finding, developing, financing and operating precious and base metal mines. We intend to capitalise on these.



Barry L Cusack,
Chairman of the Board

MANAGING DIRECTOR AND CEO'S REVIEW

Thank you for your ongoing support and loyalty. At Oxiana we are more determined than ever to grow – to grow value for all stakeholders.

Dear Shareholder

Thank you for your ongoing support and loyalty. At Oxiana, we are more determined than ever to grow – to grow value for all stakeholders. The continuing strong outlook for our commodities provides a great environment to keep up our rate of growth – we have a unique combination of assets, people, spirit and market and we must capitalise on this opportunity.

Our Strategy

Our strategy has been, and continues to be, the operation of high quality mineral assets with long mine lives, low costs and plenty of upside. We have done well in building a pipeline of organic growth projects, and we will also grow through merger and acquisition activity where that fits with our plans. Our primary focus will continue to be on base and precious metals in Asia and Australia, but we will look to other geographies beyond and other commodities where we see opportunities to utilise our skills to create shareholder value.

Growth Plans for 2008 and Beyond

We are blessed with high performing people and high performing assets and a great base from which to grow.

Growth will come from improving and expanding our existing operations. At Sepon, we have approved the copper expansion to 80,000t/a and will continue the drive to build capacity to beyond 100,000t/a. On gold at Sepon, we will keep the work going on our primary gold project feasibility study – resources will be added and processing options evaluated. The gold price rise during 2007 and early 2008 greatly enhances the viability of this project; and indeed adds very significant value to Oxiana, not yet recognised in the market we believe. We are also working hard on incremental improvements at Sepon – our Margin Improvement Program, now with some 50 individual projects identified, is aimed at continuing to lift volumes of output and lower costs to continually enhance our competitive position.

Golden Grove has again demonstrated what an excellent acquisition it was for the Company. The performance of our people there has been excellent and we are very proud of them all. Following exploration success deeper and laterally and preliminary technical studies, we are now looking at extending the life at Golden Grove out to the 2020s at higher throughputs. This multi-metal mine is highly cost competitive and has a performance enhancement program that will ensure it maintains that competitiveness. Golden Grove will provide strong cash flows for Oxiana well into the future.

This year at Prominent Hill we will be bringing on the world's next best copper-gold mine. In its first full operating year, 2009, we expect to produce nearly 120,000t of copper and 80,000oz of gold in concentrates. This is a very important project for Oxiana and we are doing everything we can to support the team in central South Australia to bring on the mine on time and on budget: no easy task in this busy mining environment. And we are already looking at expanding the throughput – we've had tremendous exploration success for more copper and gold at Prominent Hill deeper and laterally to the present orebody. This will be another of Oxiana's long life competitive mines.

Our gold production will grow significantly with the addition of Martabe – our gold-silver project in North Sumatra, Indonesia. This project was approved for development by our Board towards the end of 2007 and we are scheduling commissioning and first production at the end of 2009. Martabe is our first significant investment in Indonesia and we hope will be the first of many. Indonesia is one of the world's most highly prospective mineral domains – for copper, gold, nickel, coal and other minerals.

Oxiana's growth will also come from our highly competitive and prospective exploration portfolio – in Australia and Asia, at and near our existing assets and in greenfields areas. We have a highly professional, dedicated group of people in various parts of Asia, Australia and the Pacific, all 'going hard at the ball' all day – and I'm confident of their capacity for discovery.

In addition to the above pipeline of organic growth projects and opportunities, Oxiana will, as always, continue to look at mergers and acquisitions. Any deal, large or small, must be capable of adding value to Oxiana, and we in Oxiana must be capable of adding value to the business or project or asset acquired.

Sustainability

Growth remains our focus, but guiding us is our 'quadruple bottom line' approach to development which encompasses economic, governance, social and environmental performance.

Economic performance includes our financial results, but also our contribution to the communities, provinces, states and nations in which we work. We preferentially employ locally and engage local businesses and contractors where possible to ensure enduring benefits of our operations.

Our commitment to good governance includes Corporate Governance where we meet the ASX Corporate Governance Council's *'Principles of Good Corporate Governance and Best Practice Recommendations'*, but also prioritising risk management, an area we bolstered significantly in 2007.

Our social performance spans heath and safety, our community relations effort and employee relations. Our approach is underpinned by our core value of respect, for the individual, for each other, for stakeholders and for cultures. There was a renewed focus on safety within the organisation, and while our performance measured by the Total Recordable Injury Frequency Rate improved, it was still higher than our overall target for the year.

Our environmental performance remains a priority. While it is inevitable that a growing company will increase its total greenhouse gas emissions, consideration of maximising energy efficiency within our operations is a priority.

Thank you for your continued support for Oxiana. We have plenty of work to do in order to deliver value to you in 2008 and beyond, and I assure you we will continue to work hard to get maximum value from our assets and to utilise the momentum we have in order to continue the challenge of building a major mining company.

Owen L Hegarty
Managing Director and CEO

Mineral Resources statement as at 30 June 2007

Sepon Mineral Resources

Gold (0.5g/t cut-off grade) Copper (0.5% cut-off grade)	Measured Resource Tonnes (Mt)	Measured Gold grade (g/t Au)	Measured Silver grade (g/t Ag)	Measured Copper grade (% Cu)	Indicated Resource Tonnes (Mt)	Indicated Gold grade (g/t Au)	Indicated Silver grade (g/t Ag)	Indicated Copper grade (% Cu)	Inferred Resource Tonnes (Mt)	Inferred Gold grade (g/t Au)	Inferred Silver grade (g/t Ag)	Inferred Copper grade (% Cu)	Contained Metal Gold ('000 oz)	Contained Metal Silver ('000 oz)	Contained Metal Copper ('000 t)
Sepon gold															
Sepon gold deposits[1] oxide & partial oxide*	3.6	1.58	7.0	–	7.7	1.91	6.8	–	6.0	1.40	4.8	–	926	3,418	–
Khanong Deposit[2] oxide & partial oxide*	2.7	1.01	3.2	–	0.7	0.72	3.5	–	0.4	0.67	1.4	–	112	370	–
Thengkham North[3] oxide & partial oxide*	–	–	–	–	–	–	–	–	0.7	0.80	7.0	–	18	154	–
Thengkham South[3] oxide & partial oxide*+	–	–	–	–	–	–	–	–	0.7	0.74	4.1	–	16	90	–
Stockpiles[4] oxide & partial oxide*	2.7	1.16	5.4	–	–	–	–	–	–	–	–	–	102	468	–
Total oxide & partial oxide gold	**9.0**	**1.28**	**5.4**	**–**	**8.4**	**1.81**	**6.5**	**–**	**7.7**	**1.25**	**4.8**	**–**	**1,174**	**4,501**	**–**
Sepon gold deposits[1] primary	5.7	2.70	6.8	–	16.9	2.24	7.8	–	12.5	1.27	6.1	–	2,219	7,978	–
Stockpiles primary[4]	0.0	2.31	6.8	–	–	–	–	–	–	–	0.0	–	1	1	–
Total primary	**5.7**	**2.70**	**6.8**	**–**	**16.9**	**2.24**	**7.8**	**–**	**12.5**	**1.27**	**6.1**	**–**	**2,220**	**7,980**	**–**
Total – oxide, partial oxide & primary	**14.7**	**1.83**	**5.9**	**–**	**25.3**	**2.10**	**7.4**	**–**	**20.2**	**1.26**	**5.6**	**–**	**3,393**	**12,480**	**–**
Sepon copper															
Khanong[2] Supergene	16.6	0.20	20.5	3.31	4.5	0.22	21.2	4.98	4.4	0.25	10.0	2.84	174	15,366	893
Thengkham North[3] Supergene	–	–	–	–	3.5	0.34	21.2	4.20	6.9	0.30	8.1	1.14	106	4,190	226
Thengkham South[3] Supergene+	–	–	–	–	–	–	–	–	10.7	0.19	4.4	1.39	66	1,512	149
Phabing[5] Supergene	–	–	–	–	–	–	–	–	2.0	0.16	2.0	3.37	10	129	68
Copper stockpiles[4]	2.9	0.20	20.5	2.15	–	–	–	–	–	–	–	–	18	1,885	61
Total Supergene Copper	**19.4**	**0.20**	**20.5**	**3.13**	**7.9**	**0.27**	**21.2**	**4.64**	**24.0**	**0.23**	**7.8**	**1.75**	**375**	**23,081**	**1,398**
Khanong[2] Primary	2.0	0.19	6.7	1.73	1.2	0.24	6.9	1.67	7.2	0.06	5.6	1.18	35	2,014	140
Thengkham North[3] Primary	–	–	–	–	–	–	–	–	1.2	0.23	8.7	1.06	9	347	13
Thengkham South[3] Primary+	–	–	–	–	–	–	–	–	4.5	0.16	4.4	0.81	23	633	36
Total Primary Copper	**2.0**	**0.19**	**6.7**	**1.73**	**1.2**	**0.24**	**6.9**	**1.67**	**12.9**	**0.11**	**6.1**	**1.04**	**68**	**2,994**	**189**
Total – Supergene Plus Primary Copper	**21.4**	**0.20**	**19.2**	**3.00**	**9.2**	**0.27**	**19.3**	**4.24**	**36.9**	**0.19**	**7.2**	**1.50**	**442**	**26,075**	**1,587**
Total Resources													**3,835**	**38,556**	**1,587**

* Total Oxide and Partial Oxide Resources. Refer to 30 June 2007 Resource and Reserve Statement for details (Oxiana Limited ASX Release 19/02/08).
+ Silver grades for the Thengkham South deposit has been applied from the 2006 estimate.
Significant figures do not imply precision. Figures are rounded according to JORC Code guidelines.

Competent Persons:
[1] Paul Quigley and Chris Gerteisen
[2] Duncan Hackman
[3] Paul Quigley
[4] Paul Quigley and Tony Macfarlane
[5] Jared Broome and Antony Manini

The information in this report which Relates to Mineral Resources is based on and accurately reflects reports prepared by the persons named above. All of the persons listed are Members of the Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists and have the necessary experience relevant to the style of mineralisation, the type of deposit and the activity undertaken to qualify as a 'Competent Person' under the JORC Code for Reporting of Mineral Resources and Ore Reserves (2004 Edition). Each of the Competent Persons has given their consent to the inclusion of the material in the form and context in which it appears. Mr Quigley and Mr Macfarlane are employees of Lane Xang Minerals Limited a subsidiary company of Oxiana Limited. Mr Gerteisen is a former employee of Lane Xang Minerals Limited, a subsidiary company of Oxiana Limited. Mr Jared Broome and Mr Antony Manini are employees of Oxiana Limited. Mr Hackman is the principal of resource consultants, Hackman and Associates Pty Ltd.

The Measured and Indicated Minerals Resources tabled above are inclusive of those Mineral Resources modified to produce the Ore Reserves. Details of Ore Reserves and Mineral Resources are documented in the Oxiana Limited Resources and Reserves Statement at 30 June 2007 (ASX Release 19/02/08).

Golden Grove Mineral Resources

Zinc, copper & gold resources	Measured & Indicated Mineral Resource**						Inferred Mineral Resource						Contained Metal				
	Tonnes (Mt)	Zinc Grade (% Zn)	Copper Grade (% Cu)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)	Lead Grade (% Pb)	Tonnes (Mt)	Zinc Grade (% Zn)	Copper Grade (% Cu)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)	Lead Grade (% Pb)	Zinc ('000 t)	Copper ('000 t)	Gold ('000 oz)	Silver ('000 oz)	Lead ('000 t)
Golden Grove zinc																	
Gossan Hill primary zinc[1A]	4.9	14.4	0.3	1.89	97.1	1.5	2.9	11.0	0.3	1.22	90.3	1.4	1,021	24	411	23,723	115
Scuddles primary zinc[1A]	1.1	12.0	0.6	1.06	91.1	1.0	0.5	9.4	0.5	0.96	68.8	0.8	175	9	52	4,234	15
Total zinc[1]	**6.0**	**13.9**	**0.4**	**1.73**	**96.0**	**1.4**	**3.4**	**10.7**	**0.3**	**1.19**	**87.4**	**1.3**	**1,196**	**33**	**463**	**27,957**	**130**
Golden Grove copper																	
Gossan Hill primary copper[1A]	9.0	0.2	3.2	0.40	15.0	0.0	2.0	0.4	2.3	0.57	20.2	0.1	–	331	152	5,650	–
Scuddles primary copper[1A]	3.6	0.4	3.0	0.35	12.9	0.0	0.6	0.3	2.8	0.23	8.7	0.0	–	124	45	1,663	–
Gossan Hill oxide copper[2B]	4.1	–	1.9	–	–	–	–	–	–	–	–	–	–	77	–	–	–
Total primary & oxide copper	**16.7**	**0.2**	**2.8**	**0.29**	**10.9**	**0.0**	**2.6**	**0.3**	**2.4**	**0.49**	**17.6**	**0.1**	**–**	**532**	**197**	**7,313**	**–**
Golden Grove Gold																	
Gossan Hill oxide gold[3C]	1.0	–	–	3.10	94.0	–	0.1	–	–	4.30	197.0	–	–	–	113	3,586	–
Total primary & oxide gold	**1.0**	**–**	**–**	**3.10**	**94.0**	**–**	**0.1**	**–**	**–**	**4.30**	**197.0**	**–**	**–**	**–**	**113**	**3,586**	**–**
Total Resources													**1,196**	**565**	**773**	**38,856**	**130**

[A] Cut-off grade for primary zinc and copper Resources approximate economic cut-off grades. [B] 0.5% cut off grade. [C] 1.0g/t Au equivalent cut off grade.
**Total Measured plus Indicated Resources. Refer to Oxiana Limited Resources and Reserves Statement at 30 June 2007 for details (Oxiana Limited ASX Release 19/02/08).

Significant figures do not imply precision. Figures are rounded to JORC Code guidelines.

Competent Persons:
[1] Elizabeth Florkiewicz
[2] Paul Blackney
[3] Robert Singer

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The Measured and Indicated Minerals Resources tabled above are inclusive of those Mineral Resources modified to produce the Ore Reserves. Details of Ore Reserves and Mineral Resources are documented in the Oxiana Limited Resources and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Prominent Hill Mineral Resources

Gold (0.5g/t cut-off grade) Copper (0.3% cut-off grade)	Measured Resource				Indicated Resource				Inferred Resource				Contained Metal		
	Tonnes (Mt)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Copper grade (% Cu)	Tonnes (Mt)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Copper grade (% Cu)	Tonnes (Mt)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Copper grade (% Cu)	Gold ('000 oz)	Silver ('000 oz)	Copper ('000 t)
Prominent Hill															
Copper mineralisation[1]	42.9	0.52	4.06	1.69	46.4	0.41	2.59	1.14	63.5	0.50	2.40	0.94	2,347	14,375	1,850
Gold only mineralisation[1]	0.0	0.62	2.36	–	16.8	1.29	1.27	–	21.4	0.97	1.09	–	1,364	1,435	–
Total Resources													**3,711**	**15,810**	**1,850**

Significant figures do not imply precision. Figures are rounded according to JORC Code guidelines.

Competent Persons:

[1] Duncan Hackman and Jared Broome

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Details of Mineral Resources are documented in the Oxiana Limited Resources and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Martabe Mineral Resources

Gold Resources (0.5g/t Au cut-off grade)	Measured Resource		Indicated Resource		Inferred Resource		Contained Metal
	Tonnes (Mt)	Gold grade (g/t Au)	Tonnes (Mt)	Gold grade (g/t Au)	Tonnes (Mt)	Gold grade (g/t Au)	Gold ('000 oz)
Baskara[1]	–	–	–	–	36.6	1.0	1,191
Pelangi[2]	–	–	–	–	10.4	1.1	368
Purnama[1]	–	–	48.8	1.8	42.5	1.1	4,371
Total Resources	**–**	**–**	**48.8**	**1.8**	**89.5**	**1.1**	**5,930**

Silver Resources (0.5g/t Au cut-off grade)	Measured Resource		Indicated Resource		Inferred Resource		Contained Metal
	Tonnes (Mt)	Silver grade (g/t Ag)	Tonnes (Mt)	Silver grade (g/t Ag)	Tonnes (Mt)	Silver grade (g/t Ag)	Silver ('000 oz)
Baskara[1]	–	–	–	–	36.6	4	5,207
Purnama[1]	–	–	48.8	24	42.5	13	54,800
Total Resources	**–**	**–**	**48.8**	**24**	**79.1**	**9**	**60,007**

Significant figures do not imply precision. Figures are rounded according to JORC Code guidelines.

Competent Persons:

[1] Ingvar Kirchner and Graham Petersen

[2] Ingvar Kirchner, Iain MacFarlane and Graham Petersen

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Details of Mineral Resources are documented in the Oxiana Limited Resources and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Wiluna Nickel Laterite Mineral Resources

Nickel (0.5% cut-off grade)	Measured Resource			Indicated Resource			Inferred Resource			Contained Metal	
	Tonnes (Mt)	Nickel grade (% Ni)	Cobalt grade (% Co)	Tonnes (Mt)	Nickel grade (Ni)	Cobalt grade (% Co)	Tonnes (Mt)	Nickel grade (% Ni)	Cobalt grade (% Co)	Nickel ('000 t)	Cobalt ('000 t)
Nickel*[1]	–	–	–	–	–	–	80.5	0.77	0.06	620	47
Total Resources	**–**	**–**	**–**	**–**	**–**	**–**	**80.5**	**0.77**	**0.06**	**620**	**47**

* 68% limonite and 32% saprolite nickel laterite mineralisation.
Significant figures do not imply precision. Figures are rounded according to JORC Code guidelines.

Competent Person:
[1] Andrew Ross

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Details of Mineral Resources are documented in the Oxiana Limited Resources and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Total Oxiana Group Resources (Contained Metal)*

	Gold (Moz)	Silver (Moz)	Copper (Mt)	Zinc (Mt)	Lead (Mt)	Nickel (Mt)	Cobalt (Mt)
Sepon gold	3.4	12.5					
Sepon copper	0.4	26.1	1.6				
Golden Grove operations	0.8	38.9	0.6	1.2	0.1		
Prominent Hill	3.7	15.8	1.9				
Martabe	5.9	60.0					
Wiluna nickel laterite						0.6	0.05
Total Resources	**14.3**	**153.2**	**4.0**	**1.2**	**0.1**	**0.6**	**0.05**

* Details of Ore Reserves and Mineral Resources are tabulated above and documented in the Oxiana Limited Resources and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Significant figures do not imply precision. Figures are rounded according to JORC Code guidelines.

Sepon Ore Reserves

Gold & Copper Ore Reserves	Proved Reserves				Probable Reserves				Contained Metal		
	Tonnes (M)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Copper grade (% Cu)	Tonnes (M)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Copper grade (% Cu)	Gold ('000 oz)	Silver ('000 oz)	Copper ('000 t)
Sepon gold deposits	1.00	1.25	1.38		2.04	1.76	2.56		156	212	
Gold stockpiles	0.87	1.46	4.80						41	134	
Sepon copper deposits	10.26			4.48	4.54			5.89			728
Copper stockpiles	2.34			2.47							58
Total Ore Reserves									**197**	**346**	**786**

The information in this report which relates to Ore Reserves is based on and accurately reflects reports prepared by Mr Tony Macfarlane. Mr Macfarlane qualifies as a 'Competent Person' under the JORC Code for Reporting of Mineral Resources and Ore Reserves. Mr Macfarlane is an employee of Oxiana's subsidiary Lane Xang Minerals Limited and has given his consent to the inclusion of material in the form and context in which it appears. Details of Ore Reserves and Mineral Resources are documented in the Oxiana Limited Resource and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Golden Grove Ore Reserves

Zinc & Copper Ore Reserves	Proved Reserves						Probable Reserves						Contained Metal				
	Tonnes (Mt)	Zinc grade (% Zn)	Copper grade (% Cu)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Lead grade (% Pb)	Tonnes (Mt)	Zinc grade (% Zn)	Copper grade (% Cu)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Lead grade (% Pb)	Zinc ('000 t)	Copper ('000 t)	Gold ('000 oz)	Silver ('000 oz)	Lead ('000 t)
Primary zinc	3.57	13.23	0.29	1.69	86.3	1.39	0.90	12.73	0.29	1.60	78.3	1.69	587	13	241	12,163	65
Primary copper	4.38	0.39	3.57	0.34	14.8	0.02	1.00	0.15	2.49	0.26	11.8	0.02	19	181	57	2,458	1
Total Ore Reserves													**605**	**194**	**298**	**14,621**	**66**

The information in this report which relates to Ore Reserves is based on and accurately reflects reports prepared by Mr Nick Mosenthal and Mr Peter Balka. Mr Mosenthal and Mr Balka qualify as 'Competent Persons' under the JORC Code for Reporting of Mineral Resources and Ore Reserves. Mr Mosenthal and Mr Balka are employees of Oxiana Limited and have given their consent to the inclusion of material in the form and context in which it appears. Details of Ore Reserves and Mineral Resources are documented in the Oxiana Limited Resource and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Ore Reserves statement as at 30 June 2007 continued

Prominent Hill Ore Reserves

Gold & Copper Ore Reserves	Proved Reserves				Probable Reserves				Contained Metal		
	Tonnes (Mt)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Copper grade (% Cu)	Tonnes (Mt)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Copper grade (% Cu)	Gold ('000 oz)	Silver ('000 oz)	Copper ('000 t)
Total Ore Reserves	**35.70**	**0.50**	**4.0**	**1.67**	**33.10**	**0.67**	**2.3**	**0.87**	**1,294**	**7,058**	**883**

The information in this report which relates to Ore Reserves is based on and accurately reflects reports prepared by Mr Peter Balka and Mr Andrew Hall. Mr Balka and Mr Hall qualify as 'Competent Persons' under the JORC Code for Reporting of Mineral Resources and Ore Reserves. Mr Balka is an employee of Oxiana Limited and Mr Hall is an employee of AMC Consultants Pty Ltd. Both have given their consent to the inclusion of material in the form and context in which it appears. Details of Ore Reserves and Mineral Resources are documented in the Oxiana Limited Resource and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Martabe Ore Reserves

Gold & Silver Ore Reserves	Proved Reserves			Probable Reserves			Contained Metal	
	Tonnes (Mt)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Tonnes (Mt)	Gold grade (g/t Au)	Silver grade (g/t Ag)	Gold ('000 oz)	Silver ('000 oz)
Total Ore Reserves				**37.70**	**1.90**	**24.9**	**2,263**	**30,140**

The information in this report which relates to Ore Reserves is based on and accurately reflects reports prepared by Mr Nigel Spicer. Mr Spicer qualifies as a 'Competent Person' under the JORC Code for Reporting of Mineral Resources and Ore Reserves. Mr Spicer is an employee of Coffey Mining Pty Ltd and has given his consent to the inclusion of material in the form and context in which it appears. Details of Ore Reserves and Mineral Resources are documented in the Oxiana Limited Resource and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

Total Oxiana Group Reserves (Contained Metal)

	Gold (Moz)	Silver (Moz)	Copper (Mt)	Zinc (Mt)	Lead (Mt)
Sepon gold	0.20	0.35			
Sepon copper			0.79		
Golden Grove	0.30	14.62	0.19	0.61	0.07
Prominent Hill	1.29	7.06	0.88		
Martabe	2.26	30.14			
Total Reserves	**4.05**	**52.17**	**1.86**	**0.61**	**0.07**

Details of Ore Reserves and Mineral Resources are tabulated above and documented in the Oxiana Limited Resources and Reserves Statement at 30 June 2007 (Oxiana Limited ASX Release 19/02/08).

In all Reserves Tables, significant figures do not imply precision. Figures are rounded according to JORC guidelines.

Our approach to Corporate Governance

Oxiana's approach to corporate governance is to have a set of values and behaviours that ensure transparency and fair dealing and protect stakeholder interests.

The Board believes that the Company's policies and practices comply with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Recommendations), and the Board and management regularly reviews the Company's policies and practices to ensure that Oxiana continues to maintain and improve its governance standards.

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

Principle 1: Lay Solid Foundations for Management and Oversight

The Board's primary role is the protection and enhancement of shareholder value. The Board takes responsibility for the overall operation and stewardship of the Company, which includes overseeing Oxiana's corporate governance program. The Board Charter sets out the following responsibilities of the Board:

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

The Board has delegated responsibility for the operation and administration of the Company to the Managing Director and the executive management team. The Managing Director is accountable to the Board for the authority that is delegated by the Board.

The Board Charter supports all delegations of responsibility by formally defining the specific functions reserved for the Board and its committees, and those matters delegated to management. The Board Charter is located on Oxiana's website (www.oxiana.com.au).

Principle 2: Structure the Board to Add Value

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

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

Each Committee reports its deliberations to the following month's Board Meeting. The current Committees of the Oxiana Board, their membership and functions are set out as follows.

Nomination and Remuneration Committee

Members: Ronald Beevor (Chairman), Barry Cusack, Brian Jamieson

Function: The Nomination and Remuneration Committee reviews the Board operations, having regard to the law and governance standards, and assists the Board in ensuring that Oxiana's remuneration practices and policies fairly reward staff, having regard to performance, the law and governance standards. The Committee also ensures that the performance of the Board and Senior Management is reviewed annually.

Audit Committee

Members: Brian Jamieson (Chairman), Michael Eager, Ronald Beevor

Function: The Audit Committee oversees matters concerning the integrity of the financial statements and financial reporting systems, making recommendations for the appointment of the external auditor, evaluating the external auditor's qualifications performance and independence, and ensuring compliance with financial reporting and related regulatory requirements. The Committee also oversees the Company's management of financial risks.

Compliance Committee

Members: Michael Eager (Chairman), Brian Jamieson, Owen Hegarty

Function: The Compliance Committee monitors Oxiana's compliance with laws and standards relevant to the Company's activities which may impact on the standing of Oxiana amongst its stakeholders. Such activities include environmental management, community obligations and other sustainability matters, employment matters, workplace health and safety, and technical standards in exploration and mining operations. The Committee also oversees the Company's management of non-financial risks.

Charters for all Board Committees can be found on Oxiana's website (www.oxiana.com.au). Details of the number of meetings of the Board and each Committee held during the year and each Director's attendance at those meetings are set out on page 20 of this Report.

Composition

Oxiana's Board currently comprises five Directors – the Managing Director and four independent Non-executive Directors. Dr Peter Cassidy was an independent Non-executive Director until he resigned on 27 November 2007.

The nomination of all new Directors, including the Managing Director recommended by the Nomination and Remuneration Committee, is considered by the full Board. The Board assesses the nominees against a range of specific criteria, including their experience, professional skills, potential conflicts of interest and the requirement for independence.

Details of each Director's skills, experience and relevant expertise are set out on pages 19-20.

The Company's Constitution requires one-third of the Directors (or the next lowest number) to retire by rotation at each annual general meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

The Managing Director is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

All Board appointments are subject to shareholder approval.

Independence

In accordance with the Board Charter and the ASX Recommendations, the Board is comprised of a majority of independent Non-executive Directors. The Board has determined that all Non-executive Directors, including the Chairman, are independent and free of any relationship which may conflict with the interests of the Company. The Board defines 'independence' in accordance with the ASX Recommendations. In order to ensure that any 'interests' of a Director in a matter to be considered by the Board are known by each Director, each Director has contracted with the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

Director education

Oxiana has a process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of Oxiana concerning the performance of Directors. Directors visit Oxiana's mining operations and meet with management to gain a better understanding of the business on a regular basis. During 2007 the Board visited Golden Grove and Prominent Hill while the Compliance Committee visited the Sepon Operation. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to Company information

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

Principle 3: Promote Ethical and Responsible Decision Making

The Board and the Company's employees are expected to uphold the highest levels of integrity and professional behaviour in their relationships with all of the Company's stakeholders. Below is a summary of Oxiana's core codes and policies which apply to Directors and employees. These policies were reviewed and updated during 2007 and are available on Oxiana's website at www.oxiana.com.au.

Code of Conduct

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

Trading in Oxiana shares

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

The policy also establishes 'black out periods' during which Directors and employees must not trade in Oxiana securities. The black out periods are imposed one calendar month before release of each quarterly activities report, i.e. during the months of January, April, July and October. Further black out periods will also be imposed when it is recognised that Directors and employees may be in possession of price sensitive information.

The policy prohibits Directors, executives and employees from entering into any hedging arrangement over unvested securities issued pursuant to any Oxiana share scheme, Performance Rights Plan or Option Plan.

Oxiana discloses to the ASX any transaction conducted by the Directors in Oxiana securities in accordance with the ASX Listing Rules.

Whistleblower Policy

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

Values

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

Principle 4: Safeguard Integrity in Financial Reporting

The Managing Director and Chief Financial Officer have each declared in writing to the Board that the financial records of the Company for the year have been properly maintained and present a true and fair view of the Company's financial condition and operation results, in accordance with the Corporations Act and the relevant accounting standards.

In addition the Audit Committee is charged with the responsibility of assisting the Board in ensuring and monitoring the financial risks of the Company. The Committee reviews and assesses the adequacy of the Company's internal control and financial risk management systems, and accounting and business policies. The Audit Committee is given further assurance on the Company's financial risk management systems through Oxiana's independent audit function (see Principle 7). The members of the Committee and its function are disclosed under Principle 2 of this statement.

The Audit Committee is governed by its own charter, which is available on the Company's website.

Principle 5: Make Timely and Balanced Disclosure

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

The Board has implemented a Continuous Disclosure Policy to ensure that information considered material by the Company is immediately lodged with the ASX. Other relevant information, including Company presentations and updates by senior management, is also disclosed to the ASX and on the Company website.

The Oxiana website contains recent and historical information, including ASX announcements, financial reports, presentations and media articles and releases.

Principle 6: Respect the Rights of Shareholders

The Board in adopting a Continuous Disclosure policy ensures that shareholders are provided with up-to-date Company information. Communication to shareholders is facilitated by the production of the annual report, quarterly reports, public announcements, and the posting of ASX releases on Oxiana's website immediately after their disclosure to the ASX. In addition, all shareholders are encouraged to attend the AGM and use the opportunity to ask questions. Shareholders can also view the AGM via a webcast available on the Company's website. Questions can be lodged prior to the meeting by completing the relevant form accompanying the notice of meeting. The Company makes every endeavour to respond to the most commonly asked questions. The external auditor attends the meeting and is available to answer questions in relation to the conduct of the audit.

Principle 7: Recognise and Manage Risk

The Board believes that risk management and compliance are fundamental to sound management and that oversight of such matters is an important responsibility of the Board. The Company's risk management was enhanced during 2007, with the adoption of the framework recommended in Australian Standard for Risk Management AS4360:2004. The Company's Risk Management Strategy is monitored by the Compliance and Audit Committees, including comprehensive reporting on the control mechanisms which are designed to ensure that strategic, operational, legal, reputation and financial risks are identified, assessed and managed.

A summary of the Company's Risk Management Policy is available on the Company's website.

The reporting and control mechanisms, together with the assurances of the Compliance and Audit Committees, support the written certifications given by the Managing Director and the Chief Financial Officer to the Board annually that the Company's financial reports are based on a sound system of risk management and internal control.

OXims

During 2005 Oxiana implemented OXims which is being used by the Oxiana sites. OXims stands for Oxiana Integrated Management System and provides a systematic approach to identifying and managing safety, emergency response, health and hygiene, environment and social responsibility risks. There are a number of risks Oxiana sites are exposed to that are common to the mining industry that must be managed across the Company to a common standard. To do this OXims comprises specific hazard management standards that are grouped under the disciplines of IMS standards (which include standards on Risk and Opportunity Management and Emergency Response), Safety and Health, Environment and Social Responsibility. More information about Oxims can be found in Oxiana's 2007 Sustainability Report, which is available on the Company's website.

Internal audit

Oxiana has established an internal audit function which assists with the identification and control of financial risks of the Group. This function has been outsourced to an external firm. The internal audit function has independent status within Oxiana and conducts regular audits and reviews in accordance with an audit plan approved by the Audit Committee. The Audit Committee reviews the mission and charter of the internal audit function and ensures that its scope of work is appropriate in light of the key financial risks facing the Group and the other monitoring functions that are in place. The main areas of focus of internal audit include assessing the design and operating effectiveness of internal operating and financial controls, reviewing compliance with statutory regulations and company policies and fraud awareness, prevention and detection. Internal Audit also recommends improvements in management and control practices that will minimise the potential impact of identified high risk areas. Recommendations and key findings are reported to the Audit Committee.

Principle 8: Encouraging Enhanced Performance

Oxiana has in place a performance appraisal and improvement remuneration system for all Directors and senior managers designed to enhance performance.

Board performance is reviewed on an annual basis. The criterion for the evaluation of each Director is their contribution to specific Board objectives, including the following:

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

In addition the Board monitors and evaluates the performance of the Managing Director and other senior executives as appropriate.

Further details in relation to Director and executive performance are set out in the Remuneration Report on pages 21 to 33.

Principle 9: Remunerate Fairly and Responsibly

Board remuneration

The total annual remuneration paid to Non-executive Directors may not exceed the limit set by the shareholders at an annual general meeting (currently $800,000). The remuneration of the Non-executive Directors is fixed rather than variable.

Executive remuneration

The Nomination and Remuneration Committee provides recommendations and direction for the Company's remuneration practices. The Committee ensures that a significant proportion of each senior manager's remuneration is linked to his or her performance and the Company's performance. Performance reviews are conducted regularly to determine the proportion of remuneration that will be 'at risk' for the upcoming year. The Oxiana executives participate in an option scheme that is linked to Oxiana's performance against the Company's peers in the resources industry.

Further details in relation to Director and executive remuneration are set out in the Remuneration Report on pages 21 to 33.

Principle 10: Recognise the Legitimate Interest of Stakeholders

Oxiana takes its responsibility to its stakeholders very seriously. In addition to the policies and values described under Principle 3, Oxiana has adopted a number of policies that address the interests of all stakeholders, including the Code of Conduct, equal opportunity policy, environmental policy, community relations policy and health and safety policy, to ensure all stakeholder interests are recognised. The Oxims standards also recognise the interests of stakeholders specifically at our sites to ensure that our business is conducted having regard to the local communities and to the environment in the areas in which we operate.

More information on Oxiana's approach to recognising the interests of stakeholders in the Social and Environmental context can be found in Oxiana's 2007 Sustainability Report, which is available on the Company's website.

BOARD OF DIRECTORS

Barry Cusack,
Chairman

Owen Hegarty,
Managing Director and CEO

Ronald Beevor,
Non-executive Director

Michael Eager,
Non-executive Director

Brian Jamieson,
Non-executive Director

EXECUTIVE COMMITTEE

Owen Hegarty,
Managing Director and CEO

Peter Albert,
Executive General Manager Asia

David Forsyth,
Company Secretary

Russell Griffin,
General Manager Marketing

Peter Lester,
Executive General Manager Corporate Development

Antony Manini,
Executive General Manager Exploration and Resources

Stephen Mullen,
General Manager Human Resources

John Nitschke,
Executive General Manager Australia

Jeff Sells,
Chief Financial Officer

FINANCIAL REPORT

31 December 2007
Oxiana Limited
ABN 40 005 482 824

DIRECTORS' REPORT

Your Directors present their report together with the financial report of Oxiana Limited (the Company) and of the Group, being the entities it controlled and the Group's interest in associates and joint ventures for the financial year ended 31 December 2007.

Directors

The following persons were Directors of Oxiana at any time during the financial year and up to the date of this report:

Barry L Cusack (Non-executive Chairman)

Owen L Hegarty (Managing Director and Chief Executive Officer)

Ronald H Beevor (Non-executive Director)

Peter W Cassidy* (Non-executive Director)

Michael A Eager (Non-executive Director)

Brian Jamieson (Non-executive Director)

* Resigned 27 November 2007.

Principal activities

During the year the principal continuing activities of the Group consisted of:

- production of gold and of copper cathode at Sepon in Laos;
- production of zinc, copper and precious metal concentrates at Golden Grove in Western Australia;
- construction of a copper and gold mine at Prominent Hill in South Australia;
- feasibility evaluation of the Martabe gold project in Indonesia;
- exploration for further resources at Sepon, Golden Grove and Prominent Hill;
- exploration activities in other parts of Laos, Indonesia, China, Thailand, Cambodia, Vietnam and Australia; and
- evaluation of other exploration and business development opportunities.

Financial position

All dollar amounts shown in this report are in Australian dollars unless otherwise indicated.

The net assets of the Group have increased by $560,696,000 from 31 December 2006 to $1,565,276,000 at 31 December 2007. This increase is due to the acquisition of Agincourt Resources Limited in the first half of 2007, and the ongoing strong operating performance across the Group.

Consolidated Results

The consolidated profit after tax attributable to members of Oxiana for the year ended 31 December 2007 was $305,800,000 (2006: $553,166,000).

The Directors believe the Group is in a sufficiently strong and stable financial position to both expand and grow its current operations, and consider future opportunities.

Dividends

On 22 February 2007 the Directors declared a final dividend of 5.0 cents per share franked to 46%, which was paid on 30 April 2007 in relation to the year ended 31 December 2006.

On 23 August 2007 the Directors declared a fully franked interim dividend of 4.0 cents per fully paid ordinary share, which was paid on 4 October 2007.

On 20 February 2008 the Directors declared a final dividend of 4.0 cents per share unfranked, which will be paid on 9 April 2008 in relation to the year ended 31 December 2007.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 December 2007 and will be recognised in subsequent financial reports.

The following changes in the nature of activities of the Group occurred during the year:

- In March 2007 Oxiana gained control of Agincourt Resources Limited ('Agincourt'), a listed entity. The acquisition brought to the Group the Martabe gold project in Indonesia, the Wiluna Gold Operation in Western Australia, a 57% interest in Nova Energy Limited, a listed uranium explorer, and numerous exploration properties;
- Sale of the Wiluna Gold Operation to Apex Minerals NL on 1 August 2007;
- Acceptance of an offer from Toro Energy Limited for the takeover of Nova Energy Limited. Under the terms of the takeover, Oxiana received 191,517,860 shares in Toro Energy Limited in exchange for all of the shares held in Nova Energy Limited. As a result, Oxiana has a 46% investment in Toro Energy Limited and no longer controls Nova Energy Limited; and
- Approval by the Oxiana Board of the development of the Martabe gold project in the Indonesian Province of North Sumatra following the completion of the definitive feasibility study.

Review of operations

Golden Grove Zinc and Copper Concentrate Production

During 2007 Oxiana's zinc, copper and precious metal concentrates operation at Golden Grove, in Western Australia, produced 131,954 tonnes of zinc contained in concentrate (2006: 138,817 tonnes), 15,404 tonnes of copper contained in concentrate (2006: 10,811 tonnes) and 8,119 tonnes of lead contained in concentrate (2006: 11,634). In addition, Golden Grove produced 48,807 ounces of gold in concentrate (2006: 50,198 ounces) and 3,165,408 ounces of silver in concentrate (2006: 3,064,287 ounces).

Sepon Copper Production

During 2007 Oxiana's Sepon Copper Operation, in Laos, produced 62,541 tonnes of copper cathode (2006: 60,803 tonnes).

Sepon Gold Production

During 2007 Oxiana's Sepon Gold Operation, in Laos, produced 102,390 ounces of gold (2006: 173,524 ounces) and 144,648 ounces of silver (2006: 203,547 ounces).

Prominent Hill Mine Construction

Construction activity at Prominent Hill was nearly 50% complete by end 2007. A comprehensive review of costs and the construction schedule was performed. Capital costs have been subject to an estimated increase to A$1,080 million. Plant commissioning and first copper concentrate production is expected in the third quarter of 2008. The ore body has been exposed, and mining and stockpiling of ore is now underway.

Martabe Gold Project

Since its acquisition as part of the Agincourt Group, work has continued at Martabe in Indonesia towards the completion of the Martabe definitive feasibility study. The definitive feasibility study was completed in December 2007, and on 19 December 2007 the Oxiana Board approved development of the project, subject to final approvals from the Government of Indonesia. The capital cost of the project is estimated at US$310 million.

Exploration Activity

During 2007 Oxiana continued to explore the highly mineralised Sepon tenement for gold and copper. Oxiana also continued its exploration program at Golden Grove (Western Australia) and its major resource evaluation and expansion program at Prominent Hill (South Australia). These activities have been successful, and as a result, work has commenced on detailed expansion studies at Prominent Hill and Golden Grove.

In addition, Oxiana's Australian exploration activities included activity at the Wiluna tenements acquired as part of the Agincourt acquisition, and ongoing joint venture exploration with Queensland Gold and Minerals Limited and Minotaur Exploration Limited.

Oxiana's international exploration activities continued during the year, both in its own right and with its co-venturers, namely Thai Goldfields NL in Thailand, Yunnan Jinlong Minerals Company Limited, Laoxuzhai Minerals Company Limited (Rexing JV) and Sichuan Yangtze Minerals Company Limited in China, Shin Ha Company Limited in Cambodia and Kalimantan Gold Corporation Limited in Indonesia. Oxiana has withdrawn from the exploration activities for gold performed with Anglogold Ashanti in certain parts of Laos.

Significant changes in state of affairs during the financial year were as follows:

- On 29 January 2007 the Oxiana Group reached agreement with the Directors of Agincourt Resources Limited for an agreed takeover of Agincourt by Oxiana. The takeover has been successfully completed. Oxiana obtained control of Agincourt on 21 March 2007 and finalised compulsory acquisition procedures by 25 May 2007. The acquisition brought to the Oxiana Group the Martabe gold project in Indonesia, the Wiluna Gold Operation in Western Australia and numerous exploration properties. Agincourt also held 57% of Nova Energy Limited, a uranium explorer.
- On 20 June 2007 Oxiana reached agreement with Apex Minerals NL ('Apex') for the sale of the Wiluna gold mining and processing operation. The sale was satisfactorily completed on 1 August 2007.
- On 30 June 2007 the Government of Laos officially took up a 10% interest in Oxiana's Lao operating company Lane Xang Minerals Limited. The option to acquire the 10% interest in the Sepon copper and gold operation was included in the Mineral Exploration and Production Agreement signed with the Government of Laos in 1993.
- On 30 October 2007 Oxiana announced that a comprehensive review of costs and schedules of the Prominent Hill project had been completed. This review has led to an increase in the capital budget from $850 million to $1,080 million as a result of current construction market conditions, increased materials, labour and equipment

scope to improve the process plant and infrastructure. Commissioning and first production at Prominent Hill are expected to occur in the third quarter of 2008.

costs, and changes in construction

- Effective from November 2007 Oxiana accepted an offer from Toro Energy Limited for the takeover of Nova Energy Limited. Under the terms of the takeover, Oxiana received 191,517,860 shares in Toro Energy Limited in exchange for all of the shares held in Nova Energy Limited. As a result, Oxiana now holds a 46% investment in Toro Energy Limited.
- On 3 December 2007 Oxiana announced that the Board had approved an expansion of the Sepon copper operation from 60,000t/a nameplate capacity to 80,000t/a by 2010 at an estimated capital cost of US$178 million.
- On 19 December 2007 Oxiana announced that the Board had approved the development of the Martabe Gold Project subject to the receipt of final permits from the Government of Indonesia. The estimated annual production of the project will be 200,000 ounces of gold and 2,000,000 ounces of silver over an initial nine year period. The estimated capital cost of the project is US$310 million.
- During the year 2,523,910 performance rights (2006: 2,864,400) were granted to employees under the Group's Performance Rights Plan. If all performance conditions are met, this will result in 2,523,910 shares (2006: 2,864,400) being allocated to these employees twelve months from the date of issue.
- During the year 2,500,000 (2006: 7,741,667) fully paid ordinary shares were issued at varying exercise prices from 41 cents to 86 cents (2006: 36 cents to 71 cents) following exercise of options under the Group's Executive Option Plan (refer Remuneration Report).

Changes in controlled entities

On 29 January 2007 the Oxiana Group reached agreement with the Directors of Agincourt for an agreed takeover of Agincourt by Oxiana. The takeover has been successfully completed. Oxiana obtained control of Agincourt on 21 March 2007 and finalised compulsory acquisition procedures by 25 May 2007.

On 15 February 2007 Oxiana incorporated the wholly owned subsidiary Oxiana Insurance Pte Ltd in Singapore.

In April 2007 Oxiana incorporated the wholly owned subsidiaries Oxiana Finance (Holdings) Pty Ltd and Oxiana Finance Pty Ltd. In September 2007 Oxiana incorporated a wholly owned subsidiary Oxiana Investments Pty Ltd.

On 30 June 2007 the Government of Laos officially took up a 10% interest in Oxiana's Lao operating company, Lane Xang Minerals Limited. The option to acquire the 10% interest in the Sepon copper and gold operation was included in the Mineral Exploration and Production Agreement signed with the Government of Laos in 1993.

Effective from November 2007 Oxiana accepted an offer from Toro Energy Limited for the takeover of Nova Energy Limited, a controlled entity. Under the terms of the takeover, Oxiana received 191,517,860 shares in Toro Energy Limited in exchange for all of the shares held in Nova Energy Limited. As a result, Oxiana has a 46% investment in Toro Energy Limited. The investment in Toro Energy Limited is accounted for using equity accounting in the Group financial statements.

On 21 December 2007 Oxiana established the Oxiana Limited Equity Plans Trust and incorporated a wholly owned subsidiary Oxiana Equity Pty Ltd as trustee for the Trust. On 21 December 2007 Oxiana incorporated a wholly owned subsidiary Oxiana Exploration Singapore (Number One) Pte Ltd. In December 2007 Oxiana withdrew from the Anglogold Ashanti Alliance, which involved exploration in regional Laos. As a result, Oxiana relinquished its interest in AngloGold Ashanti Investment Limited.

Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and business strategies of the Group

Future developments and business strategies of the Group will be as follows:

- continuation of production of gold and of copper cathode at Sepon in Laos, with an expansion of the copper operation by 2010;
- continuation of zinc, copper and precious metal concentrates production at Golden Grove, with planned expansion studies to investigate the addition of open-pit mining and extensions to the underground mine;
- the completion and commissioning of the copper and gold mine at Prominent Hill and studies into expansion;
- development of the Martabe gold project in Indonesia;
- ongoing exploration for further resources at Sepon, Golden Grove, Prominent Hill and Martabe;
- ongoing exploration activities in other parts of Laos, China, Thailand, Cambodia, Vietnam and Australia with its partners; and
- ongoing identification, evaluation and implementation of new projects and corporate developments.

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

Environmental management

Oxiana regards compliance with environmental legislation as the minimum performance standard for all operations.

Australian operations: Golden Grove and Prominent Hill are subject to environmental regulation under both Commonwealth and State legislation. At the Sepon operation in the Lao People's Democratic Republic (LPDR), the minimum standard is set by the Mineral Exploration and Production Agreement between Oxiana and the Government of Laos, national legislation and international environmental standards.

Seven non-compliances were registered for the Golden Grove operation during the 2007 reporting period. Four of the events were attributed to breaches against prescribed limits for the discharge of mine water to an ephemeral salt lake. Parameters exceeded included cadmium, selenium and alkalinity. Two of the events were associated with exceedances of prescribed groundwater parameters for sulphate and pH in monitoring bores surrounding a tailings storage facility. There was also a small fire in the putrescibles landfill site. Formal reporting of these incidents did not generate any additional requirements or investigations from regulators, and environmental impacts are being managed through ongoing mitigation and monitoring programs. No non-compliances were registered for the Prominent Hill or Sepon operations during 2007.

For a detailed discussion of Oxiana's environmental performance see the Oxiana Sustainability Report 2007.

Information on Directors

Barry L Cusack – Chairman (Independent Non-executive Director), Appointed 2002
BE(Hons), M.Eng.Sci., FTSE, FAusIMM, FAIM, MAICD

Experience and expertise

Mr Cusack is the retired Managing Director of Rio Tinto Australia (1997–2001). Mr Cusack is currently a Non-executive Director of Toll Holdings Limited, MacMahon Holdings Limited and a Director of Future Directions International. Mr Cusack also held the position of Chairman of Coal and Allied Limited (1997–2001), Bougainville Copper Limited and of ERA Limited (2000–2002) and is past president of the Minerals Council of Australia (2001–2003). Mr Cusack is an Honorary Life Member of the Chamber of Minerals and Energy of Western Australia Inc.

Other listed directorships

Non-executive Director MacMahon Holdings Limited (since 2002), Non-executive Director Toll Holdings Limited (since October 2007).

Former listed entity directorships in last three years

Non-executive Director of Smorgon Steel Group Limited (June 2002–August 2007).

Special responsibilities

Member of Oxiana Board's Nomination and Remuneration Committee.

Owen L Hegarty – **Managing Director and CEO (Executive Director),** Appointed 1994
BEc(Hons), FAusIMM

Experience and expertise

Mr Hegarty has over 35 years direct experience in the mining industry, including 24 years with the Rio Tinto Group where from 1988 to1993 he was Managing Director of Rio Tinto's copper and gold mining and smelting business unit. Mr Hegarty became Managing Director of Oxiana Limited in 1995. Mr Hegarty is Deputy Chairman of the Minerals Council of Australia and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Hegarty was awarded the 2005 AusIMM Institute Medal for his leadership and achievements in the mining industry.

Other listed directorships
Non-executive Director Range River Gold Limited (since 1994).

Former listed entity directorships in last three years
Non-executive Director of Toro Energy Limited (November 2005 – October 2007)

Special responsibilities
Member of Oxiana Board's Compliance Committee.

Ronald H Beevor
(Independent Non-executive Director)
Appointed 2002
B.A. (Honours)

Experience and expertise
Mr Beevor is a former investment banker and was Head of Investment Banking at NM Rothschild & Sons (Australia) Limited between 1997 and 2002. He has had an extensive involvement with the natural resources industry, both in Australia and overseas. Mr Beevor is Chairman of EMED Mining Public Limited and a Non-executive Director of Bendigo Mining Limited, Director of QMAG Limited and Talison Minerals Pty Ltd.

Other listed directorships
Non-executive Director Bendigo Mining Limited (since 2002), Chairman EMED Mining Public Limited (Non-executive Director since 2004).

Former listed entity directorships in last three years
None.

Special responsibilities
Chairman of Oxiana Board's Nomination and Remuneration Committee and Member of Oxiana Board's Audit Committee from 17 December 2007.

Peter W Cassidy
(Independent Non-executive Director)
Appointed 2002. Resigned 27 November 2007
BSc (Eng), PhD, DIC, ARSM, CEng, FAusIMM, FIMM, FAICD

Experience and expertise
Dr Cassidy has over 35 years exposure to the minerals industry in Australia, South East Asia, China and the USA, primarily in gold, base metals and mineral sands. His most recent executive role was Managing Director and CEO of Goldfields Limited from 1995 until its merger with Delta Gold Limited to form AurionGold Limited in 2002. Following the merger, he continued as a Non-executive Director of AurionGold until 2003.

Other listed directorships
Non-executive Director of Sino Gold Mining Ltd (formerly Sino Gold Ltd) (since 2002 and Chairman from November 2005 to November 2006) and Non-executive Director of Lihir Gold Limited (since 2003), Zinifex Limited (since 2004) and Energy Developments Limited (since 2003).

Former listed entity directorships in last three years
None.

Special responsibilities
Chairman of Oxiana Board's Audit Committee and Member of Oxiana Board's Nomination and Remuneration Committee until his resignation on 27 November 2007.

Michael A Eager
(Independent Non-executive Director)
Appointed 1999
BE (Mining), FAusIMM

Experience and expertise
Mr Eager is a mining engineer with more than 40 years experience covering a wide range of mining operations and exploration and development activity. He retired from the position of Managing Director of Aberfoyle Limited in 1998, as Director of MIM Holdings and Austminex NL in 2003, and the Australasian Institute of Mining and Metallurgy in 2004. Mr Eager is deputy Director of the Australian Nuclear Science Technology Organisation (ANSTO), a position he has held since 2002. His term concluded on 31 December 2006, and he was reappointed Deputy Chairman for twelve months from 1 March 2007.

Other listed directorships
None.

Former listed entity directorships in last three years
None.

Special responsibilities
Chairman of Oxiana Board's Compliance Committee and Member of Oxiana Board's Audit Committee.

Brian Jamieson
(Independent Non-executive Director)
Appointed 2004
FCA

Experience and expertise
Mr Jamieson was Chief Executive of Minter Ellison Melbourne from 2002–2005. He retired as Chief Executive of Minter Ellison on 31 December 2005. Prior to joining Minter Ellison, he was with KPMG and its antecedent firms for over 30 years. During his time at KPMG, Mr Jamieson held the position of Chief Executive Officer Australia from 1998–2000; Managing Partner of KPMG Melbourne and Southern Regions from 1993–1998 and Chairman of KPMG Melbourne from 2001–2002. He was also a KPMG board member in Australia and Asia Pacific and a member of the KPMG USA Management Committee. He is also a Director and Treasurer of Care Australia and the Bionic Ear Institute, and a Director of Veski, The Sir Robert Menzies Foundation, the Australian Council – Major Performing Arts Board and Chairman of the Tattersall's George Adams Foundation. Mr Jamieson was formerly Chairman of the Melbourne Symphony Orchestra and Deputy Chairman of the Committee for Melbourne. Mr Jamieson is currently a Non-executive Director of HBOS Australia Pty Ltd. He has over 30 years experience in providing advice and services to a diverse range ranged of listed and large private companies. Mr Jamieson is a Fellow of the Institute of Chartered Accountants in Australia.

Other listed directorships
Non-executive Chairman Mesoblast Limited (since November 2007), Non-executive Director of Sigma Pharmaceuticals Limited (since 2005) and Tattersall's Limited (since 2003)

Former listed entity directorships in last three years
None.

Special responsibilities
Chairman of Oxiana Board's Audit Committee and a Member of Oxiana Board's Compliance Committee and Nomination and Remuneration Committee.

Company Secretary
The Company Secretary is David Forsyth FCPA, FCIS. Mr Forsyth was appointed to the position of Company secretary in 1996. Before joining Oxiana Limited, Mr Forsyth held commercial, secretarial and management positions in large scale project and engineering companies over a period of 30 years. He is responsible for company secretarial, legal, insurance and compliance matters.

Meetings of Directors
The numbers of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 31 December 2007, and the numbers of meetings attended by each Director were:

	Directors' meetings		Audit Committee meetings		Nomination and Remuneration Committee meetings		Compliance Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Barry L Cusack	10	10	–	–	4	4	–	–
Ronald H Beevor	10	9	–	–	4	4	–	–
Peter W Cassidy*	9	8	4	4	3	3	–	–
Michael A Eager	10	10	5	5	–	–	3	3
Owen L Hegarty	10	10	–	–	–	–	3	3
Brian Jamieson	10	10	5	5	–	–	3	3

* Resigned 27 November 2007.

I. Introduction and executive summary – unaudited

Remuneration principles

Oxiana's vision of becoming the next major mining company is supported by Oxiana's remuneration strategy, which is designed to attract and retain the best people and to reward performance that results in value creation for shareholders.

Oxiana's remuneration strategy reflects the Group's values of Respect and Openness, Action and Performance. It is also Oxiana's commitment that the remuneration strategy complies with principles of good corporate governance, elements of best practice and meets shareholder expectations. In line with this, Oxiana's remuneration strategy is based on principles including transparency, accountability and clear communication. Oxiana does not permit employees to trade in Company securities and associated products which operate to limit the economic risk of those securities. The policy prohibits Directors, executives and employees from entering into any hedging arrangement over unvested securities issued pursuant to any Oxiana share scheme, Performance Rights Plan or Option Plan.

A significant element of Oxiana's remuneration strategy is performance based remuneration. Consequently Oxiana's remuneration framework is made up of fixed components, and variable components which are at risk and subject to individual and business performance. Further detail of these components is provided in Section IV of this report.

Labour market conditions and challenges

The mining and resources sector continues to experience a shortage of skilled employees at all organisational levels. Competition for available labour is high, and attraction and retention continues to be a key challenge for Oxiana, as it does across the industry. Oxiana employs a suite of integrated cross business responses to address this challenge.

Remuneration levels also continue to experience upward pressure, affecting fixed and variable remuneration. This is particularly pertinent to executives who continue to attract remuneration increases higher than those reported in the general senior executive market.

Key Management Personnel

In accordance with the remuneration reporting requirements of the *Corporations Act 2001* and the Accounting Standard AASB 124 *Related Party Disclosures*, remuneration details are provided for all Directors (Executive and Non-executive), including the Managing Director, together with Other Key Management Personnel.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Oxiana Limited and the Group either directly or indirectly. They include the Directors (Executive and Non-executive) and members of the Global Executive Team reporting to the Managing Director.

The remuneration report also covers each person identified under Section 300A of the *Corporations Act 2001* as being one of the five most highly remunerated executives of the Company and the Group. Persons who do not satisfy the definition of Key Management Personnel, but who are included in the five most highly remunerated executives for the purposes of Section 300A, have been disclosed separately (referred to as Other Personnel). The Key Management Personnel Group is the same as the 2006 Key Management Personnel Group with the addition of Mr Russell Griffin, who, during 2007, was promoted to the position of General Manager Marketing and is a member of the Global Executive Team.

Remuneration details are also separately disclosed for Non-executive Directors, the Managing Director and Other Key Management Personnel.

Remuneration elements and participant categories

	Remuneration element	Non-executive Directors	Managing Director	Other Key Management Personnel
Fixed Remuneration	Fees	✔	–	–
	Salary	–	✔	✔
	Compulsory Statutory Superannuation	✔	✔	✔
	Other benefits	✔	✔	✔
Variable (at-risk) Remuneration	Short Term Incentives	–	✔	✔
	Long Term Incentives	✔	✔	✔
Employment Terms	Service Agreements	–	✔	✔
	Termination Provisions	–	✔	✔

A detailed explanation of fixed and variable (at risk) remuneration components and employment terms can be found in Section IV of this report.

II. Nomination and Remuneration Committee – unaudited

The Nomination and Remuneration Committee, which operates under the delegated authority of the Board of Oxiana Limited ('the Board'), consists of Ronald H Beevor (Chairman), Barry L Cusack and Brian Jamieson. Peter W Cassidy was also a member of this committee until his resignation as a Non-executive Director of Oxiana Limited, which took effect from 27 November 2007. Brian Jamieson became a member of the Committee, effective 17 December 2007.

The Nomination and Remuneration Committee is governed by a charter which sets out, inter alia, the purpose of the Committee, which is to assist the Board in discharging its responsibilities relating to remuneration for Directors, executives and employees, and the composition and performance of the Board by:

(a) monitoring the size, composition and expertise of the Board;

(b) recommending individuals for nomination as members of the Board and its Committees;

(c) reviewing Board and Management succession plans;

(d) ensuring that the performance of the Board and Senior Management is reviewed annually;

(e) advising the Board on remuneration, equity-based incentive plans and employee benefit programs; and

(f) reviewing the Group's recruitment, retention and termination policies.

The Nomination and Remuneration Committee met four times during the year and the Committee members' attendance record is disclosed in the table of Directors meetings in this report. Further detail with regard to the Nomination and Remuneration Committee can be found on Oxiana's website.

III. Directors – audited

Non-executive Directors

Oxiana seeks to attract and retain Directors with the appropriate qualifications, experience and commitment, at an appropriate cost to the Company. Non-executive Directors' fees, including Board Committee fees, are reviewed by the Nomination and Remuneration Committee based upon advice from independent remuneration consultants and are determined by the Board within the maximum amount approved by shareholders.

Fees for Non-executive Directors are not linked to the performance of the Group. However, in order to align Directors' interests with shareholder interests they are encouraged to hold shares in the Company.

Non-executive Directors are entitled to receive fees for serving on Board Committees, with the exception of the Chairman of the Board. The Chairman's fees are set independently from the fees of the other Non-executive Directors; both are based upon comparable roles in the external market.

Remuneration details of Non-executive Directors

		Short term employment benefits		Post-employment benefits		Share based payments	
Name		Board fees and cash benefits	Committee fees	Retirement benefit adjustment[1]	Super-annuation[2]	Value of options	Total fixed and variable remuneration
Barry L Cusack	**2007**	**288,850**	**–**	**8,839**	**–**	**–**	**297,689**
(Chairman)	2006	218,000	–	7,574	–	–	225,574
Ronald H Beevor	**2007**	**90,000**	**15,000**	**3,950**	**–**	**–**	**108,950**
	2006	70,000	12,000	3,385	–	–	85,385
Peter W Cassidy[3,4]	**2007**	**84,986**	**27,183**	**3,738**	**4,050**	**–**	**119,957**
	2006	76,300	19,745	3,385	–	–	99,430
Michael A Eager	**2007**	**90,000**	**25,000**	**6,692**	**10,350**	**–**	**132,042**
	2006	70,000	20,000	5,734	8,100	–	103,834
Brian Jamieson	**2007**	**90,000**	**17,500**	**1,503**	**9,675**	**–**	**118,678**
	2006	70,000	14,000	1,287	3,150	–	88,437
Totals	**2007**	**643,836**	**84,683**	**24,722**	**24,075**	**–**	**777,316**
	2006	504,300	65,745	21,365	11,250	–	602,660

[1] Retirement benefits for Directors were frozen at 31/12/2005 and the value at that date is adjusted each year at a bank interest rate. The adjustment for 2007 is 6.7% per annum (2006: 6.1%).
[2] Mr Cusack and Mr Beevor did not contribute to superannuation. Mr Cassidy did not contribute to superannuation during the second half of the year.
[3] To 27 November 2007.
[4] An accrued retirement benefit of $62,607 was paid on resignation.

Amounts disclosed for remuneration of Directors and other Key Management Personnel exclude insurance premiums of $87,083 (2006 $87,500) paid by Oxiana in respect of Directors' and Officers' Liability insurance contracts, which cover current and former Directors and officers, including executive officers of the Company and Directors, executive officers and secretaries of its controlled entities. This amount has not been allocated to the individuals covered by the insurance policy as, based on all available information, the Directors believe that no reasonable basis for such allocation exists.

Managing Director

Remuneration terms for the Managing Director are formalised in a contract of employment. Further details are outlined in section VI of this report.

The remuneration objective for the Managing Director is to provide a demonstrable link between the level of reward and the achievement of strategic objectives and creation of value for shareholders. The Managing Director receives remuneration made up of total fixed remuneration, a performance-related cash incentive payment, an equity-based incentive through participation in the Executive Share Option Plan and shares which recognise tenure which are granted annually. The cash based incentive for the Managing Director is 50% of his total fixed remuneration for 2007 (2006: 40%) provided all the performance targets are met.

Performance of the Managing Director is assessed by the Chairman and reviewed by the Nomination and Remuneration Committee and the Board. Short Term Incentive Payments for the Managing Director are proposed by the Nomination and Remuneration Committee and approved by the Board in light of assessed performance against targets. Further details of the Managing Director's remuneration are shown in the following table.

Remuneration details of the Managing Director

		Short term employee benefits		Post-employment benefits	Equity-based Incentive payments		
Name		Salary and cash benefits	Cash incentives	Super -annuation	Value of shares[1,2]	Value of options[1,3,4]	Total fixed and variable remuneration
Owen L Hegarty	**2007**	**1,192,940**	**606,450**	**107,060**	**1,413,333**	**1,708,812**	**5,028,595**
	2006	770,642	292,845	95,713	-	1,139,524	2,298,724

[1] The value of shares and options has been calculated in accordance with the requirements of AASB 2 *Share-based Payment* and as set out in note 25 to the financial statements.
[2] Value of shares represents retention shares. Additional details of this entitlement are outlined in Section VI of this report.

Name	Grant date	Fair value per share at grant date $	Vesting date	Granted during the year (number)	Lapsed during the year (number)	Vested during the year (number)
Owen L Hegarty	1/1/07	3.12	1/1/08	250,000	–	–
	1/1/07	3.06	1/1/09	250,000	–	–
	1/1/07	3.01	1/1/10	250,000	–	–

[3] The 2006 options are subject to the achievement of a Total Shareholder Return ('TSR') performance hurdle:
- 50% will vest on 1 June 2008 provided that the Oxiana TSR for the two years ending 31 December 2007 exceeds the median of the TSR of comparator companies.
- A further 50% will vest on 1 June 2008 provided that the Oxiana TSR for the two years ending 31 December 2007 is in the top quartile of the TSR of comparator companies.
- The comparator TSR group is the same as the 2007 TSR group listed in Section IV of this report, other than two changes being DRD Gold Limited and Excel Coal Limited, which were replaced with Kagara Ltd and Perilya Limited.

[4] The 2007 options are subject to the achievement of a TSR performance hurdle:
- If the Oxiana Limited TSR is below the median of the comparator group, none of the options will vest. If the Oxiana TSR is at the median, half the options will vest. If the Oxiana Limited TSR is at or above the 75th percentile, all the options will vest. If the Oxiana Limited TSR is between the median and the 75th percentile of the comparator group, the options will vest progressively from half the options to all of them.
- The comparator companies are those listed in Section IV of this report.

IV. Other Key Management Personnel and Other Personnel – audited

Remuneration structure and practices

Executive remuneration is made up of components that are both fixed and variable (at risk). Fixed remuneration is a critical element in attracting and retaining executives with the skills, experience and capability to deliver the performance required by the business plan. Fixed remuneration is made up of salary and compulsory statutory superannuation and it is referred to as total fixed remuneration. More detail is provided below.

Variable (at risk) remuneration consists of Short Term Incentive (STI) payments which reward the achievement of annual performance targets and Long Term Incentives (LTI) provided through equity based payments. Variable remuneration is designed to encourage and reward the achievement of superior performance by individuals, divisions and the Group as a whole.

Total fixed remuneration

Total fixed remuneration recognises the scope and responsibility of each executive's role, their qualifications, specialist skills and experience, and their contribution in the role. Total fixed remuneration for most executives is comprised of base salary, superannuation contributions and, in some cases, other benefits such as cars provided under novated lease arrangements.

The level of total fixed remuneration is reviewed annually to ensure it is competitive and appropriate to assist in the attraction and retention of high quality executives. This annual review is conducted by external remuneration consultants using market data to provide a clear evaluation of market pay practice for each role, recognising the varying scope of position responsibilities.

Variable remuneration

Short Term Incentives

A cash incentive payment is made to executives subject to their achievement of individual Key Performance Indicators (KPIs) or performance targets. The target level of the Short Term Incentive is 30% of the executive's total fixed remuneration. The performance measures are established at the start of the year and are aligned with the strategic and operational objectives of the Group.

Individual performance is assessed at the end of the financial year by the Managing Director and the Executive General Managers (EGM) for their reports. The incentive payment for each executive reflects their actual performance achieved against their targets. Short Term Incentive Payments (for Other Key Management Personnel and Other Personnel) are reviewed by the Nomination and Remuneration Committee.

Long Term Incentives

Long Term Incentive Program 2007

During 2007 the Board introduced a revised LTI program that grants annual allocations to selected executives. The value of the annual allocation for Other Key Management Personnel and Other Personnel is determined so as to be market competitive and is set at 75% of the average total fixed remuneration of General Managers and the Global Executive Team (not including Owen Hegarty, Managing Director). The Managing Director's allocation is outlined in Section VI of this report.

The structure of the LTI provides both options under the existing Oxiana Executive Share Option Plan, and performance rights under the existing Oxiana Performance Rights Plan. Half the LTI value is provided through options and half through performance rights, except for Owen Hegarty, Managing Director, whose LTI is based on options.

TSR has been chosen as the basis for performance hurdles as it reflects benefits received by shareholders through share price growth and dividends paid, and is the most widely used LTI hurdle in Australia. To ensure an objective assessment of the TSR comparison, the Group employs an independent organisation to calculate the TSR ranking of Oxiana Limited against the comparator group.

The following companies formed the comparator group for 2007:

Alumina Limited
Aquarius Platinum Limited
BHP Billiton Limited
Centennial Coal Company Limited
Consolidated Minerals Limited
Iluka Resources Limited
Jubilee Mines Limited
Kagara Ltd
Lihir Gold Limited
Minara Resources Limited
Newcrest Mining Limited
Paladin Energy Ltd
Perilya Limited
Rio Tinto Limited
Sino Gold Mining Limited
Zinifex Limited

As noted earlier in this report, this group has changed since 2006; specifically DRD Gold Limited and Excel Coal Limited have been replaced with Kagara Ltd and Perilya Limited.

Options

The vesting of the options, for all executives other than the Managing Director, is subject to a comparison of the Oxiana Limited TSR over three years from the date of grant with that of the comparator group. The exercise price will be the volume weighted average share price over the week, up to and including the date of grant. These will be granted five trading days following the release of the annual result. This price will be factored by an additional 35% to create an additional hurdle.

The vesting of the options for the Managing Director is subject to a comparison of the Oxiana Limited TSR over three years from the date of grant with that of the comparator group. The exercise price will be the volume weighted average share price over the 30 day period, up to and including the first of December of each year and is subject to shareholder approval at the Annual General Meeting. This price will be factored by an additional 35% to create an additional hurdle.

If the Oxiana Limited TSR is below the median of the comparator group, none of the options will vest. If the Oxiana TSR is at the median, half the options will vest. If the Oxiana Limited TSR is at or above the 75th percentile, all the options will vest. If the Oxiana Limited TSR is between the median and the 75th percentile of the comparator group, the options will vest progressively from half the options to all of them.

Options are granted for no consideration and existing allocations have maximum terms of five years from the date of grant. Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares. Option holders cannot participate in new issues of capital which may be offered to shareholders during the period of the options prior to exercise. Prior to any new pro rata issue of shares to shareholders, option holders are notified by the Company and are allowed ten business days before the record date to exercise their vested options.

Performance rights

Performance rights provide executives with the opportunity to acquire shares in the Company at no cost, subject to a comparison of the Oxiana Limited TSR with the companies in the ASX 200 index at the date of grant. TSR performance is compared over a three year period from the date of grant.

If the Oxiana Limited TSR is below the median of the ASX 200 group, none of the performance rights will vest. If the Oxiana Limited TSR is at the median, half the performance rights will vest. If the Oxiana Limited TSR is at or above the 75th percentile, all the performance rights will vest. If the Oxiana Limited TSR is between the median and the 75th percentile of the comparator group, the performance rights will vest progressively from half the performance rights to all of them.

Performance rights are granted for no consideration and have maximum terms of ten years from the date of grant. Performance rights granted under the plan carry no dividend or voting rights. When exercised, each performance right is convertible into one ordinary share. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares.

Interim arrangements for 2007

As the first year of the revised LTI program, 2007 was a year of transition. Existing General Managers and members of the Global Executive Team who had no contractual entitlement to options under the pre-existing LTI program and General Managers who were either promoted to their new position or joined Oxiana during 2007 were invited to participate in the new LTI program. General Managers who were appointed during the year were issued a pro-rata allocation of options and performance rights.

Two General Managers, Jim Smith and Phillip Dunstan, who had a pre-existing contractual entitlement to options, were not invited to be part of the program in 2007. These executives' contractual entitlement to options expired during 2007 and it is the Board's intent that all General Managers and members of the Global Executive Team will be part of the revised LTI program from 2008.

IV. Other Key Management Personnel and Other Personnel – audited continued

Additionally interim arrangements were made for the first year of the LTI program, being 2007. At the beginning of 2009, two years after the 2007 LTI options and performance rights were granted, executives participating in the LTI program will have access to 50% of their initial entitlement, as measured against the TSR hurdles set out above. The remaining 50% will be available at the beginning of 2010, three years after the options and performance rights were granted.

For executives who were invited to join the LTI program during the year, the vesting periods will be 2 years and 3 years respectively from the beginning of the calendar year in which the rights and options were granted. This is reflected in their pro-rata allocation of options and performance rights. From 2008 all options and performance rights will vest after three years.

Options and performance rights will normally be forfeited if the executive participant resigns or is dismissed for serious misconduct before the options or performance rights have vested. In case of death or total and permanent disablement, the performance conditions will be waived and a 90 day period is allowed for exercise.

Long Term Incentive Program 2006

Two General Managers, Jim Smith and Phillip Dunstan, had a pre-existing contractual entitlement to options offered under the 2006 LTI Program.

The 2006 LTI Program granted 1,000,000 options on commencement of employment with a further 1,000,000 after the executive had been employed for one year and subject to the achievement of their personal KPIs. This approach established a focus for these executives on the ongoing growth in the Oxiana Limited share price. The options were initially granted at a premium to the market price. Both Jim Smith and Phillip Dunstan received their further grant of options during 2007.

These conditions apply to options granted to Other Personnel in 2006 and 2007 and options granted to Key Management Personnel in 2006.

V. Group performance and executive remuneration – unaudited

The following table shows the revenue and net profit for the last five years, as well as the share price at the end of each respective financial year. The Group's share price continues to rise strongly, reflecting an increase in shareholder wealth over the period, and the value of dividends paid increased from 2006. The profit and revenue results were strong in 2007, although lower than for the year prior due to lower metal prices and general cost increases across the market. These indicators continue to reflect a solid performance in a dynamic market, and the Group's ongoing focus on sustained investment and growth.

	2007[1] $'000	2006[1] $'000	2005[1] $'000	2004[1] $'000	2003[2] $'000
Revenue from continuing operations	**1,097,449**	1,275,209	389,169	73,634	88,134
Net profit/(loss) after tax attributable to members of Oxiana	**305,800**	553,166	71,165	(8,805)	11,368
Dividends paid	**137,759**	55,131	–	–	–
Earnings per share attributable to ordinary equity holders (basic)	**20.24c**	40.14c	5.44c	(0.20)c	0.90c
Share price at year end	**$3.48**	$3.17	$1.74	$0.99	$1.05
Change in share price during the year	**$0.31**	$1.43	$0.75	($0.06)	$0.55

[1] Prepared in accordance with Australian Accounting Standards which include Australian Equivalents to International Financial Reporting Standards.
[2] Prepared in accordance with Australian Accounting Standards.

VI. Executive employment agreements – audited

Remuneration and other terms of employment for the Managing Director and other executives are formalised in employment contracts. Each of these provides for performance related cash incentives, other benefits and participation, when eligible, in the Group's LTI Program. Other major provisions of the agreements and remuneration arrangements for 2007 are set out below.

Owen Hegarty, Managing Director

- On a fixed term employment contract to 31 December 2009 with the following details, which are reviewed annually:
  - Total fixed remuneration of $1,300,000 per annum inclusive of superannuation.
  - Short Term Incentive of up to 50% of total fixed remuneration.
  - LTI of 2,000,000 options per annum as part of the modified 2007 LTI program.
  - Retention incentive of 250,000 shares per annum issued if in continuous service on each of the 1st, 2nd and 3rd anniversaries of contract commencement.
- On early termination by the employer the Managing Director would receive accrued entitlements up to the date of termination plus the value of the base salary and superannuation component for one month per year of completed service plus three months in lieu of notice.
- Proportion of total fixed and variable remuneration which is performance related: 74% (2006: 62%).
- The value of options and shares as a proportion of total fixed and variable remuneration: 62% (2006: 50%).

Other Key Management Personnel (excluding Directors)

Service contracts for Key Management Personnel, excluding Directors, are ongoing and require the employee to give three months notice. On early termination by the employer, the Company Secretary will receive accrued entitlements up to the date of termination plus the value of the base salary and superannuation component for one month per year of completed service plus three months in lieu of notice. On early termination by the employer, Other Key Management Personnel will receive accrued entitlements up to the date of termination, twelve months salary and any eligible components of variable remuneration according to the rules of the relevant plans. Remuneration is reviewed annually by the Nomination and Remuneration Committee.

VII. Remuneration details of the Other Key Management Personnel and Other Personnel – audited

		Short term employee benefits			Post-employment benefits	Share-based payments	
Name and position		Salary and cash benefits[1]	Cash incentives[2]	Other benefits[3]	Super-annuation[4]	Value of options and rights[5]	Total fixed and variable remuneration
Other Key Management Personnel							
Peter Albert	**2007**	**425,000**	**117,250**	**–**	**–**	**71,278**	**613,528**
EGM, Asia	2006	375,000	112,500	25,924	–	54,317	567,741
David Forsyth	**2007**	**325,024**	**102,044**	**–**	**25,182**	**71,278**	**523,528**
Company Secretary	2006	276,798	82,569	–	30,633	54,317	444,317
Russell Griffin[6]	**2007**	**231,023**	**67,661**	**–**	**25,066**	**132,884**	**456,634**
GM, Marketing	2006	–	–	–	–	–	–
Peter Lester	**2007**	**366,972**	**101,376**	**–**	**42,151**	**71,278**	**581,777**
EGM, Corporate Development	2006	302,752	90,826	–	35,422	54,317	483,317
Antony Manini	**2007**	**366,972**	**116,294**	**–**	**33,234**	**71,278**	**587,777**
EGM, Exploration and Resources	2006	335,550	96,330	–	23,120	54,317	509,317
Stephen Mullen	**2007**	**264,563**	**84,943**	**–**	**25,644**	**71,278**	**446,428**
GM, Human Resources	2006	229,855	68,807	–	26,338	766,000	1,091,000
John Nitschke	**2007**	**327,780**	**98,293**	**48,000**	**24,426**	**71,278**	**569,778**
EGM, Australia	2006	277,064	96,330	48,000	33,606	364,000	819,000
Jeff Sells	**2007**	**325,229**	**102,250**	**–**	**24,771**	**71,278**	**523,528**
Chief Financial Officer	2006	275,229	82,569	–	32,202	–	390,000
Totals	**2007**	**2,632,563**	**790,111**	**48,000**	**200,474**	**631,830**	**4,302,978**
	2006	2,072,248	629,931	73,924	181,321	1,347,268	4,304,692
Other Personnel							
Phil Dunstan[7]	**2007**	**310,000**	**86,500**	**–**	**–**	**720,000**	**1,116,500**
GM, Sepon Operations	2006	153,663	46,500	–	–	578,000	778,163
Jim Smith[8]	**2007**	**286,728**	**84,294**	**–**	**18,478**	**610,000**	**999,500**
GM, Sepon Projects	2006	179,340	41,743	–	19,898	659,000	899,981
Totals	**2007**	**596,728**	**170,794**	**–**	**18,478**	**1,330,000**	**2,116,000**
	2006	333,003	88,243	–	19,898	1,237,000	1,678,144

[1] Includes the value of salary packaged items such as cars, car parking.
[2] Includes a bonus payment of $2,500 awarded to all employees in 2007.
[3] Includes the value of expatriate, living away from home and remote location benefits provided to executives.
[4] Superannuation is derived from contributions associated with salary and cash benefits, and cash incentives.
[5] The value of options and of rights has been calculated in accordance with the requirements of AASB 2 *Share-based Payments* and as set out in Note 25 to the financial statements.
[6] From 1 January 2007. Also see note under Section I of this report, Key Management Personnel.
[7] From 18 June 2006.
[8] From 24 April 2006.

Amounts disclosed for remuneration of Directors and Other Key Management Personnel exclude insurance premiums of $87,083 (2006 $87,500) paid by Oxiana in respect of Directors' and officers' liability insurance contracts, which cover current and former Directors and officers, including executive officers of the Company and Directors, executive officers and secretaries of its controlled entities. This amount has not been allocated to the individuals covered by the insurance policy as, based on all available information, the Directors believe that no reasonable basis for such allocation exists.

Total and performance related remuneration details of the Other Key Management Personnel and Other Personnel

			Short term incentive (STI) payment		Long term incentive payment	Short and long term incentive payment
Name and position		Total fixed and variable remuneration[1] $	Amount[2] $	STI as proportion of total fixed and variable remuneration %	Value of options and rights as a proportion of total fixed and variable remuneration %	Proportion of remuneration performance related %
Other Key Management Personnel						
Peter Albert	**2007**	**613,528**	**117,250**	**19**	**12**	**31**
EGM, Asia	2006	567,741	112,500	20	10	30
David Forsyth	**2007**	**523,528**	**102,250**	**20**	**14**	**34**
Company Secretary	2006	444,317	90,000	20	12	32
Russell Griffin	**2007**	**456,634**	**73,750**	**16**	**29**	**45**
GM, Marketing	2006	–	–	–	–	–
Peter Lester	**2007**	**581,777**	**110,500**	**19**	**12**	**31**
EGM, Corporate Development	2006	483,317	99,000	20	11	31
Antony Manini	**2007**	**587,777**	**116,500**	**20**	**12**	**32**
EGM, Exploration and Resources	2006	509,317	105,000	21	11	32
Stephen Mullen	**2007**	**446,428**	**85,150**	**19**	**16**	**35**
GM, Human Resources	2006	1,091,000	75,000	7	70	77
John Nitschke	**2007**	**569,778**	**98,500**	**17**	**13**	**30**
EGM, Australia	2006	819,000	105,000	13	44	57
Jeff Sells	**2007**	**523,528**	**102,250**	**20**	**14**	**34**
Chief Financial Officer	2006	390,000	90,000	23	0	23
Other Personnel						
Phil Dunstan[3]	**2007**	**1,116,500**	**86,500**	**8**	**64**	**72**
GM, Sepon Operations	2006	778,163	46,500	6	74	80
Jim Smith[4]	**2007**	**999,500**	**84,500**	**8**	**61**	**69**
GM, Sepon Projects	2006	899,981	45,500	5	73	78

[1] Total fixed remuneration includes base salary and applicable superannuation entitlements.
[2] STI includes applicable superannuation entitlements.
[3] STI awarded reflects commencement date of 18 June 2006.
[4] STI awarded reflects commencement date of 24 April 2006.

VIII. Additional information on performance related remuneration – unaudited

Details of remuneration: cash incentives and options

For each cash incentive and grant of options included in Section VII, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

	Cash bonus		Options					
Name and position	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest[1] $	Maximum total value of grant yet to vest[1] $
Managing Director								
Owen Hegarty	**93**	**7**	**2007**	**0**	**0**	**2010**	**–**	**8,560,000**
	95	5	2006	0	0	2008	–	8,560,000
			2005	100	0	2007		–
Other Key Management Personnel								
Peter Albert	**90**	**10**	**2007**	**0**	**0**	**2009/10**	**–**	**642,000**
EGM, Asia	100	0	2006	0	0	–	–	–
David Forsyth	**95**	**5**	**2007**	**0**	**0**	**2009/10**	**–**	**642,000**
Company Secretary	100	0	2006	0	0	–	–	–
Russell Griffin[2]	**95**	**5**	**2007**	**0**	**0**	**2009/10**	**–**	**1,284,000**
GM, Marketing	–	–	2006	–	–	–	–	–
Peter Lester	**90**	**10**	**2007**	**0**	**0**	**2009/10**	**–**	**642,000**
EGM, Corporate Development	100	0	2006	0	0	–	–	–
Antony Manini	**95**	**5**	**2007**	**0**	**0**	**2009/10**	**–**	**642,000**
EGM, Exploration and Resources	100	0	2006	0	0	–	–	–
Stephen Mullen	**95**	**5**	**2007**	**0**	**0**	**2009/10**	**–**	**642,000**
GM, Human Resources	100	0	2006	100	0	2006	–	–
John Nitschke	**80**	**20**	**2007**	**0**	**0**	**2009/10**	**–**	**642,000**
EGM, Australia	100	0	2006	100	0	2006	–	–
Jeff Sells	**95**	**5**	**2007**	**0**	**0**	**2009/10**	**–**	**642,000**
Chief Financial Officer	100	0	2006	0	0	–	–	–
Other Personnel								
Phil Dunstan	**90**	**10**	**2007**	**100**	**0**	**2007**	**–**	**–**
GM, Sepon Operations	100	0	2006	100	0	2006	–	–
Jim Smith	**90**	**10**	**2007**	**100**	**0**	**2007**	**–**	**–**
GM, Sepon Projects	100	0	2006	100	0	2006	–	–

[1] Options that are granted with performance hurdles vest over a two year period provided the vesting conditions are met. No options will vest if the conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined assuming the share price on the date the options are exercised will not exceed $4.28, the highest daily price at which the shares closed during the 2007 financial year. Further details relating to the vesting of options can be found in Section IV of this report.

[2] Russel Griffin received 300,000 options, half of which were granted as part of the standard allocation to participants in the LTIP, while the other half were granted on the assumption of current duties in accordance with the rules of the LTIP.

Details of remuneration: performance rights

For each grant of performance rights included in Section VII, the percentage of the grant that was vested in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

Performance rights are granted with performance hurdles that vest over a two and three year period provided the vesting conditions are met. No performance rights will vest if the conditions are not satisfied, hence the minimum value of the performance rights yet to vest is nil. The maximum value of the performance rights yet to vest has been determined assuming the share price on the date the performance rights are exercised will not exceed $4.28, the highest daily price at which the shares closed during the 2007 financial year. Further details relating to the vesting of performance rights can be found in Section IV of this report.

		Performance Rights				
Name and position[1]	Year granted	Vested %	Forfeited %	Financial years in which rights may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Other Key Management Personnel						
Peter Albert	**2007**	**0**	**0**	**2009/10**	**–**	**278,200**
EGM, Asia	2006	0	0	–	–	–
David Forsyth	**2007**	**0**	**0**	**2009/10**	**–**	**278,200**
Company Secretary	2006	0	0	–	–	–
Russell Griffin	**2007**	**0**	**0**	**2009/10**	**–**	**278,200**
GM, Marketing	2006	0	0	–	–	–
Peter Lester	**2007**	**0**	**0**	**2009/10**	**–**	**278,200**
EGM, Corporate Development	2006	0	0	–	–	–
Antony Manini	**2007**	**0**	**0**	**2009/10**	**–**	**278,200**
EGM, Exploration and Resources	2006	0	0	–	–	–
Stephen Mullen	**2007**	**0**	**0**	**2009/10**	**–**	**278,200**
GM, Human Resources	2006	0	0	–	–	–
John Nitschke	**2007**	**0**	**0**	**2009/10**	**–**	**278,200**
EGM, Australia	2006	0	0	–	–	–
Jeff Sells	**2007**	**0**	**0**	**2009/10**	**–**	**278,200**
Chief Financial Officer	2006	0	0	–	–	–
Other Personnel						
Phil Dunstan	**2007**	**0**	**0**	**–**	**–**	**–**
GM, Sepon Operations	2006	0	0	–	–	–
Jim Smith	**2007**	**0**	**0**	**–**	**–**	**–**
GM, Sepon Projects	2006	0	0	–	–	–

[1] The Managing Director does not receive performance rights.

IX. Details of share and option holdings – audited

Movements in shareholdings for Directors, Other Key Management Personnel and Other Personnel

2007 Financial Year

Name	Balance of shareholdings at 1/1/2007 (number)	Received on exercise of options (number)	Other changes during the year (number)	Balance of shareholdings at 31/12/2007 (number)
Directors				
Owen L Hegarty	27,021,224	–	–	27,021,224
Barry L Cusack	2,027,683	–	(97,346)	1,930,337
Ronald H Beevor	3,210,229	–	28,207	3,238,436
Peter W Cassidy[1]	984,375	–	–	984,375
Michael A Eager	2,115,699	–	–	2,115,699
Brian Jamieson	40,000	1,000,000	28,256	1,068,256
Other Key Management Personnel				
Peter Albert	2,384,375	500,000	(249,925)	2,634,450
David Forsyth[2]	3,495,000	400,000	(125,000)	3,770,000
Russell Griffin	69,176	–	(57,851)	11,325
Peter Lester	1,385,150	–	(339,946)	1,045,204
Antony Manini	4,659,102	1,000,000	19,389	5,678,491
Stephen Mullen	–	–	–	–
John Nitschke	4,000	–	(1,846)	2,154
Jeff Sells	12,500	–	–	12,500
Other Personnel				
Phil Dunstan	60,799	–	39,201	100,000
Jim Smith	–	–	–	–

[1] Balance of shareholding at date of resignation, 27 November 2007.
[2] Shares issued on exercise of options were purchased on-market.

The balance of shareholdings at 31 December 2007 is the same as at the date of this report.

2006 Financial Year

Name	Balance of shareholdings at 1/1/2006 (number)	Received on exercise of options (number)	Other changes during the year (number)	Balance of shareholdings at 31/12/2006 (number)
Directors				
Owen L Hegarty	27,021,224	–	–	27,021,224
Barry L Cusack	2,000,000	–	27,683	2,027,683
Ronald H Beevor	3,166,402	–	43,827	3,210,229
Peter W Cassidy	1,050,000	–	(65,625)	984,375
Michael A Eager	2,115,699	–	–	2,115,699
Brian Jamieson	40,000	–	–	40,000
Other Key Management Personnel				
Peter Albert	2,384,375	–	–	2,384,375
David Forsyth	2,112,666	1,466,667	(84,333)	3,495,000
Peter Lester	11,250	1,775,000	(401,100)	1,385,150
Antony Manini	1,205,000	4,000,000	(545,898)	4,659,102
Stephen Mullen	–	–	–	–
John Nitschke	–	–	4,000	4,000
Jeff Sells	12,500	–	–	12,500
Other Personnel				
Phil Dunstan	250,000	–	(189,201)	60,799
Jim Smith	–	–	–	–

IX. Details of share and option holdings – audited continued

Options granted to the Directors, Other Key Management Personnel and Other Personnel

2007 Financial Year

Name	Grant date	Fair value per option at grant date $	Vesting date	Expiry date date	Exercise price $	Granted during the year (number)	Lapsed during the year (number)	Vested during the year (number)
Directors								
Owen L Hegarty	2/5/07	0.78	2/5/10	1/5/12	4.36	2,000,000	–	2,000,000
Other Key Management Personnel								
Peter Albert	1/3/07	0.58	1/3/09	1/3/12	3.98	75,000	–	–
Peter Albert	1/3/07	0.70	1/3/10	1/3/12	3.98	75,000	–	–
David Forsyth	1/3/07	0.58	1/3/09	1/3/12	3.98	75,000	–	–
David Forsyth	1/3/07	0.70	1/3/10	1/3/12	3.98	75,000	–	–
Russell Griffin	1/3/07	0.58	1/3/09	1/3/12	3.98	150,000	–	–
Russell Griffin	1/3/07	0.70	1/3/10	1/3/12	3.98	150,000	–	–
Peter Lester	1/3/07	0.58	1/3/09	1/3/12	3.98	75,000	–	–
Peter Lester	1/3/07	0.70	1/3/10	1/3/12	3.98	75,000	–	–
Antony Manini	1/3/07	0.58	1/3/09	1/3/12	3.98	75,000	–	–
Antony Manini	1/3/07	0.70	1/3/10	1/3/12	3.98	75,000	–	–
Stephen Mullen	1/3/07	0.58	1/3/09	1/3/12	3.98	75,000	–	–
Stephen Mullen	1/3/07	0.70	1/3/10	1/3/12	3.98	75,000	–	–
John Nitschke	1/3/07	0.58	1/3/09	1/3/12	3.98	75,000	–	–
John Nitschke	1/3/07	0.70	1/3/10	1/3/12	3.98	75,000	–	–
Jeff Sells	1/3/07	0.58	1/3/09	1/3/12	3.98	75,000	–	–
Jeff Sells	1/3/07	0.70	1/3/10	1/3/12	3.98	75,000	–	–
Other Personnel								
Phil Dunstan	18/6/07	0.72	18/6/07	18/6/12	4.60	1,000,000	–	1,000,000
Jim Smith	1/5/07	0.61	1/5/07	1/5/12	4.14	1,000,000	–	1,000,000

Details of vesting terms and conditions can be found in Section IV of this report.

2006 Financial Year

Name	Grant date	Fair value per option at grant date $	Vesting date	Expiry date date	Exercise price $	Granted during the year (number)	Lapsed during the year (number)	Vested during the year (number)
Directors								
Owen L Hegarty	20/4/06	1.401	1/6/08	20/4/11	2.50	2,000,000	2,000,000[1]	2,000,000
Other Key Management Personnel								
Peter Albert	1/3/05	1.150	30/9/06	28/2/10	1.25	–	–	1,000,000
David Forsyth	1/3/05	1.150	30/9/06	28/2/10	1.25	–	–	1,000,000
Peter Lester	1/3/05	1.150	30/9/06	28/2/10	1.25	–	–	1,000,000
Antony Manini	1/3/05	1.150	30/9/06	28/2/10	1.25	–	–	1,000,000
Stephen Mullen	3/10/06	0.776	3/10/06	3/10/11	3.90	1,000,000	–	1,000,000
John Nitschke	27/1/06	0.364	27/1/06	27/1/11	2.60	1,000,000	–	1,000,000
Jeff Sells	–	–	–	–	–	–	–	–
Other Personnel								
Phil Dunstan	19/6/06	0.578	19/9/06	19/6/11	3.90	1,000,000	–	1,000,000
Jim Smith	24/4/06	0.659	24/7/06	24/4/11	4.65	1,000,000	–	1,000,000

[1] The value of the 2,000,000 share options which lapsed during the period is $3,560,000 based on an exercise price of $1.20 and on the share price of $2.98 on the date on which these options lapsed.

IX. Details of share and option holdings – audited continued

Movements in option holdings for the Directors, other Key Management Personnel and Other Personnel

2007

Name	Balance at 1/1/2007 (number)	Granted during the year (number)	Exercised during year (number)	Lapsed during year (number)	Balance at 31/12/2007 (number)	Vested and exercisable at 31/12/07 (number)
Directors						
Owen L Hegarty	6,000,000	2,000,000	–	–	8,000,000	4,000,000
Brian Jamieson	1,000,000	–	1,000,000	–	–	–
Other Key Management Personnel						
Peter Albert	1,500,000	150,000	500,000	–	1,150,000	1,000,000
David Forsyth	1,000,000	150,000	400,000	–	750,000	600,000
Russell Griffin	–	300,000	–	–	300,000	–
Peter Lester	1,000,000	150,000	–	–	1,150,000	1,000,000
Antony Manini	2,000,000	150,000	1,000,000	–	1,150,000	1,000,000
Stephen Mullen	2,000,000	150,000	–	–	2,150,000	2,000,000
John Nitschke	2,000,000	150,000	–	–	2,150,000	2,000,000
Jeff Sells	2,000,000	150,000	–	–	2,150,000	2,000,000
Other Personnel						
Phil Dunstan	1,000,000	1,000,000	–	–	2,000,000	2,000,000
Jim Smith	1,000,000	1,000,000	–	–	2,000,000	2,000,000

2006

Name	Balance at 1/1/2006 (number)	Granted during the year (number)	Exercised during year (number)	Lapsed during year (number)	Balance at 31/12/2006 (number)	Vested and exercisable at 31/12/06 (number)
Directors						
Owen L Hegarty	6,000,000	2,000,000	–	2,000,000	6,000,000	2,000,000
Brian Jamieson	1,000,000	–	–	–	1,000,000	1,000,000
Other Key Management Personnel						
Peter Albert	1,500,000	–	–	–	1,500,000	1,500,000
David Forsyth	2,466,667	–	1,466,667	–	1,000,000	1,000,000
Peter Lester	2,775,000	–	1,775,000	–	1,000,000	1,000,000
Antony Manini	6,000,000	–	4,000,000	–	2,000,000	2,000,000
Stephen Mullen	1,000,000	1,000,000	–	–	2,000,000	2,000,000
John Nitschke	1,000,000	1,000,000	–	–	2,000,000	2,000,000
Jeff Sells	2,000,000	–	–	–	2,000,000	2,000,000
Other Personnel						
Phil Dunstan	–	1,000,000	–	–	1,000,000	1,000,000
Jim Smith	–	1,000,000	–	–	1,000,000	1,000,000

Number of vested options at 31 December 2007 and 31 December 2006 that are unexercisable: nil.
Movement in options between year end and date of this report: nil (2006: nil).

IX. Details of share and option holdings – audited continued

Movements in options exercised by the Directors, Other Key Management Personnel and Other Personnel

2007

Name	Date options vested	Date of exercise of options	Exercise price paid per share $	Share price on exercise date $	Number of ordinary shares issued on exercise of options in 2007
Directors					
Brian Jamieson	20/4/05	16/3/07	1.10	2.73	333,333
Brian Jamieson	20/4/05	16/3/07	1.20	2.73	333,333
Brian Jamieson	20/4/05	16/3/07	1.30	2.73	333,334
					1,000,000
Other Key Management Personnel					
David Forsyth	30/9/06	15/3/07	1.25	2.71	400,000
Peter Albert	23/12/02	12/11/07	0.71	4.03	500,000
Antony Manini	23/12/02	21/12/07	0.71	3.40	1,000,000

2006

Name	Date options vested	Date of exercise of options	Exercise price paid per share $	Share price on exercise date $	Number of ordinary shares issued on exercise of options in 2006
Other Key Management Personnel					
David Forsyth	28/3/02	25/1/06	0.41	1.97	133,333
David Forsyth	28/3/02	25/1/06	0.46	1.97	333,334
David Forsyth	23/12/02	28/4/06	0.71	3.41	600,000
David Forsyth	23/12/02	29/6/06	0.71	3.01	400,000
					1,466,667
Peter Lester	28/3/02	8/5/06	0.41	3.68	219,510
Peter Lester	28/3/02	16/5/06	0.41	3.08	555,490
Peter Lester	4/10/02	16/5/06	0.51	3.08	528,600
Peter Lester	4/10/02	4/8/06	0.51	3.04	471,400
					1,775,000
Antony Manini	28/3/02	8/5/06	0.36	3.68	1,333,333
Antony Manini	28/3/02	8/5/06	0.41	3.68	1,333,333
Antony Manini	28/3/02	8/5/06	0.46	3.68	1,333,334
					4,000,000

IX. Details of share and option holdings – audited continued

Performance rights granted to Other Key Management Personnel

2007 Financial Year

Name	Grant date	Value per right at grant date $	Vesting date	Expiry date	Granted during the year (number)	Lapsed during the year (number)	Vested during the year (number)
Other Key Management Personnel							
Peter Albert	1/3/07	1.68	1/3/09	1/3/12	32,500	–	–
Peter Albert	1/3/07	1.74	1/3/10	1/3/12	32,500	–	–
David Forsyth	1/3/07	1.68	1/3/09	1/3/12	32,500	–	–
David Forsyth	1/3/07	1.74	1/3/10	1/3/12	32,500	–	–
Russell Griffin[1]	1/3/07	1.68	1/3/09	1/3/12	27,950	–	–
Russell Griffin[1]	1/3/07	1.74	1/3/10	1/3/12	27,950	–	–
Peter Lester	1/3/07	1.68	1/3/09	1/3/12	32,500	–	–
Peter Lester	1/3/07	1.74	1/3/10	1/3/12	32,500	–	–
Antony Manini	1/3/07	1.68	1/3/09	1/3/12	32,500	–	–
Antony Manini	1/3/07	1.74	1/3/10	1/3/12	32,500	–	–
Stephen Mullen	1/3/07	1.68	1/3/09	1/3/12	32,500	–	–
Stephen Mullen	1/3/07	1.74	1/3/10	1/3/12	32,500	–	–
John Nitschke	1/3/07	1.68	1/3/09	1/3/12	32,500	–	–
John Nitschke	1/3/07	1.74	1/3/10	1/3/12	32,500	–	–
Jeff Sells	1/3/07	1.68	1/3/09	1/3/12	32,500	–	–
Jeff Sells	1/3/07	1.74	1/3/10	1/3/12	32,500	–	–

[1] Performance rights of 9,100 were granted in December 2006 in accordance with the terms and conditions of Russell Griffin's previous position. The 9,100 performance rights will vest in February 2008, subject to performance against personal KPIs.

Movements in performance rights holdings for other Key Management Personnel

2007

Name (number)	Balance at 1/1/2007	Granted during the year	Exercised during year	Lapsed during year	Balance at 31/12/2007	Vested and exercisable at 31/12/07
Other Key Management Personnel						
Peter Albert	–	65,000	–	–	65,000	–
David Forsyth	–	65,000	–	–	65,000	–
Russell Griffin	9,100	55,900	–	–	65,000	–
Peter Lester	–	65,000	–	–	65,000	–
Antony Manini	–	65,000	–	–	65,000	–
Stephen Mullen	–	65,000	–	–	65,000	–
John Nitschke	–	65,000	–	–	65,000	–
Jeff Sells	–	65,000	–	–	65,000	–

No performance rights issued to Other Key Management Personnel in 2006.

This marks the end of the Remuneration Report.

Insurance of officers

Since the end of the previous financial year, the Company has paid insurance premiums of $87,083 (2006 $87,500) in respect of Directors' and officers' liability and legal expenses' insurance contracts for current and former Directors and officers, including senior executives of the Company and Directors, senior executives and secretaries of its controlled entities.

The liabilities insured are legal costs that may be incurred in relation to civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company of all or any part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Corporate governance

In recognising the need for the highest standard of corporate behaviour and accountability appropriate to an organisation such as Oxiana, the Directors support and have adhered to principles of sound corporate governance. The Group's governance statement is contained in the annual report.

Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board of Directors has considered the non-audit services performed during the year by the auditor and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35.

Details of the amounts paid to the auditor of Oxiana, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated	
Audit services:	**2007 $**	2006 $
Auditors of the Company		
KPMG Australia:		
Audit and review of the financial reports	**385,000**	252,000
Overseas KPMG firms:		
Audit and review of the financial reports	**70,000**	56,000
Audit of local statutory financial reports	**77,600**	–
Total remuneration for audit services	**532,600**	308,000
Other Services:		
KPMG Australia:		
Other assurance services	**35,000**	–
Accounting advice	**–**	235,300
Taxation compliance and advisory services	**144,230**	26,580
Transaction services	**33,000**	–
IT assurance services	**–**	50,000
Risk advisory services	**18,000**	111,139
Overseas KPMG firms:		
Other assurance services	**2,500**	–
Taxation advisory services	**4,700**	–
Total remuneration for other services	**237,430**	423,019

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

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

Owen L Hegarty
Director

Melbourne
20 February 2008

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

To: the Directors of Oxiana Limited.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2007, there have been:

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

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

KPMG

KPMG

Michael Bray
Partner

Melbourne
20 February 2008

INCOME STATEMENTS

For the year ended 31 December 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Oxiana Limited 2007 $'000	Oxiana Limited 2006 $'000
Revenues from continuing operations	7	**1,097,449**	1,275,209	**–**	–
Other income	7	**72,646**	53,710	**415,834**	359,591
Change in inventories of finished goods and WIP		**10,315**	(457)	**–**	–
Raw materials, consumables and other direct costs		**(253,101)**	(245,918)	**–**	–
Employee expenses		**(119,865)**	(110,365)	**(24,331)**	(17,111)
Depreciation and amortisation expenses	8	**(101,191)**	(105,361)	**(1,823)**	(1,076)
Royalties		**(48,061)**	(54,520)	**–**	–
Exploration and evaluation expenditure		**(37,749)**	(20,822)	**(6,958)**	(4,703)
Foreign exchange losses	8	**(75,918)**	(41,315)	**–**	(10,709)
Financial instrument losses	8	**(1,357)**	(2,639)	**–**	–
Other expenses		**(45,434)**	(30,397)	**(1,458)**	(6,125)
Profit/(loss) on sale of non-current assets	8	**(1,979)**	(1,901)	**136**	–
Profit/(loss) on sale of investments in controlled entities	9	**–**	6,773	**–**	8,056
Share of net profit/(loss) of associates and joint venture partnerships accounted for using the equity method	31	**(1,882)**	(182)	**–**	–
Profit before net financing costs and income tax		**493,873**	721,815	**381,400**	327,923
Interest revenue	7	**25,450**	19,308	**17,875**	16,083
Finance costs	8	**(43,604)**	(45,778)	**(11,356)**	(10,832)
Profit from continuing operations before income tax		**475,719**	695,345	**387,919**	333,174
Income tax (expense)/benefit	10	**(151,258)**	(145,327)	**10,482**	5,835
Profit from continuing operations		**324,461**	550,018	**398,401**	339,009
Profit/(loss) from discontinued operation	11	**(6,295)**	3,148	**–**	–
Profit for the year		**318,166**	553,166	**398,401**	339,009
Attributable to:					
Members of Oxiana Limited	26	**305,800**	553,166	**398,401**	339,009
Minority interest	26	**12,366**	–	**–**	–
Profit for the year		**318,166**	553,166	**398,401**	339,009

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	35	**20.24**	40.14
Diluted earnings per share	35	**18.83**	37.04
Continuing operations			
Basic earnings per share	35	**20.66**	39.91
Diluted earnings per share	35	**19.21**	36.83

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

BALANCE SHEETS
31 December 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Oxiana Limited 2007 $'000	Oxiana Limited 2006 $'000
Assets					
Current assets					
Cash and cash equivalents	12	**246,108**	670,851	**59,084**	105,871
Receivables	13	**111,670**	33,309	**671,154**	475,612
Inventories	14	**88,126**	71,393	**–**	–
Derivative financial instruments	37	**416**	1,017	**–**	–
Other assets	15	**5,651**	2,769	**95**	110
Total current assets		**451,971**	779,339	**730,333**	581,593
Non-current assets					
Receivables	13	**–**	–	**–**	171,666
Available-for-sale financial assets	16	**38,500**	14,802	**13,055**	10,840
Other financial assets	17	**–**	–	**778,232**	195,336
Investments accounted for using the equity method	18	**148,347**	6,591	**–**	–
Property, plant and equipment	19	**1,739,687**	929,236	**6,619**	2,505
Intangible assets	20	**46,788**	2,701	**1,223**	2,263
Deferred tax assets	10	**492**	5,576	**26,741**	–
Derivative financial instruments	37	**–**	1,140	**–**	–
Other assets	15	**1,610**	–	**–**	–
Total non-current assets		**1,975,424**	960,046	**825,870**	382,610
Total assets		**2,427,395**	1,739,385	**1,556,203**	964,203
Liabilities					
Current liabilities					
Trade and other payables	21	**141,216**	106,055	**16,986**	6,301
Interest bearing liabilities	22	**154,421**	207,946	**11**	10
Current tax liabilities		**101,659**	87,053	**–**	24,919
Provisions	24	**14,097**	8,613	**2,968**	1,732
Derivative financial instruments	37	**1,582**	–	**–**	–
Other liabilities	23	**–**	–	**–**	306
Total current liabilities		**412,975**	409,667	**19,965**	33,268
Non-current liabilities					
Interest bearing liabilities	22	**266,409**	219,674	**104,114**	111,949
Deferred tax liabilities	10	**119,728**	62,812	**–**	2,711
Provisions	24	**58,480**	42,652	**654**	499
Derivative financial instruments	37	**4,527**	–	**–**	–
Total non-current liabilities		**449,144**	325,138	**104,768**	115,159
Total liabilities		**862,119**	734,805	**124,733**	148,427
Net assets		**1,565,276**	1,004,580	**1,431,470**	815,776
Equity					
Contributed equity	25	**1,056,681**	608,475	**1,056,681**	608,475
Treasury shares	26	**(2,583)**	–	**(2,583)**	–
Reserves	26	**(97,177)**	(31,766)	**(109,835)**	(24,725)
Accumulated profits	26	**566,084**	427,871	**487,207**	232,026
Total equity attributable to members of Oxiana Limited		**1,523,005**	1,004,580	**1,431,470**	815,776
Minority interest	26	**42,271**	–	**–**	–
Total equity		**1,565,276**	1,004,580	**1,431,470**	815,776

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

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2007

		Consolidated		Oxiana Limited	
	Note	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Amounts recognised directly in equity					
Exchange differences on translation into presentation currency	26	**(90,818)**	(62,406)	**(113,350)**	(57,009)
Net change in fair value of available for sale financial assets, net of tax	26	**6,671**	1,272	**555**	1,309
Changes in fair value of cash flow hedges, net of tax	26	**(8,688)**	7,185	**–**	–
Net expense recognised directly in equity		**(92,835)**	(53,949)	**(112,795)**	(55,700)
Profit for the year		**318,166**	553,166	**398,401**	339,009
Total recognised income for the year		**225,331**	499,217	**285,606**	283,309
Attributable to:					
Members of Oxiana Limited		**212,965**	499,217	**285,606**	283,309
Minority interest		**12,366**	–	**–**	–
Total recognised income for the year		**225,331**	499,217	**285,606**	283,309

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

CASH FLOW STATEMENTS

For the year ended 31 December 2007

		Consolidated		Oxiana Limited	
	Note	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**1,132,714**	1,268,611	**–**	–
Payments to suppliers and employees (inclusive of goods and services tax)*		**(533,224)**	(443,421)	**(61,262)**	(38,529)
Interest received		**21,617**	18,824	**5,209**	4,890
Interest paid		**(33,864)**	(36,605)	**(5,589)**	(7,454)
Income tax paid		**(120,521)**	(14,431)	**(58,710)**	(5,113)
Net cash inflow/(outflow) from operating activities	34	**466,722**	792,978	**(120,352)**	(46,206)
Cash flows from investing activities					
Payments for capitalised exploration and evaluation		**(17,217)**	(32,141)	**–**	–
Payments for property, plant and equipment and development		**(696,261)**	(189,394)	**(6,420)**	(3,966)
Proceeds from fixed asset disposal		**677**	–	**898**	–
Payments for purchase of subsidiaries		**(15,945)**	–	**(15,724)**	–
Cash acquired on purchase of subsidiaries		**7,383**	–	**–**	–
Equity raising by partly owned subsidiary		**6,131**	–	**–**	–
Cash outflow on disposal of subsidiary		**(13,451)**	–	**–**	–
Proceeds from sale of subsidiary		**16,500**	–	**–**	–
Payments for purchase of investments		**(3,299)**	(3,216)	**(1,492)**	(2,606)
Proceeds from sale of investments		**206**	–	**206**	–
Loans (to)/from subsidiaries and associates		**–**	–	**(42,076)**	21,708
Dividend received from subsidiaries		**–**	–	**240,294**	120,126
Net cash inflow/(outflow) from investing activities		**(715,276)**	(224,751)	**175,686**	135,262
Cash flows from financing activities					
Gross proceeds from issues of shares		**3,910**	3,741	**3,910**	3,741
Proceeds from borrowings		**228,102**	–	**–**	–
Repayment of borrowings		**(220,033)**	(22,141)	**–**	–
Payments for capitalised finance costs		**(10,683)**	–	**–**	–
Finance lease payments		**(733)**	(576)	**(54)**	(10)
Payments for derivative financial instruments		**(18,322)**	–	**–**	–
Dividends paid to Company's shareholders		**(96,520)**	(38,609)	**(96,520)**	(38,609)
Net cash inflow/(outflow) from financing activities		**(114,279)**	(57,585)	**(92,664)**	(34,878)
Net increase/(decrease) in cash and cash equivalents		**(362,833)**	510,642	**(37,330)**	54,178
Cash and cash equivalents at 1 January		**670,851**	167,849	**105,871**	54,378
Effects of exchange rate changes on cash and cash equivalents		**(61,910)**	(7,640)	**(9,457)**	(2,685)
Cash and cash equivalents at 31 December	12	**246,108**	670,851	**59,084**	105,871

* Includes payments for exploration and evaluation expensed by the Group of $37,749,000 (2006: $20,822,000)

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

1. Reporting entity

Oxiana Limited ('the Company') is a company domiciled in Australia. The address of the Company is 31 Queen Street, Melbourne, Victoria 3000, Australia. The consolidated financial statements of the Company as at and for the financial year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in the exploration for, and the mining and processing of, copper, zinc and gold and other minerals into both metal and metal in concentrates.

2. Basis of preparation

(a) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations), adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation in the current year.

The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial statements were approved by the Board of Directors on 20 February 2008.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit and loss are measured at fair value; and
- available-for-sale financial asset are measured at fair value.

The methods used to measure fair values are discussed further in notes 3 and 5.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian Dollars. The functional currency of the Company is United States Dollars, which is the functional currency of the majority of the Group. For those entities in the Group which do not have a functional currency of United States Dollars, the functional currency is mainly Australian Dollars.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 5 and in the following notes:

- Note 10 – utilisation of tax losses
- Note 22 – accounting for arrangements containing a lease
- Notes 24 and 38 – provisions and contingencies
- Note 25 – measurement of share-based payments
- Note 30 – business combinations
- Note 31 – valuation of associates
- Note 37 – valuation of financial instruments

3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial reports are set out below. The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Principles of consolidation

(i) Subsidiaries

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

Subsidiaries are consolidated from the date on which control is transferred to the Group until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer note 3(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

Investments in subsidiaries are carried at their acquisition cost in the individual financial statements of the Company, less any provision for impairment.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Group's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

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

Jointly controlled assets

Where material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 32.

Joint venture entities

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

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

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Foreign currency translation

(i) Functional and presentation currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Oxiana Limited is United States Dollars. Items included in each of the Group's entities are measured using the functional currency in which the entity operates.

A reporting entity's presentation currency is the currency in which the entity chooses to present its financial reports. Accordingly, the presentation currency may differ to the entity's functional currency. The presentation currency of the Company and the Group is Australian Dollars because the Australian Dollar remains the predominant currency of the majority of the Group's shareholders.

(ii) Transactions and balances

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

Translation differences on non-monetary assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Revenue recognition

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

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

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

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

(i) Gold, copper and metal in concentrate sales

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

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

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

(ii) Interest

Revenue is recognised as the interest accrues (using the effective interest method where applicable).

(iii) Other Income

Other income consists of dividends, realised and unrealised foreign exchange gains and other minor items of income.

(iv) Dividends

Dividends are recognised when the right to receive payment is established.

(e) Income tax

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

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

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

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

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

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

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

3. Summary of significant accounting policies continued

Tax Consolidation
Oxiana Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004 and are therefore taxed as a single entity from that date.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 10.

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

(f) Leases
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer notes 22 and 39). Finance leases are capitalised at the lease inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as interest bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease are depreciated over the shorter of the asset's useful life and the lease term.

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

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

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

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of impairment at each reporting date.

(i) Cash and cash equivalents
For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables other than concentrate sales receivables are due for settlement within 30 days from the date of recognition. Concentrate sales receivables are recognised in accordance with note 3(d).

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

(k) Inventories
Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

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

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

(m) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity investments, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (note 13).

(iii) Held-to-maturity investments

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

(iv) Available for sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

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

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

Subsequent measurement

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

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

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

Fair values

The fair values of quoted investments are based on quoted bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

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

(n) Derivatives

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 37. Movements in the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedged fixed rate borrowings attributable to the interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

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

3. Summary of significant accounting policies continued

(ii) Cash flow hedges

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

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

(iv) Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in the income statement. The Group's sales of metal in concentrate generally contain an embedded derivative that is required to be separated from the host contract. These are discussed in note 3(d) above.

(o) Fair value estimation

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

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

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

(p) Property, plant and equipment

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

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

Assets other than mining property and development and mine rehabilitation are depreciated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings and other infrastructure assets — 10–13 years
- Plant and equipment — 3–5 years
- Leasehold improvements — 5 years

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

The depreciation of mining assets (being mining property and development, mining plant and equipment, and mine rehabilitation) commences when the mine starts commercial production. Depreciation of mining property and development assets and mine rehabilitation assets are calculated on the basis of units of mine production.

Depreciation is based on assessments of proven and probable reserves and a proportion of resources available to be mined by the current production equipment to the extent that such resources are considered to be economically recoverable.

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

Assets that have a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less cost to sell and its value in use. For the purpose of assessing impairment, assets are grouped together at the lowest level for which there is a separately identifiable cash inflow. These groups are referred to as cash generating units.

The asset's value in use is the net amount expected to be recovered through the cash flows arising from its continued use and subsequent disposal, or arising on the sale of an asset held for resale. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment in the carrying amount is recognised as an expense in the income statement in the reporting period in which the recoverable amount write down occurs. Where this assessment indicates a loss in value of the assets of an operation, an appropriate write down is made. No assets are carried in excess of their recoverable amount. The recoverable amount of the Group's operations is subject to cyclical variation because of changes in internationally determined metal prices and exchange rates.

(q) Overburden and waste removal

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

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

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

Deferred stripping costs form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Depreciation of deferred stripping costs is included in depreciation of property, plant and equipment.

(r) Exploration and evaluation expenditure

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal right to explore an area are recognised in the income statement. Exploration and evaluation assets are classified as tangible (as part of property plant and equipment) or intangible according to the nature of the assets. As the assets are not yet ready for use, they are not depreciated.

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

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or

(ii) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy note 3(h). For the purposes of the impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating units shall not be larger than the area of interest.

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

(s) Intangible assets

(i) Goodwill

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

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

(ii) IT development and software

Costs incurred in developing IT systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services and direct payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over the useful life, ranging from 3 to 5 years.

(t) Trade and other payables

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

(u) Borrowings

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

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- unwinding of discounts related to the mine rehabilitation provision;
- amortisation of discounts or premiums relating to borrowings
- accretion of the conversion option in the convertible note; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

(w) Provisions

Provisions for legal claims and other liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(x) Rehabilitation and restoration

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

Significant uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in environmental legislation and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in mining property and development assets. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

At each reporting date, the rehabilitation liability is remeasured in line with changes in discount rates and timing or amounts of the costs to be incurred. Rehabilitation and restoration provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the income statement.

3. Summary of significant accounting policies continued

Changes to capitalised cost result in an adjustment to future depreciation charges.

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

(y) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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

(ii) Long service leave

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

(iii) Retirement benefit obligations

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

(iv) Share-based payments

Share-based compensation benefits are provided to Directors and certain employees via the Executive Share Option Plan, Performance Rights Plan and Oxiana Employee Share Plan. Information relating to these schemes is set out in note 25.

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

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

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

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

(v) Bonus entitlements

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

(z) Contributed equity

Ordinary shares are classified as equity.

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from accumulated profits.

(aa) Dividends

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

(ab) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(ac) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher amount determined in accordance with AASB137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

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

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

(ad) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case, it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office. The net of GST payable and receivable is remitted to the appropriate tax body in accordance with legislative requirements.

(ae) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, the nearest dollar.

(af) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2007 reporting periods and have not been applied in preparing the Group's consolidated financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

- Interpretation 11 AASB 2 *Share Based Payments – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group's 2008 financial report. The potential effect of the Interpretation on the Group's financial report has not yet been determined.

- AASB 8 *Operating Segments* introduces the 'management approach' to segment reporting. AASB 8, which becomes mandatory for the Group's 31 December 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments. AASB 8 is not expected to have any material effect on the financial report.
- Revised AASB 101 *Presentation Of Financial Statements* introduces as a financial statement (formerly 'primary' statement) the 'statement of comprehensive income'. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 31 December 2009 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

Other new standards published, but not mandatory for annual reporting periods ended 31 December 2007, are not expected to have an impact on the financial statements of the Group or Company.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and commodity price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as commodity put option contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by a centralised treasury department (Group Treasury) in accordance with policies approved by the Board of Directors. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. Board approved policies cover each of the specific risk management areas.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group has a material exposure to the AUD/USD exchange rate due to the AUD payables from its Australian operations.

The Group does not make use of derivative financial instruments to hedge foreign exchange risk arising from normal operations, but does hedge certain development costs from the appreciating AUD by purchasing currency options.

(ii) Commodity price risk

The Group is exposed to commodity price risk. This arises from sale of metal products such as copper, zinc, lead, gold and silver, which are priced on, or benchmarked to, open market exchanges.

Typically, the Group does not make use of derivative financial instruments to hedge commodity price risk; however, a group entity Lane Xang Minerals Limited (LMXL) is required to hedge 35% of its forecast gold price exposure out to June 2009 in accordance with the conditions of its debt funding facility. LXML has purchased gold put options with a minimum strike price of US$370/oz to satisfy this requirement. The purchase of gold put options has the economic effect of providing a minimum price for a proportion of the Group's gold sales by giving the Group the right (but not the obligation) to sell an agreed amount of Gold at a fixed price on a future date. If exercised, these put options are cash settled in USD. The fair value of put options is derived using an option pricing model and prevailing market conditions existing at the balance date.

The Group accounts for its put options as cash flow hedges. The fair value of the put options at 31 December 2007 is discussed in note 37.

(iii) Interest rate risk

Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade and through investment of surplus cash. The Group has a policy in place to ensure that sales of products are made to customers with appropriate credit worthiness and limits the amount of credit exposure to any one customer. The Group also has a policy in place to ensure that surplus cash is invested with financial institutions of appropriate credit worthiness and limits the amount of credit exposure to any one counterparty.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient assets to meet liabilities as they fall due. Group Treasury ensures that the Group can meet its financial obligations as they fall due by maintaining sufficient reserves of cash and marketable securities to meet forecast cash outlays. Short-term cash flows are re-estimated for the Group on a weekly basis, with long-term cash flows re-estimated on a monthly basis.

(d) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk arising from its long-term interest bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate hedging policy does not require a fixed and pre-determined proportion of its interest rate exposure to be hedged. Any decision to hedge interest rate risk will be assessed at the inception of each floating rate debt facility in light of the overall Group exposure, the prevailing interest rate market and any funding counterparty requirements.

The Group currently manages a proportion of its cash flow interest rate risk through the use of floating to fixed interest rate swaps, which have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with hedge counterparties to exchange at specified intervals (semi annually) the difference between fixed contract rates and floating rate interest amounts, calculated with reference to the agreed notional principal amount.

The Group entity LXML was required to hedge 75% of its floating rate debt exposure in accordance with the conditions of its debt funding facility at the inception of that debt facility.

The Group accounts for its interest rate swaps as cash flow hedges. The fair value of the interest rate swaps at 31 December 2007 is disclosed in note 37.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting judgements

(i) Functional currency

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 to consider a number of factors, including the currency that mainly influences sales prices, costs of production, and competitive forces and regulations that impact sales prices. In addition, consideration must be given to the currency in which financing and operating activities are undertaken.

(b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Valuation of assets and liabilities in a business combination

Management has applied estimates and judgements in order to determine the value of assets, liabilities and contingent liabilities acquired by way of a business combination.

The value of the assets, liabilities and contingent liabilities recognised at acquisition date are disclosed at fair value on acquisition. In determining fair value, management has utilised valuation methodologies, including discounted cash flow analysis and an adjusted market value based approach.

5. Critical accounting estimates and judgements continued

The assumptions made in performing this valuation include assumptions as to discount rates, foreign exchange rates, commodity prices, the timing of development, capital costs and future operating costs.

(ii) Impairment of assets

The recoverable amount of each 'cash generating unit' and investments in associates is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with accounting policy 3(h). These calculations require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

(iii) Mine rehabilitation provision

The Group assesses its mine rehabilitation provision in accordance with the accounting policy note stated in note 3(x). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine sites. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates.

When these factors change in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

(iv) Fair values of derivative financial instruments

The Group assesses the fair value of its gold put options, currency put options and interest rate swaps half-yearly in accordance with the accounting policy stated in note 3(o). Fair values have been determined based on well established option pricing models and market conditions existing at the balance date. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, gold prices and volatilities could have a significant impact on the fair valuation attributed to the Group's gold put options and interest rate swaps.

When these assumptions change in the future, such differences will impact asset carrying values and the hedging reserve and/or income statement in the period in which they change or become known.

(v) Units of production method of depreciation

The Group applies the units of production method for depreciation of its mine assets. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the proven and probable reserves and proportion of resources and the production capacity of the plants to be depreciated under this method. Factors that must be considered in determining reserves and resources and production capacity are the Group's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets and future developments.

When these factors change or become known in the future, such differences will impact pre-tax profit and asset carrying values.

(vi) Income taxes

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

(vii) Share-based payments

The Group is required to use assumptions in respect of the fair value models, and the variable elements in these models, used in determining the share based payments in respect of employees in accordance with the requirements of AASB 2 *Share-based Payment*. These share-based payments are outlined in note 3(y) Employee benefits.

(viii) Ore reserve estimates

The estimated quantities of economically recoverable reserves are based upon interpretations of geological and geophysical models and require assumptions to be made requiring factors such as estimates of future operating performance, future capital requirements, short- and long-term commodity prices, and short- and long-term exchange rates. The Group is required to determine and report ore reserves in Australia under the principles incorporated in the Australian Code for Reporting of Mineral Resources and Ore Reserves December 2004, (the JORC Code). The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Changes in reported reserve estimates can impact the carrying value of property, plant and equipment, provisions for rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the income statement.

6. Segment Information

(a) Primary reporting – business segments

The Group is organised into the following business segments:

- Sepon Gold operations – exploration, development and mining of gold;
- Sepon Copper operations – exploration, development and mining of copper;
- Oxiana Golden Grove operations – exploration, development and mining of zinc, copper and precious metal concentrates;
- Oxiana Prominent Hill – exploration, development and construction of a copper and gold mine;
- Martabe – feasibility evaluation of the Martabe gold project;
- Other – including revenues and expenses associated with general corporate office activities, none of which is a separately reportable segment.

Primary reporting	Business segments							
2007	Sepon Gold $'000	Sepon Copper $'000	Oxiana Golden Grove $'000	Oxiana Prominent Hill $'000	Martabe $'000	Other $'000	Elimination $'000	Consolidated $'000
External revenue	89,035	513,550	494,864	–	–	–	–	1,097,449
Segment revenue	**89,035**	**513,550**	**494,864**	**–**	**–**	**–**	**–**	**1,097,449**
Cost of goods sold	(53,425)	(101,195)	(188,349)	–	–	–	–	(342,969)
Depreciation and amortisation	(33,444)	(25,110)	(40,416)	43	(72)	(2,191)	–	(101,191)
Other income and expense	(13,605)	(29,146)	(39,045)	(14,385)	(3,350)	(58,003)	–	(157,534)
Segment result	**(11,439)**	**358,100**	**227,054**	**(14,342)**	**(3,422)**	**(60,194)**	**–**	**495,755**
Share of net loss of associates and joint ventures accounted for using the equity method						(1,882)	–	(1,882)
Profit before net financing costs and income tax	**(11,439)**	**358,100**	**227,054**	**(14,342)**	**(3,422)**	**(62,076)**	**–**	**493,873**
Net financing costs								(18,154)
Profit from continuing operations before income tax								**475,719**
Income tax expense								(151,258)
Profit from continuing operations								**324,461**
Loss from discontinued operations								(6,295)
Net profit after tax								**318,166**
Segment assets	168,492	501,722	389,260	650,113	322,195	246,775	–	2,278,557
Investment in equity accounted investees	–	–	–	–	–	148,347	–	148,347
Intersegment assets	–	–	–	–	–	1,283,163	(1,283,163)	–
	168,492	**501,722**	**389,260**	**650,113**	**322,195**	**1,678,286**	**(1,283,163)**	**2,426,904**
Unallocated assets								492
Total assets								**2,427,395**
Segment liabilities	52,305	96,441	91,420	42,346	13,651	146,755	–	442,918
Intersegment liabilities	1,148	2,132	250,879	537,449	22,554	469,001	(1,283,163)	–
	53,453	**98,573**	**342,299**	**579,796**	**36,205**	**615,756**	**(1,283,163)**	**442,918**
Unallocated liabilities								419,201
Total liabilities								**862,119**
Acquisition of property, plant, equipment	38,189	70,922	104,844	483,546	22,515	6,629	–	**726,645**

6. Segment Information continued

Primary reporting			Business segments				
2006	Sepon Gold $'000	Oxiana Sepon Copper $'000	Oxiana Golden Grove $'000	Prominent Hill $'000	Other $'000	Elimination $'000	Consolidated $'000
External revenue	145,894	560,994	568,321	–	–	–	1,275,209
Segment revenue	**145,894**	**560,994**	**568,321**	**–**	**–**	**–**	**1,275,209**
Cost of goods sold	(83,549)	(100,135)	(153,532)	–	–	–	(337,216)
Depreciation and amortisation	(37,746)	(26,977)	(37,773)	(130)	(2,735)	–	(105,361)
Other income and expense	(15,917)	(24,815)	(42,099)	(4,505)	(23,299)	–	(110,635)
Segment result	**8,682**	**409,067**	**334,917**	**(4,635)**	**(26,034)**	**–**	**721,997**
Share of net profit of associates and joint ventures accounted for using the equity method					(182)	–	(182)
Profit before net financing costs and income tax	**8,682**	**409,067**	**334,917**	**(4,635)**	**(26,216)**	**–**	**721,815**
Net financing costs							(26,470)
Profit from continuing operations before income tax							**695,345**
Income tax expense							(145,327)
Profit from continuing operations							**550,018**
Profit from discontinued operations							3,148
Net profit after tax							**553,166**
Segment assets	233,673	582,743	543,906	227,996	138,900	–	1,727,218
Investment in equity accounted investees	–	–	–	–	6,591	–	6,591
Intersegment assets	–	–	–	–	681,793	(681,793)	–
	233,673	**582,743**	**543,906**	**227,996**	**827,284**	**(681,793)**	**1,733,809**
Unallocated assets							5,576
Total assets							**1,739,385**
Segment liabilities	65,480	56,806	58,437	29,871	145,737	–	356,331
Intersegment liabilities	122,185	226,915	201,391	89,289	42,013	(681,793)	–
	187,665	**283,721**	**259,828**	**119,160**	**187,750**	**(681,793)**	**356,331**
Unallocated liabilities							378,474
Total liabilities							**734,805**
Acquisition of property, plant, equipment	24,665	45,805	38,842	123,383	5,470	–	**238,165**

6. Segment Information continued

(b) Secondary reporting – geographical segments

The Group operates in Australia, Europe, Indonesia and Laos. The following table presents certain information regarding the geographical segments.

Secondary reporting	Geographical segments					
	Segment revenues from sales to external customers		Segments assets		Acquisitions of non-current assets	
Geographical segments	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Australia	**494,864**	568,321	**1,425,963**	914,237	**595,019**	167,694
Europe	**–**	–	**8,531**	3,156	**–**	–
Indonesia	**–**	–	**322,195**	–	**22,515**	–
Laos	**602,585**	706,888	**670,214**	816,416	**109,111**	70,471
Unallocated	**–**	–	**492**	5,576	**–**	–
Total	**1,097,449**	1,275,209	**2,427,395**	1,739,385	**726,645**	238,165

(c) Notes to and forming part of the segment information

(i) Accounting Policies

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in note 3 and Accounting Standard AASB 114 *Segment Reporting*. Comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of cash, receivables, inventory, and property, plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements, and mine rehabilitation provisions. Segment assets and liabilities do not include income taxes or interest bearing liabilities.

(ii) Inter-Segment Transfers

Segment income, expenses and results include transfers between segments. Such transfers are priced on an 'arm's length' basis and are eliminated on consolidation.

7. Revenue

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
From continuing operations				
Sales revenue	**1,218,963**	1,431,250	**–**	–
Discounts and pricing adjustments	**(22,682)**	53,405	**–**	–
Refining and distribution costs	**(98,832)**	(209,446)	**–**	–
	1,097,449	1,275,209	**–**	–
Other income				
Dividends	**–**	–	**347,974**	310,592
Realised foreign exchange gains	**1,874**	3,905	**–**	–
Unrealised foreign exchange gains	**69,744**	49,805	**67,505**	48,999
Other income	**1,028**	–	**355**	–
	72,646	53,710	**415,834**	359,591
Interest revenue				
External interest revenue	**25,450**	19,308	**4,932**	5,350
Interest revenue from controlled entities	**–**	–	**12,943**	10,733
	25,450	19,308	**17,875**	16,083
Total revenue and other income	**1,195,545**	1,348,227	**433,709**	375,674

8. Expenses

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Profit/(Loss) before income tax includes the following specific expenses:				
Finance costs				
Interest costs	**36,049**	39,762	**7,585**	7,131
Accretion of interest on convertible note	**3,369**	3,369	**3,369**	3,369
Finance lease charges	**321**	301	**2**	–
Unwinding of discount on mine rehabilitation provision	**2,577**	2,014	**–**	–
Other borrowing costs	**1,288**	332	**400**	332
Total finance costs	**43,604**	45,778	**11,356**	10,832
Depreciation and amortisation				
Plant and equipment	**38,418**	52,254	**663**	356
Leasehold improvements	**277**	184	**275**	183
Buildings and other infrastructure assets	**17,449**	9,036	**–**	–
Mining property and development assets	**42,142**	41,101	**–**	–
Mine rehabilitation assets	**1,722**	2,140	**–**	–
Total depreciation and amortisation – Property, plant and equipment	**100,008**	104,715	**938**	539
Intangible assets	**1,183**	646	**885**	537
Total depreciation and amortisation	**101,191**	105,361	**1,823**	1,076
Foreign exchange losses				
Realised foreign exchange losses	**55**	11,070	**–**	10,709
Unrealised foreign exchange losses	**75,863**	30,245	**–**	–
Total foreign exchange losses	**75,918**	41,315	**–**	10,709
Financial instrument losses				
Premium expense on foreign exchange options	**1,295**	–	**–**	–
Premium expense on gold put options	**62**	2,639	**–**	–
Total financial instrument losses	**1,357**	2,639	**–**	–
Net gain/(loss) on disposal of non-current assets				
Available for sale financial assets	**136**	–	**136**	–
Property, plant and equipment	**(2,115)**	(1,901)	**–**	–
Total net gain/(loss) on disposal of non-current assets	**(1,979)**	(1,901)	**136**	–
Rental expense relating to operating leases				
Minimum lease payments	**1,249**	971	**2**	–
Total rental expense relating to operating leases	**1,249**	971	**2**	–
Share based compensation expenses				
Performance rights	**3,563**	4,186	**3,563**	4,186
Executive retention shares	**1,413**	–	**1,413**	–
Executive share options	**4,690**	5,561	**4,690**	5,561
Total share based compensation expenses	**9,666**	9,747	**9,666**	9,747
Defined contribution supejn expense	**5,239**	4,242	**1,129**	945

9. Profit on disposal of controlled entities

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Nova Energy Limited	**–**	–	**–**	–
Oxiana Energy Pty Ltd	**–**	6,773	**–**	9,000
Oxiana Philippines Inc	**–**	–*	**–**	(944)
Profit on sale of controlled entities	**–**	6,773	**–**	8,056
2007 Disposal of controlled entities				
Nova Energy Limited				
Consideration (shares)	**143,343**	–	**143,343**	–
Less carrying amount of controlled entity	**(143,343)**	–	**(143,343)**	–
	–	–	**–**	–
Less income tax	**–**	–	**–**	–
Less interest retained through investment in Toro Energy Limited	**–**	–	**–**	–
Net profit/(loss) on disposal of controlled entity	**–**	–	**–**	–
2006 Disposal of controlled entities				
Oxiana Energy Pty Ltd				
Consideration (shares)	**–**	9,000	**–**	9,000
Less carrying amount of controlled entity	**–**	–	**–**	–
	–	9,000	**–**	9,000
Less income tax	**–**	–	**–**	–
Less interest retained through investment in Toro Energy Limited	**–**	(2,227)	**–**	–
Net profit/(loss) on disposal of controlled entity	**–**	6,773	**–**	9,000
Oxiana Philippines Inc				
Consideration (shares)	**–**	5,000	**–**	5,000
Less carrying amount of controlled entity	**–**	(1,826)	**–**	(5,944)
	–	3,174	**–**	(944)
Less income tax	**–**	–	**–**	–
Net profit/(loss) on disposal of controlled entity	**–**	3,174	**–**	(944)

* The profit on sale of Oxiana Philippines Inc is disclosed separately as a discontinued operation.

Nova Energy Limited
Oxiana acquired a 57% interest in Nova Energy Limited ('Nova'), a controlled entity as part of the acquisition of Agincourt Limited and its subsidiaries in March 2007. In October 2007 Nova was acquired by Toro Energy Limited ('Toro') in an off-market takeover bid. Oxiana accepted the takeover offer and disposed of all of its shares in Nova and received 191,517,860 shares in Toro. As a result, the Oxiana Group now holds a 46% investment in Toro, which is accounted for as an investment in associate.

Oxiana Energy Pty Ltd
During 2006 the Group disposed of its interest in a wholly owned controlled entity, Oxiana Energy Pty Ltd, which holds the right to explore for, mine and process uranium on certain mining tenements held by the Group, in exchange for 36,000,000 shares in Toro. The Group retains the right to explore for, mine and process non-uranium minerals on the above mentioned mining tenements.

Oxiana Philippines Inc.
In June 2006 the Group disposed of a controlled entity, Oxiana Philippines Inc., in exchange for 10,000,000 ordinary shares in Royalco Resources Limited, an entity listed on the Australian Stock Exchange.

10. Income tax

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax expense	475,719	695,345	387,919	333,174
add income/(loss) from discontinued operations before income tax expense	(8,993)	3,148	–	–
Profit/(loss) for the period before income tax expense	466,726	698,493	387,919	333,174
Income tax expense (benefit) at the statutory rate of 30% (2006 – 30%)	140,018	209,548	116,376	99,952
Expenditure not deductible for tax	2,180	2,469	522	1,325
Share-based payments	(4,393)	1,281	(4,887)	1,069
Sale of investments not assessable	(41)	(2,042)	(41)	(2,417)
Exempt dividend	–	–	(104,392)	(93,178)
Unrealised foreign exchange gains and losses	(258)	(10,641)	(25,327)	(12,245)
Sundry items	1,748	(1,631)	8,767	(62)
Difference in overseas tax rates	10,735	(51,975)	–	–
Change in overseas tax rates	–	(1,403)	–	–
Prior year tax losses not previously recognised, now recognised	–	(2,782)	–	(2,782)
Under/(over) provision from prior year	(1,429)	2,503	(1,500)	2,503
Income tax expense/(benefit)	148,560	145,327	(10,482)	(5,835)
Income tax expense/(benefit) from continuing operations	151,258	145,327	(10,482)	(5,835)
Tax benefit attributable to discontinued operations	(2,698)	–	–	–
Income tax expense/(benefit)	148,560	145,327	(10,482)	(5,835)
Income tax expense/(benefit) comprises:				
Current tax	61,617	92,586	(5,762)	27,528
Deferred tax	88,372	50,238	(3,220)	(35,866)
Under provision from prior year	(1,429)	2,503	(1,500)	2,503
	148,560	145,327	(10,482)	(5,835)
Deferred income tax expense/(benefit) included in income tax expense comprises:				
(Increase)/decrease in deferred tax asset	(5,804)	36,826	(7,256)	(39,683)
(Decrease)/increase in deferred tax liability	94,176	13,412	4,036	3,817
	88,372	50,238	(3,220)	(35,866)
Amounts of deferred tax expense arising and directly debited or credited to equity:	99	2,538	239	557
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Deductible temporary differences	1,336	534	1,336	534

10. Income tax continued

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
(b) Non-current assets – deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss				
Employee benefits	**3,142**	2,061	**1,515**	1,080
Debt instruments	**–**	(2,100)	**–**	–
Depreciation and amortisation	**828**	4,689	**337**	213
Other provisions	**5,806**	4,892	**–**	–
Other	**2,484**	1,332	**2,283**	4
Tax losses	**6,516**	2,098	**6,516**	2,098
	18,776	12,972	**10,651**	3,395
Amounts recognised directly in equity				
Capital raising costs	**3,599**	3,599	**3,599**	3,599
Employee benefits	**26,471**	–	**26,471**	–
Other	**–**	–	**–**	–
	30,070	3,599	**30,070**	3,599
	48,846	16,571	**40,721**	6,994
Set-off of deferred tax liabilities	**(48,354)**	(10,995)	**(13,980)**	(6,994)
Net deferred tax assets	**492**	5,576	**26,741**	–
Movements:				
Opening balance at 1 January	**16,571**	55,435	**6,994**	36,630
Charged to the income statement	**5,804**	(36,826)	**7,256**	39,683
Charged to equity	**26,471**	(2,038)	**26,471**	–
Transfer of deferred tax balances to/(from) head entity of the tax consolidated group	**–**	–	**–**	(69,319)
Closing balance before set–off at 31 December	**48,846**	16,571	**40,721**	6,994
Set-off of deferred tax liabilities	**(48,354)**	(10,995)	**(13,980)**	(6,994)
Closing balance at 31 December	**492**	5,576	**26,741**	–

10. Income tax continued

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
(c) Non-current liabilities – deferred tax liabilities				
The balance comprises temporary differences attributable to				
Amounts recognised in profit and loss				
Accruals	74	195	–	–
Debt instruments	2,209	255	2,209	(409)
Depreciation and amortisation	153,180	63,839	–	–
Capital raising costs	2,582	1,667	2,984	2,264
Unrealised foreign exchange	1,917	(1,098)	1,665	–
Other	204	1,132	(991)	(24)
	160,166	65,990	5,867	1,831
Amounts recognised directly in equity				
Convertible note option	7,122	7,122	7,122	7,122
Other	794	695	991	752
	7,916	7,817	8,113	7,874
	168,082	73,807	13,980	9,705
Set-off of deferred tax assets	(48,354)	(10,995)	(13,980)	(6,994)
Net deferred tax liabilities	119,728	62,812	–	2,711
Movements:				
Opening balance at 1 January	73,807	59,895	9,705	5,331
(Credited)/charged to the income statement	94,176	13,412	4,036	3,817
Charged to equity	99	500	239	557
Charged on acquisition of subsidiary	–	–	–	–
Closing balance before set-off at 31 December	**168,082**	73,807	13,980	9,705
Set-off of deferred tax assets	(48,354)	(10,995)	(13,980)	(6,994)
Closing balance at 31 December	**119,728**	62,812	–	2,711

Tax Consolidation
Oxiana Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation from 1 July 2004.

Entities within the tax consolidated group entered into a tax sharing and contribution agreement with the head entity. The tax sharing agreement limits joint and several liability of the wholly owned entities in the case of a default by the head entity. As at balance date, the likelihood of default is seen as remote. The contribution agreement provides for the wholly-owned entities to fully compensate Oxiana Limited for any current tax payable assumed and for Oxiana Limited to compensate the wholly-owned subsidiaries for any current tax receivable and any deferred tax asset relating to unused tax losses or tax credits that are transferred to Oxiana Limited under the tax consolidation legislation.

Change in income tax rate
Effective from 1 January 2007 the income tax rate for the Group's operations in Laos increased from 16.67% to 33.3%.

11. Discontinued operations

On 1 August 2007 the Group sold the Wiluna gold mining and processing operation acquired as part of the Agincourt Resources Ltd acquisition to Apex Minerals NL ('Apex') in exchange for cash, receivables and shares in Apex. The sale of this geographical segment of the Group's operations has been reported in this financial report as a discontinued operation.

In June 2006 the Group disposed of a controlled entity, Oxiana Philippines Inc., in exchange for 10,000,000 ordinary shares in Royalco Resources Limited, an entity listed on the Australian Stock Exchange. Oxiana Philippines Inc. constituted a separate geographical segment of the Group's operations. The sale of this geographical segment of the Group's operations has been reported in this financial report as a discontinued operation.

	Consolidated	
	2007 $'000	2006 $'000
Results from discontinued operation		
Revenue	**28,924**	–
Expenses	**(37,917)**	(26)
Result from operating activities	**(8,993)**	(26)
Income tax benefit	**2,698**	–
Results from operating activities, net of income tax	**(6,295)**	(26)
Profit on sale of discontinued operation	**–**	3,174
Income tax expense	**–**	–
Profit on sale of discontinued operation after income tax	**–**	3,174
Profit/(loss) from discontinued operation	**(6,295)**	3,148
Basic earnings/(loss) per share	**–**	–
Diluted earnings/(loss) per share	**–**	–
Cash flows from/(used in) discontinued operation		
Net cash used in operating activities	**(5,819)**	(26)
Net cash used in investing activities	**(14,378)**	–
Carrying amounts of assets and liabilities sold		
Cash and cash equivalents	**–**	69
Receivables	**–**	24
Property, plant and equipment	**34,675**	4
Non-current assets held for sale	**–**	1,736
Other assets	**2,037**	–
Total assets	**36,712**	1,833
Trade and other payables	**–**	(7)
Other liabilities	**(863)**	–
Mine rehabilitation provision	**(6,676)**	–
Total liabilities	**(7,539)**	(7)
Net assets	**29,173**	1,826
Details of the sale		
Consideration received – cash/receivables	**19,173**	5,000
Consideration received – shares in Apex Minerals NL	**10,000**	–
Total consideration	**29,173**	5,000
Less carrying amount of net assets sold	**(29,173)**	(1,826)
Profit on sale before income tax	**–**	3,174
Income tax expense	**–**	–
Profit on sale of discontinued operation after income tax	**–**	3,174

12. Cash and cash equivalents

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Cash at bank and on hand	**57,618**	94,514	**24,869**	17,308
Deposits at call	**188,490**	576,337	**34,215**	88,563
	246,108	670,851	**59,084**	105,871

13. Receivables

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current				
Trade receivables	**49,895**	31,773	**–**	–
Other debtors	**61,775**	1,536	**35,374**	913
Loans to controlled entities	**–**	–	**635,780**	474,699
	111,670	33,309	**671,154**	475,612
Non-current				
Loans to controlled entities	**–**	–	**–**	171,666

14. Inventories

Current				
At cost				
Raw materials and stores	**52,371**	45,953	**–**	–
Work in progress	**5,833**	6,103	**–**	–
Finished goods	**29,922**	19,337	**–**	–
	88,126	71,393	**–**	–

15. Other assets

Current				
Prepayments	**5,651**	2,769	**95**	110
	5,651	2,769	**95**	110
Non-Current				
Other	**1,610**	–	**–**	–
	1,610	–	**–**	–

16. Available for sale financial assets

Non-current				
Investments in listed Australian securities	**29,969**	11,646	**13,055**	10,840
Investment in foreign listed security	**8,531**	3,156	**–**	–
	38,500	14,802	**13,055**	10,840
Reconciliation of movement				
Carrying amount at 1 January	**14,802**	5,309	**10,840**	2,710
Additions	**16,512**	7,848	**1,487**	6,260
Disposals	**(145)**	–	**(145)**	–
Revaluations	**7,331**	1,645	**873**	1,870
At 31 December	**38,500**	14,802	**13,055**	10,840

All of the Group's Australian equity investments are listed on the Australian Stock Exchange and the foreign security is listed on the Alternative Investment Market of the London Stock Exchange. The average annual movement in the S&P/ASX Small Ordinaries index over the last 5 years was 21.0% and that of the FTSE AIM index was 12.9%. A 21.0% increase/(decrease) in the value of the Australian securities and a 12.9% increase/(decrease) in the value of the London securities would have increased/(decreased) Group equity by $7,394,000 (2006 $2,853,000).

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
17. Other financial assets				
Investments in subsidiaries and joint ventures at cost	**–**	–	**776,004**	192,064
Less provision for impairment	**–**	–	**(6,772)**	(5,728)
	–	–	**769,232**	186,336
Investment in associate at cost	**–**	–	**9,000**	9,000
Net other financial assets	**–**	–	**778,232**	195,336
18. Investments accounted for using the equity method				
Toro Energy Limited (refer note 31)	**148,347**	6,591	**-**	-
19. Property, plant and equipment				
Buildings and other infrastructure				
At cost	**110,586**	98,070	**–**	–
Accumulated depreciation	**(29,028)**	(13,642)	**–**	–
Total buildings and other infrastructure	**81,558**	84,428	**–**	–
Leasehold improvements				
At cost	**1,509**	1,552	**1,500**	1,543
Accumulated amortisation	**(490)**	(273)	**(485)**	(270)
Total leasehold improvements	**1,019**	1,279	**1,015**	1,273
Plant and equipment				
At cost	**480,921**	471,595	**6,496**	1,562
Accumulated depreciation	**(118,840)**	(91,709)	**(892)**	(367)
Total plant and equipment	**362,081**	379,886	**5,604**	1,194
Mining property and development assets[1]				
At cost	**1,040,973**	475,985	**–**	38
Accumulated depreciation	**(88,453)**	(62,316)	**–**	–
Total mining property and development assets	**952,520**	413,669	**–**	38
Exploration and evaluation assets[2]				
At cost	**302,607**	19,645	**–**	–
Accumulated depreciation	**–**	–	**–**	–
Total exploration and evaluation assets	**302,607**	19,645	**–**	–
Mine rehabilitation assets				
At cost	**45,358**	34,560	**–**	–
Accumulated amortisation	**(5,456)**	(4,231)	**–**	–
Total mine rehabilitation assets	**39,902**	30,329	**–**	–
Total property, plant and equipment	**1,739,687**	929,236	**6,619**	2,505

[1] Includes $650,073,000 (2006: $174,192,000) of development assets under construction relating to the Oxiana Prominent Hill mine development.
[2] Includes $281,962,000 (2006: nil) of exploration and evaluation assets relating to the feasibility evaluation of the Martabe gold project.

19. Property, plant and equipment continued

Consolidated

	Buildings and other infra-structure $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Mining property and development assets $'000	Exploration and evaluation assets $'000	Mine rehabilitation assets $'000	Total $'000
31 December 2006							
Net book amount at 1 January	37,881	203	175,158	594,278	26,020	20,008	853,547
Additions	18,150	1,330	26,118	143,749	32,141	13,676	235,164
Disposals	–	–	(2,865)	(796)	–	–	(3,661)
Transfers	40,186	–	266,358	(268,228)	(38,316)	–	–
Depreciation and amortisation	(9,036)	(184)	(52,254)	(41,101)	–	(2,140)	(104,715)
Foreign currency movement	(2,753)	(69)	(32,629)	(14,233)	(200)	(1,215)	(51,099)
Net book amount at 31 December	84,428	1,279	379,886	413,669	19,645	30,329	929,236
At 31 December 2006							
At cost	98,070	1,552	471,595	475,985	19,645	34,560	1,101,407
Accumulated depreciation	(13,642)	(273)	(91,709)	(62,316)	–	(4,231)	(172,171)
Net book amount	84,428	1,279	379,886	413,669	19,645	30,329	929,236
31 December 2007							
Net book amount at 1 January	84,428	1,279	379,886	413,669	19,645	30,329	929,236
Additions	23,653	151	62,679	608,867	17,217	14,078	726,645
Acquisition via business combination	748	–	15,662	24,590	517,637	878	559,515
Disposals	(988)	(14)	(17,262)	(34,302)	(234,464)	(1,075)	(288,105)
Transfers	(2,826)	–	(3,595)	12,808	(6,387)	–	–
Depreciation and amortisation	(17,449)	(277)	(38,418)	(42,142)	–	(1,722)	(100,008)
Foreign currency movement	(6,008)	(120)	(36,871)	(30,970)	(11,041)	(2,586)	(87,596)
Net book amount at 31 December	81,558	1,019	362,081	952,520	302,607	39,902	1,739,687
At 31 December 2007							
At cost	110,586	1,509	480,921	1,040,973	302,607	45,358	1,981,954
Accumulated depreciation	(29,028)	(490)	(118,840)	(88,453)	–	(5,456)	(242,267)
Net book amount	81,558	1,019	362,081	952,520	302,607	39,902	1,739,687

19. Property, plant and equipment continued

Oxiana Limited

	Buildings and other infra-structure $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Mining property and development assets $'000	Exploration and evaluation assets $'000	Mine rehabilitation assets $'000	Total $'000
31 December 2006							
Net book amount at 1 January	–	203	459	796	–	–	1,459
Additions	–	1,323	1,381	38	–	–	2,741
Disposals	–	–	–	–	–	–	–
Transfers (net)	–	–	–	(796)	–	–	(796)
Depreciation and amortisation	–	(183)	(356)	–	–	–	(539)
Foreign currency movement	–	(70)	(290)	–	–	–	(360)
Net book amount at 31 December	–	1,273	1,194	38	–	–	2,505
At 31 December 2006							
At cost	–	1,543	1,562	38	–	–	3,143
Accumulated depreciation	–	(270)	(367)	–	–	–	(637)
Net book amount	–	1,273	1,194	38	–	–	2,505
31 December 2007							
Net book amount at 1 January	–	1,273	1,194	38	–	–	2,505
Additions	–	151	5,368	833	–	–	6,352
Disposals	–	(14)	(13)	(871)	–	–	(898)
Transfers	–	–	–	–	–	–	–
Depreciation and amortisation	–	(275)	(663)	–	–	–	(938)
Foreign currency movement	–	(120)	(282)	–	–	–	(402)
Net book amount at 31 December	–	1,015	5,604	–	–	–	6,619
At 31 December 2007							
At cost	–	1,500	6,496	–	–	–	7,996
Accumulated depreciation	–	(485)	(892)	–	–	–	(1,377)
Net book amount	–	1,015	5,604	–	–	–	6,619

20. Intangibles

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Computer software				
At cost	**4,786**	3,667	**2,753**	2,978
Accumulated depreciation	**(2,374)**	(966)	**(1,530)**	(716)
Total computer software	**2,412**	2,701	**1,223**	2,263
Goodwill				
At cost	**44,376**	–	**–**	–
Accumulated amortisation	**–**	–	**–**	–
Total goodwill	**44,376**	–	**–**	–
Total intangible assets	**46,788**	2,701	**1,223**	2,263

20. Intangibles continued

	Consolidated			Oxiana Limited		
	Computer Software $'000	Goodwill $'000	Total intangibles $'000	Computer Software $'000	Goodwill $'000	Total intangibles $'000
31 December 2006						
Net book amount at 1 January	263	–	263	133	–	133
Additions – internally developed	3,001	–	3,001	2,565	–	2,565
Additions – business combinations	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Amortisation	(646)	–	(646)	(537)	–	(537)
Foreign currency movement	84	–	84	103	–	103
Net book amount at 31 December	2,701	–	2,701	2,263	–	2,263
At 31 December 2006						
At cost	3,667	–	3,667	2,978	–	2,978
Accumulated depreciation	(966)	–	(966)	(716)	–	(716)
Net book amount	2,701	–	2,701	2,263	–	2,263
31 December 2007						
Net book amount at 1 January	2,701	–	2,701	2,263	–	2,263
Additions – internally developed	910	–	910	68	–	68
Additions – business combinations	260	113,709	113,969	–	–	–
Disposals	–	(69,333)	(69,333)	–	–	–
Impairment losses	–	–	–	–	–	–
Amortisation	(1,183)	–	(1,183)	(885)	–	(885)
Foreign currency movement	(277)	–	(277)	(223)	–	(223
Net book amount at 31 December	2,412	44,376	46,788	1,223	–	1,223
At 31 December 2007						
At cost	4,786	44,376	49,162	2,753	–	2,753
Accumulated depreciation	(2,374)	–	(2,374)	(1,530)	–	(1,530)
Net book amount	2,412	44,376	46,788	1,223	–	1,223

Software

Software includes capitalised development costs being an internally generated intangible asset.

Goodwill

The goodwill has arisen on the acquisition of Agincourt Resources Limited and its subsidiaries during 2007. The goodwill arises due to the recognition of deferred tax liabilities in relation to the fair value of the identifiable net assets acquired, as part of the accounting for the acquisition of Agincourt Resources Limited (refer note 30).

The goodwill is allocated to the Group's Martabe business segment.

21. Trade and Other Payables

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Trade creditors and accruals	**138,584**	101,326	**14,597**	3,825
Interest payable	**1,612**	4,111	**1,370**	1,858
Dividends payable	**1,020**	618	**1,019**	618
	141,216	106,055	**16,986**	6,301

22. Interest bearing liabilities

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current				
Finance lease liabilities[1]	**224**	296	**11**	10
Bank loans – secured – Sepon[2]	**28,741**	41,625	**–**	–
Bank loans – secured – Golden Grove[3]	**–**	166,025	**–**	–
Bank loans – secured – Oxiana Finance[4]	**125,456**	–	**–**	–
	154,421	207,946	**11**	10
Non-current				
Finance lease liabilities[1]	**25**	320	**25**	34
Bank loans – secured – Sepon[2]	**69,613**	107,439	**–**	–
Bank loans – secured – Oxiana Finance[4]	**92,682**	–	**–**	–
Convertible notes[5]	**104,089**	111,915	**104,089**	111,915
	266,409	219,674	**104,114**	111,949

[1] Finance lease liabilities are effectively secured as rights to leased assets revert to the lessor in the event of default.

[2] Amounts that the Group has drawn down on its USD debt facility for the Sepon project. Amounts drawn down under the facility are repayable over 72 months. Interest is payable on the facility at the rate of LIBOR plus a margin. The facility is secured on all the assets of Lane Xang Minerals Limited and Oxiana Resources Laos Limited.

[3] Amounts that the Group has drawn down on its USD debt facility for the acquisition of Golden Grove. Amounts drawn down under the facility are repayable over 12 months. Interest is payable on the facility at the rate of LIBOR plus a margin. The facility is secured on all the assets of Oxiana Golden Grove Pty Ltd.

[4] Amounts that the Group has drawn down on its USD debt facility for the refinancing of the Golden Grove acquisition bridge facility and for the development of the Prominent Hill mine. Amounts drawn down under the facility are repayable over a 5-year term. Interest is payable on the facility at the rate of LIBOR plus a margin, which resets within a 6-month maximum at the discretion of Oxiana. The facility is secured by first ranking fixed and floating charges over the assets of Prominent Hill, Golden Grove and Oxiana Finance.

[5] US$105 million Senior Subordinated Convertible Notes issued in April 2005 (due in 2012), at an interest rate of 5.25% and with a conversion price of US$0.9570 or A$1.0915, and is subject to adjustment under certain events such as the declaration of a dividend. Holders of Oxiana's Convertible Notes have the option to convert the US$105,000,000 bonds into ordinary shares of the Company until 9 April 2012, while Oxiana has the right to redeem the Convertible Notes from 29 April 2009. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at their principal amount on 15 April 2012.

Facilities overview

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Bank loan facilities				
Available facilities	672,445	315,089	–	–
Amount used	316,492	315,089	–	–
Unused facilities	355,953	–	–	–

Terms and debt repayment schedule

Consolidated

				2007 $'000		2006 $'000	
Facility	Currency	Nominal interest rate	Year of Maturity	**Face value**	**Carrying Amount**	Face value	Carrying Amount
Secured bank loan	USD	LIBOR + 1.25%	2012	**228,102**	**218,138**	–	–
Secured bank loan	USD	LIBOR + 2.5%	2011	**102,190**	**98,354**	154,985	149,064
Secured bank loan	USD	LIBOR + 1.6%	2011	**–**	**–**	168,238	166,025
Convertible notes	USD	5.25%	2012	**119,754**	**104,089**	132,844	111,915
Finance lease liabilities	AUD	11.41%	2009	**36**	**36**	44	44
Finance lease liabilities	USD	0.80%	2008	**214**	**214**	572	572
Total interest bearing liabilities				**450,296**	**420,830**	456,683	427,620

Oxiana Limited

Convertible notes	USD	5.25%	2012	**119,754**	**104,089**	132,844	111,915
Finance lease liabilities	AUD	11.41%	2009	**36**	**36**	44	44
Total interest bearing liabilities				**119,790**	**104,125**	132,888	111,959

23. Other financial liabilities

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current				
Financial guarantees	**–**	–	**–**	306

[1] In 2006 the Company had provided financial guarantees, which all expired in 2007, in respect of
(i) a bank borrowing entered into by a subsidiary; and
(ii) leases of subsidiaries up to $50 million.

[2] In 2007 the Company entered into a Deed of Cross Guarantee with certain subsidiaries as described in note 40. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and subsidiaries party to the Deed are set out in note 40.

24. Provisions

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current				
Employee benefits	**13,444**	8,554	**2,968**	1,732
Mine rehabilitation	**653**	59	**–**	–
Total current provisions	**14,097**	8,613	**2,968**	1,732
Non-current				
Employee benefits	**2,999**	2,239	**271**	57
Mine rehabilitation	**55,098**	39,971	**–**	–
Other	**383**	442	**383**	442
Total non-current provisions	**58,480**	42,652	**654**	499

	Employee benefits $'000	**Mine rehabilitation $'000**	**Other $'000**	**Total $'000**
At 1 January 2007	10,793	40,030	442	51,265
Acquisition – business combination	744	9,884	-	10,628
Increase in provisions	8,380	12,990	-	21,370
Paid during the period	(3,427)	(26)	(59)	(3,512)
Unwind of discount (note 8)	–	2,577	–	2,577
Disposals	(47)	(7,407)	–	(7,454)
Foreign currency movement	–	(2,297)	–	(2,297)
At 31 December 2007	16,443	55,751	383	72,577
At 1 January 2006	7,995	25,070	–	33,065
Increase in provisions	6,845	14,920	442	22,207
Paid during the period	(3,903)	(99)	–	(4,002)
Unwind of discount (note 8)	–	2,014	–	2,014
Disposals	–	–	–	–
Foreign currency movement	(144)	(1,875)	–	(2,019)
At 31 December 2006	10,793	40,030	442	51,265

The Group recognises that it has an obligation to rehabilitate its mine sites at Sepon, Golden Grove, Prominent Hill and Martabe at the end of the life of the mine. A provision is recognised for these costs. Mine rehabilitation costs are provided for at the present value of future expected expenditure when the liability is incurred. Although the ultimate cost to be incurred is uncertain, the Group has estimated its costs based on feasibility and engineering studies using current restoration standards and techniques. When this liability is recognised, a corresponding asset is also recognised as a tangible asset in property plant and equipment to the extent that future economic benefits are considered probable.

The expected timing of the usage of this provision at year end is set out below:

	Consolidated	
Year	**2007 $'000**	2006 $'000
Not later than 1 year	**653**	59
Later than 1 year but not later than 5 years	**17,406**	13,056
Later than 5 years	**37,692**	26,915
Total	**55,751**	40,030

25. Contributed equity

	Consolidated and Oxiana Limited			
	2007 Shares	2006 Shares	**2007 $'000**	2006 $'000
(a) Equity securities issued				
At 1 January	**1,384,777,602**	1,371,004,136	**608,475**	587,375
Exercise of executive share options	**2,500,000**	7,741,667	**4,389**	3,741
Exercise of performance rights	**926,328**	522,200	**1,044**	812
Shares issued – Dividend Reinvestment Plan	**12,458,835**	5,509,599	**40,838**	15,904
Shares issued – acquisition of Agincourt	**144,764,528**	–	**401,935**	–
Foreign currency conversion	**–**	–	**–**	643
	1,545,427,293	1,384,777,602	**1,056,681**	608,475

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. The Company does not have authorised capital or par value in respect of its issued capital.

(b) Details of the issues of ordinary shares during 2007

- During the year ended 31 December 2007 a total of 2,500,000 (2006: 7,741,667) fully paid ordinary shares were issued at various exercise prices following the exercise of executive share options.
- During the year ended 31 December 2007 a total of 12,458,835 (2006: 5,509,599) fully paid ordinary shares were issued in accordance with the Oxiana Limited Dividend Reinvestment Plan Rules with respect to the dividends paid on 30 April 2007 and 4 October 2007.
- During the year ended 31 December 2007 a total of 926,328 (2006: 522,200) fully paid ordinary shares were issued to employees on exercise of rights under the terms of the Oxiana Limited Performance Rights Plan.
- During the year ended 31 December 2007 a total of 144,764,528 fully paid ordinary shares were issued as consideration in the acquisition of Agincourt.

(c) Oxiana Executive Share Option Plan

The Group has an Executive Share Option Plan which has been approved by shareholders. Staff eligible to participate in the plan are those of general manager level and above, including the Managing Director. Options are granted under the scheme for no consideration for terms of three or five years. Options granted under the scheme carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share. The shares issued as a result of any options rank pari passu in all respects with previously issued fully paid ordinary shares. Option holders cannot participate in new issues of capital which may be offered to shareholders during the currency of the options prior to the exercise of the option.

As outlined in Section IV of the Remuneration Report, options have been issued at a premium to market price of Oxiana Limited shares or with a performance hurdle based on a relative Total Shareholder Return hurdle, which reflects both share price growth and dividend yield.

Fair values at grant date have been determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and market performance criteria, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option. The methodology used to determine the fair value attributable to share options granted during the year ended 31 December 2007 takes into account the following:

- The exercise price of options is determined by the Board of Directors.
- The probability of the performance hurdles being met as determined by an independent party – Mercer Finance & Risk Consulting ('Mercer'). Mercer consider the following valuation methodologies:
  - Black-Scholes pricing model;
  - Binomial model;
  - Monte-Carlo simulation model.
- In determining the hurdle based on growth in share price, Mercer have applied the binomial model as being the most appropriate.
- In determining the Total Shareholder Return performance hurdle, Mercer have applied the Monte Carlo simulation technique as being the most appropriate.
- Expected volatility has been determined using historic daily share price movements over the year prior to grant date for each option. The range of expected volatility determined for options granted in 2007 was 45%–47% (2006: 40%–48%).
- The impact of early exercise has been incorporated through the adoption of a post vesting sell multiple of 1.5 times (2006: 1.5 times) the exercise price and a post vesting withdrawal rate of 10% per annum (2006: 10%).
- The risk-free interest rate is based on the yield for Australian Government Treasury Bonds for the contractual term as at grant date.
- An expected dividend yield of 1.7%–2.6% (2006: 1.5%) has been applied after analysing Oxiana Limited's historic dividend policy.

25. Contributed equity continued

During 2007, 6,900,000 (2006: 7,000,000) options were granted to executives under the Group's Executive Share Option Plan to take up ordinary shares at exercise prices of $3.98, $4.14, $4.36, $4.51 and $4.60 (2006: $2.50, $2.60, $3.80, $3.90 and $4.65). The options are exercisable within five years of issue.

No options were forfeited and/or expired during 2006 or 2007. However, 2,000,000 options previously granted did not vest in 2006.

All options granted prior to 2007 vested except for the 2,000,000 options granted to Mr Owen Hegarty on 20 April 2006 at an exercise price of $2.50 per share and expiring on 20 April 2011 that are subject to performance hurdles as described in Section III of the Remuneration Report. All options granted during 2007 are unvested except for 2,000,000 options that vested during the year in accordance with individual executive employment contracts. The unvested options granted during 2007 are subject to performance hurdles as described in Section IV of the Remuneration Report.

The weighted average remaining contractual life of share options outstanding at 31 December 2007 is 2.9 years (2006: 3 years).

The weighted average share price of an ordinary share of Oxiana Limited on the Australian Securities Exchange during the year ended 31 December 2007 was $3.36 (2006: $2.83).

The assessed fair value at grant date of options granted to Directors and executives is allocated equally over the period from grant date to the actual or expected vesting date after taking into account the probability of the performance hurdles being achieved where applicable.

Prior to any new pro rata issue of shares to shareholders, option holders are notified by the Company and are allowed ten business days before the record date to exercise their options.

(i) Movement in the number of share options held by Oxiana employees

	Consolidated and Oxiana Limited			
	Weighted average exercise price			
	2007	2006	**Number**	Number
Balance at 1 January	**1.76**	0.96	**25,100,000**	27,841,667
Granted during the year	**4.28**	3.39	**6,900,000**	7,000,000
Exercised during the year	**1.23**	0.48	**(5,000,000)**	(7,741,667)
Not vested	**–**	1.20	**–**	(2,000,000)
Balance at 31 December	**2.58**	1.76	**27,000,000**	25,100,000
Options exercisable at year end			**20,100,000**	20,100,000

The weighted average share price at grant date of options exercisable at year end is $3.12 (2006: $2.91).

(ii) Details of share options exercised

	Consolidated and Oxiana Limited	
	2007 $'000	2006 $'000
Aggregate proceeds received from employees on exercise of options and recognised as issued capital	**4,081**	3,741
Fair value of shares issued to employees on exercise of options at their issue date	**15,621**	25,588

The weighted average share price of options on exercise date was $3.12 (2006: $3.30).

(iii) Options exercised during the financial year and number of shares issued to employees on the exercise of the options

	Consolidated and Oxiana Limited	
2007 Exercise date	**Value of shares at date of exercise $**	**Number**
15/03/07	1,355,000	**500,000**
15/03/07	1,355,000	**500,000**
30/10/07	2,015,000	**500,000**
20/12/07	3,390,000	**1,000,000**
12/10/07	386,000	**100,000**
19/11/07	802,000	**200,000**
05/04/07	939,000	**300,000**
05/04/07	1,565,000	**500,000**
15/03/07	1,084,000	**400,000**
16/03/07	909,999	**333,333**
16/03/07	909,999	**333,333**
16/03/07	910,002	**333,334**
Total 2007	15,621,000	**5,000,000**

25. Contributed equity continued

(iii) Options exercised during the financial year and number of shares issued to employees on the exercise of the options continued

2006 Exercise date	Consolidated and Oxiana Limited Fair value of shares at date of exercise $	Number
25/01/06	261,999	133,333
25/01/06	665,001	333,334
25/01/06	786,000	400,000
28/04/06	2,046,000	600,000
08/05/06	4,906,665	1,333,333
08/05/06	5,714,462	1,552,843
08/05/06	4,906,669	1,333,334
16/05/06	1,710,909	555,490
16/05/06	1,628,088	528,600
29/06/06	1,204,000	400,000
04/08/06	1,433,056	471,400
02/11/06	325,000	100,000
Total 2006	25,587,849	7,741,667

The fair value of shares issued on the exercise of options is the price that the Company's shares closed at on the Australian Stock Exchange on the day of the exercise of the options.

(iv) Details of share options outstanding at 31 December

Grant date	Expiry date	Exercise price at grant date $	Consolidated and Oxiana Limited **2007 (number)**	2006 (number)
04/10/02	04/10/07	0.41*	**–**	500,000
04/10/02	04/10/07	0.51*	**–**	500,000
23/12/02	23/12/07	0.71*	**–**	2,100,000
28/08/03	28/08/08	0.86*	**500,000**	1,000,000
27/02/04	27/02/09	1.20	**1,000,000**	1,000,000
06/04/04	06/04/09	1.20	**2,000,000**	2,000,000
17/12/04	17/12/09	1.25	**1,000,000**	1,000,000
28/01/05	28/01/10	1.25	**1,000,000**	1,000,000
01/03/05	01/03/10	1.25	**4,600,000**	5,000,000
20/04/05	20/04/10	1.25	**2,000,000**	2,000,000
20/04/05	20/04/10	1.20	**–**	333,333
20/04/05	20/04/10	1.10	**–**	333,333
20/04/05	20/04/10	1.30	**–**	333,334
14/10/05	13/10/10	1.60	**1,000,000**	1,000,000
27/01/06	27/01/11	2.60	**1,000,000**	1,000,000
20/04/06	20/04/11	2.50	**2,000,000**	2,000,000
24/04/06	24/04/11	4.65	**1,000,000**	1,000,000
19/06/06	19/06/11	3.80	**1,000,000**	1,000,000
21/08/06	21/08/11	3.80	**1,000,000**	1,000,000
03/10/06	03/10/11	3.90	**1,000,000**	1,000,000
02/03/07	01/03/12	3.98	**1,800,000**	–
02/05/07	01/05/12	4.14	**1,250,000**	–
02/05/07	02/05/12	4.36	**2,000,000**	–
15/05/07	14/05/12	4.60	**250,000**	–
19/06/07	18/06/12	4.60	**1,000,000**	–
01/09/07	01/09/12	4.51	**600,000**	–
Total			**27,000,000**	25,100,000

* Exercise price adjusted for rights issue in February 2004.

25. Contributed equity continued

(d) Managing Director's Retention Incentive Shares

In accordance with the terms of Managing Directors employment contract for the three years ending 31 December 2009, as outlined in the Remuneration Report, the Managing Director has been granted a retention incentive of 250,000 shares per annum issued if in continuous service on each of the 1st, 2nd and 3rd anniversaries of contract commencement. These Retention Incentive Shares have been valued based on the share price at grant date, allowing for an expected dividend yield of 1.7% after analysing Oxiana Limited's historic dividend policy.

Name	Grant date	Fair value per share at grant date $	Vesting date	Granted during the year (number)	Lapsed during the year (number)	Vested during the year (number)
Owen L Hegarty	01/01/07	3.12	01/01/08	250,000	–	–
	01/01/07	3.06	01/01/09	250,000	–	–
	01/01/07	3.01	01/01/10	250,000	–	–

(e) Oxiana Performance Rights Plan

The Group has a Performance Rights Plan ('the Plan') that has been approved by shareholders. Rights are granted to eligible employees at no cost to the employee and exist for ten years at the discretion of the Company. The rights may be exercised into shares twelve months after the grant date providing specified non-market performance conditions have been met by the employee. The fair value of the rights is estimated with reference to the quoted market price at grant date. No amount is payable for shares by the employee on exercise of the rights. During the year, Oxiana granted a total of 2,514,810 (2006: 2,864,400) rights to employees under the Plan and if all performance conditions are met, this will result in 2,514,810 (2006: 2,864,400) shares being issued to employees twelve months from the grant date.

(i) Movement in the number of share rights held by Oxiana employees	Consolidated and Oxiana Limited	
	2007 Number	2006 Number
Balance at 1 January	**4,292,400**	2,371,200
Rights granted during the year	**2,514,810**	2,864,400
Rights exercised	**(2,651,389)**	(522,200)
Rights forfeited during the year	**(359,391)**	(421,000)
Balance at 31 December	**3,796,430**	4,292,400

(f) Expenses arising from share-based payment transactions

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Share-based compensation expenses				
Performance rights	**3,563**	4,186	**3,563**	4,186
Executive retention shares	**1,413**	–	**1,413**	–
Executive share options	**4,690**	5,561	**4,690**	5,561
Total share-based compensation expenses	**9,666**	9,747	**9,666**	9,747

26. Total equity

Consolidated	Attributable to shareholders of the Company									
$'000	Contributed equity	Treasury shares	Foreign currency translation reserve	Equity compensation reserve	Available for sale asset reserve	Hedging reserve	Accumulated profits	Total	Minority interest	Total Equity
Balance 1 January 2006	587,375	–	15,486	1,423	944	(4,605)	(70,164)	530,459	–	530,459
Exercise of share options and rights	4,553	–	–	(812)	–	–	–	3,741	–	3,741
Shares issued – Dividend Reinvestment Plan	15,904	–	–	–	–	–	–	15,904	–	15,904
Equity compensation expense	–	–	–	9,747	–	–	–	9,747	–	9,747
Profit for the period	–	–	–	–	–	–	553,166	553,166	–	553,166
Exchange differences on translation into presentation currency	–	–	(62,406)	–	–	–	–	(62,406)	–	(62,406)
Fair value movements	–	–	–	–	1,272	7,185	–	8,457	–	8,457
Foreign currency conversion	643	–	–	–	–	–	–	643	–	643
Dividend payments	–	–	–	–	–	–	(55,131)	(55,131)	–	(55,131)
Balance at 31 December 2006	608,475	–	(46,920)	10,358	2,216	2,580	427,871	1,004,580	–	1,004,580
Balance 1 January 2007	608,475	–	(46,920)	10,358	2,216	2,580	427,871	1,004,580	–	1,004,580
Exercise of share options and rights	5,433	–	–	(7,977)	–	–	(6,823)	(9,367)	–	(9,367)
Shares issued – Dividend Reinvestment Plan	40,838	–	–	–	–	–	–	40,838	–	40,838
Agincourt acquisition	401,935	–	–	–	–	–	–	401,935	–	401,935
Acquisition of shares	–	(2,583)	–	–	–	–	–	(2,583)	101,609	99,026
Disposal of controlled entity	–	–	–	–	–	–	–	–	(107,522)	(107,522)
Shares Issued – controlled entity	–	–	–	–	–	–	–	–	6,531	6,531
Establishment of minority interest	–	–	–	–	–	(261)	(23,006)	(23,266)	40,239	16,973
Equity compensation expense	–	–	–	9,191	–	–	–	9,191	–	9,191
Deferred tax adjustment	–	–	–	26,471	–	–	–	26,471	–	26,471
Profit for the period	–	–	–	–	–	–	305,800	305,800	12,366	318,166
Exchange differences on translation into presentation currency	–	–	(90,818)	–	–	–	–	(90,818)	–	(90,818)
Fair value movements	–	–	–	–	6,671	(8,688)	–	(2,017)	–	(2,017)
Dividend payments	–	–	–	–	–	–	(137,759)	(137,759)	(10,952)	(148,711)
Balance at 31 December 2007	1,056,681	(2,583)	(137,738)	38,043	8,887	(6,369)	566,084	1,523,005	42,271	1,565,276

26. Total equity continued

Oxiana Limited — **Attributable to shareholders of the Company**

$'000	Contributed equity	Treasury shares	Foreign currency translation reserve	Equity compensation reserve	Available for sale asset reserve	Hedging reserve	Accumulated profits	Total	Minority interest	Total Equity
Balance 1 January 2006	587,375	–	20,169	1,423	448	–	(51,852)	557,563	–	557,563
Exercise of share options and rights	4,553	–	–	(812)	–	–	–	3,741	–	3,741
Shares issued – Dividend Reinvestment Plan	15,904	–	–	–	–	–	–	15,904	–	15,904
Equity compensation expense	–	–	–	9,747	–	–	–	9,747	–	9,747
Equity compensation movement	–	–	–	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	–	339,009	339,009	–	339,009
Exchange differences on translation into presentation currency	–	–	(57,009)	–	–	–	–	(57,009)	–	(57,009)
Fair value movements	–	–	–	–	1,309	–	–	1,309	–	1,309
Foreign currency conversion	643	–	–	–	–	–	–	643	–	643
Dividend payments	–	–	–	–	–	–	(55,131)	(55,131)	–	(55,131)
Balance at 31 December 2006	608,475	–	(36,840)	10,358	1,757	–	232,026	815,776	–	815,776
Balance 1 January 2007	608,475	–	(36,840)	10,358	1,757	–	232,026	815,776	–	815,776
Exercise of share options and rights	5,433	–	–	(7,977)	–	–	(5,462)	(8,005)	–	(8,005)
Shares issued – Dividend Reinvestment Plan	40,838	–	–	–	–	–	–	40,838	–	40,838
Agincourt acquisition	401,935	–	–	–	–	–	–	401,935	–	401,935
Acquisition of shares	–	(2,583)	–	–	–	–	–	(2,583)	–	(2,583)
Equity compensation expense	–	–	–	9,191	–	–	–	9,191	–	9,191
Deferred tax adjustment	–	–	–	26,471	–	–	–	26,471	–	26,471
Profit for the period	–	–	–	–	–	–	398,401	398,401	–	398,401
Exchange differences on translation into presentation currency	–	–	(113,350)	–	–	–	–	(113,350)	–	(113,350)
Fair value movements	–	–	–	–	555	–	–	555	–	555
Dividend payments	–	–	–	–	–	–	(137,759)	(137,759)	–	(137,759)
Balance at 31 December 2007	1,056,681	(2,583)	(150,190)	38,043	2,312	–	487,207	1,431,470	–	1,431,470

Nature and purpose of reserves

(i) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary and of entities with a functional currency differing from the Group's presentation currency.

(ii) Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of share options and rights granted but not yet exercised. When options or rights are exercised or lapse, the related fair value amount is transferred to contributed equity.

(iii) Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity, as described in note 3(n). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

(iv) Available for sale financial assets reserve

This reserve records revaluation increments/decrements in respect of available for sale financial assets, net of tax effects until the asset is derecognised or impaired.

(v) Reserve for treasury shares

The reserve for the Company's own shares represents the cost of shares held to meet the Group's obligation to provide shares to the Managing Director in accordance with the terms of his employment contract, as outlined in the Director's Report. At 31 December 2007 the Group held 750,178 of the Company's shares. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

27. Dividends

	Oxiana Limited	
	2007 $'000	2006 $'000
Ordinary shares		
Final dividend for the year ended 31 December 2006 of 5.0 cents (2005: 1.0 cents) per fully paid ordinary share paid on 30 April 2007		
Franked (46%) final dividend for year ended 31 December 2006	**76,257**	13,724
Interim dividend for the year ended 31 December 2007 of 4.0 cents (2006: 3.0 cents) per fully paid ordinary share paid on 4 October 2007		
Fully franked interim dividend for year ended 31 December 2007	**61,502**	41,407
Total dividends provided for or paid	**137,759**	55,131
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2007 and 2006 were as follows:		
Paid/payable in cash	**96,921**	39,227
Satisfied by issue of shares	**40,838**	15,904
	137,759	55,131
Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 4 cents per fully paid ordinary share franked to 0% (2006: 5.0 cents franked to 46%). The aggregate amount of the proposed dividend expected to be paid on 9 April 2008 out of retained profits at 31 December 2007, but not recognised as a liability at year end	**61,817**	69,239
Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30% (2006: 30%)	**22,140**	5,113

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of nil (2006: $5,112,886).

28. Key Management Personnel disclosures

Key Management Personnel of the entity are those persons with the authority and responsibility for planning, directing and controlling the activities of the Group during the financial year.

(a) Directors

The following persons were Directors of Oxiana Limited during the current and previous financial year:

Chairman – Non-executive Director
Barry L Cusack

Executive Director
Owen L Hegarty

Non-executive Directors
Ronald H Beevor
Peter W Cassidy*
Michael A Eager
Brian Jamieson

* Resigned 27 November 2007.

(b) Other Key Management Personnel

The following persons were Key Management Personnel of the Group during the current financial year: All persons were also Key Management Personnel during the year ended 31 December 2006 except for Russell Griffin who became part of the Key Management Personnel on 1 January 2007.

Name	Position	Employer
Peter Albert	Executive General Manager, Asia	Lane Xang Minerals Limited
David Forsyth	Company Secretary	Oxiana Limited
Peter Lester	Executive General Manager Corporate Development	Oxiana Limited
Antony Manini	Executive General Manager Exploration & Resources	Oxiana Limited
Jeff Sells	Chief Financial Officer	Oxiana Limited
John Nitschke	Executive General Manager, Australia	Oxiana Limited
Stephen Mullen	General Manager, Human Resources	Oxiana Limited
Russell Griffin	General Manager, Marketing	Oxiana Limited

28. Key Management Personnel disclosures continued

(c) Compensation of Key Management Personnel
A summary of the Key Management Personnel compensation included in employee expenses in the income statement is as follows:

		Short term employment benefits			Post-employment benefits		Share-based payments		
Name		Salary, Board Committee fees and cash benefits	Cash incentives	Other benefits	Retirement benefit adjustment	Super-annuation	Value of shares	Value of options	Total fixed and variable remun-eration
Non-executive Directors	**2007**	**728,519**	**–**	**–**	**24,722**	24,075	–	–	777,316
	2006	570,045	–	–	21,365	11,250	–	–	602,660
Managing Director	**2007**	**1,192,940**	**606,450**	**–**	**–**	**107,060**	**1,413,333**	**1,708,812**	**5,028,595**
	2006	770,642	292,845	–	–	95,713	–	1,139,524	2,298,724
Other Key Management	**2007**	**2,632,563**	**790,111**	**48,000**	**–**	**200,474**	**–**	**631,830**	**4,302,978**
Personnel	2006	2,072,248	629,931	73,924	–	181,321	–	1,347,268	4,304,692
Totals	**2007**	**4,554,021**	**1,396,561**	**48,000**	**24,722**	**331,610**	**1,413,333**	**2,340,642**	**10,108,889**
	2006	3,412,935	922,776	73,924	21,365	288,284	–	2,486,792	7,206,076

Individual Directors and executives compensation disclosures
Information regarding Directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' Report on pages 21 to 33.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Information regarding the principles and policies for the compensation of Key Management Personnel (including share-based compensation) are set out in the Remuneration Report. Additional information on share based compensation arrangements are set out in note 25.

There are no loans to Key Management Personnel. For information on other transactions between Key Management Personnel and entities in the Group, refer note 33.

Movements in option holdings
The movement during the reporting period in the number of options over ordinary shares in Oxiana Limited held, directly or beneficially by each Key Management Personnel is set out below. When exercisable, each option is convertible into one ordinary share of Oxiana Limited.

2007

Name	Balance at 1/1/2007 (number)	Granted during the year (number)	Exercised during year (number)	Lapsed during year (number)	Balance at 31/12/2007 (number)	Vested during year (number)	Vested and exercisable at 31/12/07 (number)
Directors							
Owen L Hegarty	6,000,000	2,000,000	–	–	8,000,000	2,000,000	4,000,000
Brian Jamieson	1,000,000	–	1,000,000	–	–	–	–
Other Key Management Personnel							
Peter Albert	1,500,000	150,000	500,000	–	1,150,000	–	1,000,000
David Forsyth	1,000,000	150,000	400,000	–	750,000	–	600,000
Russell Griffin	–	300,000	–	–	300,000	–	–
Peter Lester	1,000,000	150,000	–	–	1,150,000	–	1,000,000
Antony Manini	2,000,000	150,000	1,000,000	–	1,150,000	–	1,000,000
Stephen Mullen	2,000,000	150,000	–	–	2,150,000	–	2,000,000
John Nitschke	2,000,000	150,000	–	–	2,150,000	–	2,000,000
Jeff Sells	2,000,000	150,000	–	–	2,150,000	–	2,000,000

Number of vested options at 31 December 2007 that are unexercisable: nil.

28. Key Management Personnel disclosures continued

Movements in option holdings continued

2006

Name	Balance at 1/1/2006 (number)	Granted during the year (number)	Exercised during year (number)	Lapsed during year (number)	Balance at 31/12/2006 (number)	Vested during year (number)	Vested and exercisable at 31/12/06 (number)
Directors							
Owen L Hegarty	6,000,000	2,000,000	–	2,000,000	6,000,000	2,000,000	2,000,000
Brian Jamieson	1,000,000	–	–	–	1,000,000	–	1,000,000
Other Key Management Personnel							
Peter Albert	1,500,000	–	–	–	1,500,000	1,000,000	1,500,000
David Forsyth	2,466,667	–	1,466,667	–	1,000,000	1,000,000	1,000,000
Peter Lester	2,775,000	–	1,775,000	–	1,000,000	1,000,000	1,000,000
Antony Manini	6,000,000	–	4,000,000	–	2,000,000	1,000,000	2,000,000
Stephen Mullen	1,000,000	1,000,000	–	–	2,000,000	1,000,000	2,000,000
John Nitschke	1,000,000	1,000,000	–	–	2,000,000	1,000,000	2,000,000
Jeff Sells	2,000,000	–	–	–	2,000,000	–	2,000,000

Number of vested options at 31 December 2006 that are unexercisable: nil.

Movements in Performance Rights holdings for Other Key Management Personnel

The movement during the reporting period in the number of performance rights to ordinary shares in Oxiana Limited held, directly or beneficially by each of the key management person is set out below. When exercisable, each right is convertible into one ordinary share of Oxiana Limited.

2007

Name	Balance at 1/1/2007 (number)	Granted during the year (number)	Exercised during year (number)	Lapsed during year (number)	Balance at 31/12/2007 (number)	Vested during year (number)	Vested and exercisable at 31/12/07 (number)
Other Key Management Personnel							
Peter Albert	–	65,000	–	–	65,000	–	–
David Forsyth	–	65,000	–	–	65,000	–	–
Russell Griffin	9,100	55,900	–	–	65,000	–	–
Peter Lester	–	65,000	–	–	65,000	–	–
Antony Manini	–	65,000	–	–	65,000	–	–
Stephen Mullen	–	65,000	–	–	65,000	–	–
John Nitschke	–	65,000	–	–	65,000	–	–
Jeff Sells	–	65,000	–	–	65,000	–	–

No performance rights issued to other Key Management Personnel in 2006.

Movement in shares

The movement during the reporting period in the number of ordinary shares in Oxiana Limited held, directly or beneficially by each key management person, including their related parties, is as follows:

2007 Financial Year

Name	Balance of shareholdings at 1/1/2007 (number)	Received on exercise of options (number)	Other changes during the year (number)	Balance of shareholdings at 31/12/2007 (number)
Directors				
Owen L Hegarty	27,021,224	–	–	27,021,224
Barry L Cusack	2,027,683	–	(97,346)	1,930,337
Ronald H Beevor	3,210,229	–	28,207	3,238,436
Peter W Cassidy[1]	984,375	–	–	984,375
Michael A Eager	2,115,699	–	–	2,115,699
Brian Jamieson	40,000	1,000,000	28,256	1,068,256
Other Key Management Personnel				
Peter Albert	2,384,375	500,000	(249,925)	2,634,450
David Forsyth	3,495,000	400,000	(125,000)	3,770,000
Russell Griffin	69,176	–	(57,851)	11,325
Peter Lester	1,385,150	–	(339,946)	1,045,204
Antony Manini	4,659,102	1,000,000	19,389	5,678,491
Stephen Mullen	–	–	–	–
John Nitschke	4,000	–	(1,846)	2,154
Jeff Sells	12,500	–	–	12,500

[1] Balance of shareholding at date of resignation, 27 November 2007.

28. Key Management Personnel disclosures continued

Movement in shares continued

2006 Financial Year

Name	Balance of shareholdings at 1/1/2006 (number)	Received on exercise of options (number)	Other changes during the year (number)	Balance of shareholdings at 31/12/2006 (number)
Directors				
Owen L Hegarty	27,021,224	–	–	27,021,224
Barry L Cusack	2,000,000	–	27,683	2,027,683
Ronald H Beevor	3,166,402	–	43,827	3,210,229
Peter W Cassidy	1,050,000	–	(65,625)	984,375
Michael A Eager	2,115,699	–	–	2,115,699
Brian Jamieson	40,000	–	–	40,000
Other Key Management Personnel				
Peter Albert	2,384,375	–	–	2,384,375
David Forsyth	2,112,666	1,466,667	(84,333)	3,495,000
Peter Lester	11,250	1,775,000	(401,100)	1,385,150
Antony Manini	1,205,000	4,000,000	(545,898)	4,659,102
Stephen Mullen	–	–	–	–
John Nitschke	–	–	4,000	4,000
Jeff Sells	12,500	–	–	12,500

29. Auditor's remuneration

	Consolidated	
Audit services:	**2007 $**	2006 $
Auditors of the Company		
KPMG Australia:		
Audit and review of the financial reports	**385,000**	252,000
Overseas KPMG firms:		
Audit and review of the financial reports	**70,000**	56,000
Audit of local statutory financial reports	**77,600**	–
Total remuneration for audit services	**532,600**	308,000
Other services:		
KPMG Australia:		
Other assurance services	**35,000**	–
Accounting advice	**–**	235,300
Taxation compliance and advisory services	**144,230**	26,580
Transaction services	**33,000**	–
IT assurance services	**–**	50,000
Risk advisory services	**18,000**	111,139
Overseas KPMG firms:		
Other assurance services	**2,500**	–
Taxation advisory services	**4,700**	–
Total remuneration for other services	**237,430**	423,019

30. Investments in controlled entities

	Country of incorporation	Equity holding (ordinary shares) 2007 %	2006 %
Parent entity			
Oxiana Limited	Australia		
Controlled entities			
Oxiana Europe Ltd	Channel Islands	**100**	100
Oxiana Resources Laos Ltd	Cayman Islands	**100**	100
Lane Xang Minerals Ltd	Laos	**90**	100
Oxiana Exploration Pty Ltd	Australia	**100**	100
Oxiana (Cambodia) Ltd	Cambodia	**100**	100
Navakun Mining Co. Ltd[2]	Thailand	**100**	–
Oxiana Prominent Hill Pty Ltd	Australia	**100**	100
Minotaur Resources Holdings Pty Ltd	Australia	**100**	100
Oxiana Prominent Hill Operations Pty Ltd[3]	Australia	**100**	100
Oxiana Golden Grove (Holdings) Pty Ltd[1]	Australia	**100**	100
Oxiana Golden Grove (Finance) Pty Ltd[1]	Australia	**100**	100
Oxiana Golden Grove Pty Ltd[1]	Australia	**100**	100
Oxiana Insurance Pte Ltd[2]	Singapore	**100**	–
Oxiana Investments Pty Ltd[2]	Australia	**100**	–
Oxiana Finance (Holdings) Pty Ltd[2]	Australia	**100**	–
Oxiana Finance Pty Ltd[2]	Australia	**100**	–
Oxiana Equity Pty Ltd[2]	Australia	**100**	–
Oxiana Agincourt (Holdings) Pty Ltd[2]	Australia	**100**	–
Oxiana Agincourt Limited[4]	Australia	**100**	–
Oxiana Martabe Pty Ltd[4]	Australia	**100**	–
Oxiana Wiluna Limited[4]	Australia	**100**	–
Oxiana Minerals Exploration Pty Ltd[4]	Australia	**100**	–
Gowit Developments Pty Ltd[4]	Australia	**100**	–
Agincourt Resources (Singapore) Pte Ltd[4]	Singapore	**100**	–
Oxiana Exploration Singapore (Number One) Pte Ltd[2]	Singapore	**100**	–
PT Agincourt Resources[4]	Indonesia	**100**	–
PT Artha Nugraha Agung[4]	Indonesia	**100**	–

[1] Oxiana Limited holds a share in Oxiana Golden Grove (Holdings) Pty Ltd at a carrying value of $1.00. Oxiana Golden Grove (Holdings) Pty Ltd holds a share in each of Oxiana Golden Grove (Finance) Pty Ltd and Oxiana Golden Grove Pty Ltd.
[2] These entities were incorporated in 2007.
[3] Formerly Minex (SA) Pty Ltd.
[4] Acquired as part of the acquisition of the Agincourt group.

30. Investments in controlled entities continued

(a) Investment in Agincourt Resources Ltd

Effective 21 March 2007 Oxiana Agincourt Holdings Pty Ltd, a wholly-owned subsidiary of Oxiana Limited, gained control of the shares of Agincourt Resources Ltd ('Agincourt'). At the date of acquisition, the acquired entities were involved in mining, exploration and evaluation activities. In the nine months to 31 December 2007 the Agincourt group contributed a loss of $6,998,000, of which $789,000 relates to continuing operations and $6,295,000 relates to discontinued operations.

Details of the purchase consideration for all of the shares in Agincourt are as follows:

	$'000
Purchase consideration:	
Shares issued (144,764,528 shares)	401,935
Cash paid or payable	13,536
Transaction costs	11,910
Total purchase consideration	427,381

The fair value of the shares issued is based on the market price at the date of acquisition.

The accounting for the acquisition of Agincourt in March 2007 has been determined on a provisional basis at 31 December 2007. The Group is currently completing the process of determining the fair values of assets and liabilities of Agincourt. The assets and liabilities arising from the acquisition of Agincourt are as follows:

	Recognised values on acquisition $'000	Provisional fair value adjustments $'000	Pre-acquisition carrying amount $'000
Property, plant and equipment	559,775	382,221	177,554
Inventories	3,929	(2,772)	6,701
Trade and other receivables	8,522	–	8,522
Other current assets	794	–	794
Cash and cash equivalents	7,383	–	7,383
Loans and borrowings	(11,607)	–	(11,607)
Deferred tax liabilities	(113,709)	(113,709)	–
Trade and other payables	(12,303)	–	(12,303)
Derivative financial instruments	(16,443)	–	(16,443)
Provisions	(11,060)	–	(11,060)
Minority interests	(101,609)	(99,377)	(2,232)
Net identifiable assets and liabilities	313,672	166,363	147,309
Goodwill on acquisition	113,709		
Consideration paid	427,381		

Goodwill arises due to the recognition of deferred tax liabilities in relation to the fair value of the identifiable net assets acquired.

On 1 August 2007 the Group sold the Wiluna gold mining and processing operation acquired as part of the Agincourt acquisition to Apex Minerals NL ('Apex') in exchange for cash, receivables and shares in Apex (refer note 11).

In October 2007 Oxiana accepted an off-market takeover offer by Toro Energy Limited ('Toro') and disposed of all of its shares in Nova Energy Limited ('Nova'), a controlled entity acquired as part of the acquisition of Agincourt. As a result, the Oxiana Group received 191,517,860 shares in Toro and now holds a 46% investment in Toro, which is accounted for using the equity method (refer note 18).

Pro-forma financial information

The following table summarises the pro-forma consolidated results of operations of the Group for the year ended 31 December 2007, assuming that the acquisition of Agincourt occurred as at 1 January 2007.

This pro-forma financial information does not necessarily represent what would have occurred if the transaction had taken place on the dates presented, and should not be taken as representative of the Group's future consolidated results of operations or financial position. The pro-forma information does not include all costs related to the integration of Agincourt into the Group.

	Oxiana Consolidated $'000	Pro-forma adjustments for Agincourt $'000	Pro-forma Consolidated Entity $'000
Revenue	1,097,449	15,102	1,112,551
Profit for the period	318,166	(13,279)	304,887

The pro-forma information represents the historical operating results of Agincourt, adjusted to give effect to the acquisition at the date presented.

31. Investments in associates

(a) Carrying amounts

Information relating to associates is set out below:

Name of company	Principal activity	Ownership interest 2007 %	Ownership interest 2006 %	Consolidated 2007 $'000	Consolidated 2006 $'000
Listed					
Toro Energy Limited[1]	Uranium exploration	**46**	24.74	**148,347**	6,591
Unlisted					
Erawan Mining Limited[2]	Exploration	**50**	50	**–**	–
AngloGold Ashanti Laos Investments Limited[3]	Exploration	**–**	50	**–**	–

[1] Incorporated in Australia.
[2] Incorporated in Thailand.
[3] Incorporated in the British Virgin Islands.

	Consolidated 2007 $'000	Consolidated 2006 $'000
(b) Movement in carrying amounts		
Balance at 1 January	**6,591**	–
Acquisition in current year	**143,638**	6,773
Share of losses after income tax	**(1,882)**	(182)
Balance at 31 December (refer note 18)	**148,347**	6,591
(c) Market price of listed investments in associates		
Toro Energy Limited	**102,383**	25,560

The Group holds 227,518,860 shares in Toro Energy Limited ('Toro'), a uranium exploration company listed on the Australian Securities Exchange; representing a 46% interest. The majority of this holding arose as a result of the merger in October 2007 of Toro with another listed entity Nova Energy Limited ('Nova') in which the Group held a 57% interest. The Group acquired its interest in Nova as a result of the acquisition of Agincourt Resources Ltd in March 2007. The Group has determined the cost of the shares acquired through the merger on the basis of the share price of Toro shares when the merger became unconditional.

In accordance with Group policy, and the requirements of AASB 128: *Investments in Associates*, and AASB 139: *Financial Instruments Recognition and Measurement,* the carrying value of the investment in Toro has been assessed for impairment. The impairment test is triggered because the price of Toro shares on the ASX has declined since acquisition to 45c/share at 31 December 2007. This implies a market value of $102 million compared with the current carrying value of $148 million. The Group believes that the decline in the Toro share price is short term and does not reflect the underlying value of the investment.

The Group considers that the investment in Toro is not impaired as the recoverable amount, as measured by the value in use for the Toro assets, is in excess of the carrying value. This assessment is based on the Group's assessment of the underlying value of the assets of Toro. The recoverable amount of the investment in Toro was estimated based on its value in use assuming that mining would commence in four years time. The key assumptions used in the valuation are:

- The estimated average contracting price for Toro uranium production of $US80/lb.
- USD/AUD exchange rate of 75c.
- After tax discount rate of 10%.

	Consolidated 2007 $'000	Consolidated 2006 $'000
(d) Share of associates profits or losses		
Loss before income tax	**(1,882)**	(182)
Income tax expense	**–**	–
Loss after income tax	**(1,882)**	(182)

(e) Summarised financial information of associate

	Group's share of:			
2007	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Profits $'000**
Toro Energy Limited	n/a	n/a	377	(1,882)

The directors of Toro Energy Limited have yet to complete their financial statements as at 31 December 2007, including the allocation of the purchase price arising on the merger of Toro with Nova in October 2007. Summarised financial information on Toro as at 31 December 2007 is not included in these financial statements as it is not available at the date of signing.

31. Investments in associates continued

	Consolidated	
	2007 $'000	2006 $'000
(f) Share of associates expenditure commitments, other than for the supply of inventories		
Capital commitments	**3,296**	–
Lease commitments	**446**	522
(g) Contingent liabilities of associates		
Share of contingent liabilities incurred jointly with other investors	**–**	–
Share for which the Company is severally liable	**–**	–

32. Investments in joint ventures

		Ownership interest		Carrying amount of investment	
Name of company	Principal activity	**2007 %**	2006 %	**2007 $'000**	2006 $'000
Thai Goldfields NL	Exploration	**50**	50	**–**	–
AGA-OXR Exploration Alliance	Exploration	**–**	50	**–**	–

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting where material and are carried at cost by the parent entity. Oxiana has initiated a joint venture with Thai Goldfields NL to explore for epithermal gold deposits in the Loei and Phetchabun gold belts in Thailand. Oxiana maintains a 50% interest in this joint venture and can elect to earn up to 75%. On 13 December 2004 Oxiana and AngloGold Ashanti Laos Holding Limited entered into an unincorporated joint venture to conduct gold and gold/copper exploration in Laos. On 13 December 2007 Oxiana announced that it had withdrawn from the joint venture.

	2007 $'000	2006 $'000
Group share of joint ventures' assets and liabilities in Thai Goldfields NL		
Current assets	**–**	–
Non-current assets	**–**	360
Total assets	**–**	360
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Total liabilities	**–**	–
Net assets	**–**	360
Share of joint ventures' revenue, expenses and results Thai Goldfields NL		
Revenues	**–**	–
Expenses	**(2,584)**	(1,895)
Loss before income tax	**(2,584)**	(1,895)
Group share of joint ventures' revenue, expenses and results in AGA-OXR Exploration Alliance		
Revenues	**–**	–
Expenses	**(275)**	(400)
Profit before income tax	**(275)**	(400)

There are no commitments or contingent liabilities relating to joint ventures.

33. Related party transactions

(a) Parent entity

The ultimate parent entity within the Group is Oxiana Limited. The ultimate Australian parent entity is also Oxiana Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 30.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 28.

(d) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated.

Transactions between the Group and Directors and Key Management Personnel during the year consisted of:

- Mr Hegarty (Managing Director & CEO) was during 2007 a non-executive director on the Board of Toro Energy Limited, an associate in which the Group has a 46% shareholding. As remuneration for his services the Group has been paid $26,758 (excluding superannuation). Mr Hegarty has received the $2,408 that comprises the superannuation component of the Director's fees.
- Mr Beevor, a Director of Oxiana, is also chairman of and shareholder of EMED Mining Public Limited, a company in which the Group is an investor.
- Mr Lester is a director of Toro Energy Limited, an associate in which the Group has a 46% shareholding. As remuneration for his services as a Director, Mr Lester has been granted 1,000,000 executive share options at an exercise price $0.73 per option and Oxiana has been paid Director's fees of $8,578 (excluding superannuation). Mr Lester has received the $772 that comprises the superannuation component of the Director's fees.
- Mr Sells is a director of Toro Energy Limited an associate in which the Group has a 46% shareholding. As remuneration for his services as a Director, Mr Sells has been granted 1,000,000 executive share options at an exercise price $0.73 per option and Oxiana has been paid Director's fees of $8,578 (excluding superannuation). Mr Sells has received the $772 that comprises the superannuation component of the Director's fees.
- ANSTO provided $21,617 of consulting services to the Group and Mr Eager, a Director of Oxiana, was also a Board member of ANSTO.
- Toll Transport Pty. Ltd., a subsidiary of Toll Holdings Limited provided $8,715 of freight services to the Group since Mr Cusack, Chairman of Oxiana, became a director of Toll Holdings Limited on 1 October 2007.
- Mr Lester was a director of Royalco Resources Limited during 2007, a company in which the Group is an investor. Mr Lester resigned as a director of Royalco on 22 October 2007.

Transactions between the Group and Directors and Key Management Personnel as disclosed during the previous financial year consisted of:

- Mr Hegarty (Managing Director) is a non-executive director on the Board of Toro Energy Limited, an associate in which the Group had a 24.7% shareholding. As remuneration for his services as a Director, Mr Hegarty was granted 1,000,000 executive share options at an exercise price of $0.40 per option and Oxiana was paid Director's fees of $32,110 (excluding superannuation). Mr Hegarty has received the $2,890 that comprises the superannuation component of the Director's fees.
- Mr Beevor, a Director of Oxiana, is also chairman of and shareholder of EMED Mining Public Limited, a company in which the Group is an investor.
- Mr Lester is a director of Royalco Resources Limited, a company in which Oxiana Limited is an investor.

Transactions between Oxiana and other entities within the wholly owned group during the year consisted of:

- loans advanced by Oxiana to Controlled entities;
- repayment of loans advanced by Oxiana;
- the levying of management fees, interest and recharges by Oxiana; and
- payments made to Oxiana pursuant to the tax sharing and contribution agreements described in note 10.

Refer to note 13 for details of advances owing from controlled entities within the Group as at 31 December 2007 and 2006.

	Oxiana Limited	
	2007 $'000	2006 $'000
Recharges and fees to subsidiaries	**17,364**	8,901
Interest charged to subsidiaries	**12,943**	10,733
Loans advanced to subsidiaries	**524,804**	–
Loans repaid by subsidiaries	**(266,256)**	(136,203)

Loans to subsidiaries are lent by the Group to its wholly-owned subsidiaries Lane Xang Minerals Limited, Oxiana Prominent Hill Operations Pty Ltd and Oxiana Golden Grove Pty Ltd. The amounts due are unsecured, have no fixed terms of repayment and are denominated in both USD and AUD. Loans to Lane Xang Minerals Limited are subject to a monthly interest charge.

(e) Joint Ventures

Refer to note 32 for the Group's interest in joint ventures.

34. Reconciliation of profit/(loss) from continuing activities after tax to net cash inflow/(outflow) from operating activities

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit for the period	318,166	553,166	398,401	339,009
Adjustments for:				
Loss from sale of property, plant and equipment	2,115	1,901	–	–
Depreciation and amortisation (includes discontinued operations)	114,646	105,361	1,823	1,076
Option expense	(62)	2,639	–	–
Interest income	143	–	(12,943)	–
Interest expense	2,844	–	1,996	–
Other borrowing costs	1,119	–	400	–
Finance lease charges	321	286	46	–
Unwind of mine rehabilitation provision discount	2,577	2,014	–	–
Profit on sale of controlled entities	–	(3,148)	–	(8,056)
Profit on sale of investment	(136)	(6,773)	(136)	–
Dividend received from subsidiaries	–	–	(107,648)	(190,466)
Non-cash other income	–	–	(17,670)	(19,639)
Convertible note option accretions	3,369	3,369	3,369	3,369
Financial instrument losses	1,357	–	–	–
Share of net loss of associate	1,882	182	–	–
Equity-settled share-based payment transactions	22,793	9,747	24,155	4,058
Other non-cash items	678	1,423	5,034	1,074
Non-cash foreign exchange (gains)/losses	27,465	(32,145)	(68,707)	(47,353)
Operating profit before changes in working capital and provisions	499,278	638,022	228,121	83,072
Increase/(decrease) in provisions	1,928	2,902	1,388	1,546
Increase/(decrease) in current tax provision	14,606	78,754	(24,919)	24,918
Increase/(decrease) in deferred tax liabilities	11,304	29,140	(2,946)	2,707
(Increase)/decrease in deferred tax assets	7,787	20,289	(26,741)	31,299
(Increase)/decrease in receivables	(62,338)	(793)	(292,828)	(190,454)
(Increase)/decrease in prepayments and deferred expenditure	(1,410)	2,617	(920)	(31)
(Increase)/decrease in inventory	(16,734)	(1,466)	–	–
Increase/(decrease) in trade and other payables	12,301	23,513	(1,506)	737
Net cash flows from operating activities	466,722	792,978	(120,352)	(46,206)

35. Earnings and net tangible assets per share

	Consolidated 2007	2006
(a) Basic earnings per share – cents		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**20.66**	39.91
Profit/(loss) from discontinued operations	**(0.42)**	0.23
Profit attributable to the ordinary equity holders of the Company	**20.24**	40.14
(b) Diluted earnings per share – cents		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**19.21**	36.83
Profit/(loss) from discontinued operations	**(0.38)**	0.21
Profit attributable to the ordinary equity holders of the Company	**18.83**	37.04
(c) Reconciliation of earnings – thousands		
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**312,095**	550,018
Profit/(loss) from discontinued operations	**(6,295)**	3,148
Profit attributable to the ordinary equity holders of the Company	**305,800**	553,166
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**312,095**	550,018
Interest savings on options	**1,192**	1,212
Interest savings on convertible notes	**4,354**	4,992
	317,641	556,222
Profit/(loss) from discontinued operations	**(6,295)**	3,148
Profit attributable to the ordinary equity holders of the Company	**311,346**	559,370
(d) Weighted average number of shares used as denominator		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**1,510,859,127**	1,378,241,510
Convertible notes	**109,717,868**	106,275,304
Options and rights	**32,829,399**	25,840,067
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**1,653,406,394**	1,510,356,881
(e) Net tangible assets per share (cents)	**98.3**	72.3

In accordance with Chapter 19 of the ASX listing rules, net tangible assets represent total assets less intangible assets, less liabilities ranking ahead of, or equal with, ordinary share capital.

36. Superannuation commitments

The Group contributes to the individual superannuation plans of each employee (refer note 8). For the year 31 December 2007 employer contributions of $5,239,000 (2006: $4,242,000) were made to the Oxiana Limited Superannuation Plan on behalf of employees. Benefits provided under the plan are based on accumulated contributions and earnings for each employee.

37. Financial risk management

Capital management

The Group's policy is to maintain a strong and flexible capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital, which the Group defines as total shareholders' equity attributable to members of Oxiana Limited. The Board determines the level of dividends to shareholders.

The Group monitors balance sheet strength and flexibility using cash flow forecast analysis and detailed budgeting processes. The gross gearing ratio is monitored and maintained at a level that does not limit Oxiana's growth opportunities and is in line with peers and industry norms.

The gearing ratio is net debt divided by capital plus net debt. Net debt includes interest bearing loans and borrowings, the debt portion of the convertible notes, trade and other payables, less cash and cash equivalents. The Group's net debt position was negative during 2006 as funds were accumulated to finance the construction of the Prominent Hill project. Net debt levels in 2007 became positive as the Prominent Hill project progressed towards completion.

	2007 $'000	2006 $'000
Interest bearing liabilities	**420,830**	427,620
Trade and other payables	**141,216**	106,055
Less cash and cash equivalents	**(246,108)**	(670,851)
Net debt	**315,938**	(137,176)
Equity attributable to members of Oxiana Limited	**1,523,005**	1,004,580
Capital and net debt	**1,838,943**	867,404
Gearing ratio	**17%**	(16%)

The Group encourages employees to be shareholders through the Employee Performance Rights Plan, the Long Term Incentive Plan and the Executive Share Option Plan. From time to time, the Group purchases its own shares on market for issue under these Plans. The Group does not have a share buy-back plan.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on shareholders' equity, which is competitive in the resources sector and in excess of the Group's weighted average cost of capital.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, other than normal banking requirements.

37. Financial risk management continued

Derivative financial instruments with counterparties

The recognised value of derivative financial instruments is as follows:

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Interest rate swaps	**(6,109)**	2,110	**–**	–
Gold put options	**–**	47	**–**	–
Foreign exchange put options	**416**	–	**–**	–
	(5,693)	2,157	**–**	–
(i) Current assets				
Interest rate swaps	**–**	1,016	**–**	–
Gold put options	**–**	1	**–**	–
Foreign exchange put options	**416**	–	**–**	–
	416	1,017	**–**	–
(ii) Non-current assets				
Interest rate swaps	**–**	1,094	**–**	–
Gold put options	**–**	46	**–**	–
	–	1,140	**–**	–
Total	**416**	2,157	**–**	–
(i) Current liabilities				
Interest rate swaps	**1,582**	–	**–**	–
Gold put options	**–**	–	**–**	–
	1,582	–	**–**	–
(ii) Non-current liabilities				
Interest rate swaps	**4,527**	–	**–**	–
Gold put options	**–**	–	**–**	–
	4,527	–	**–**	–
Total	**6,109**	–	**–**	–

37. Financial risk management continued

(a) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows, by interest rate re-set period.

Consolidated

31 December 2007	Effective average interest rate %	6 months or less $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Fixed rate							
Financial liabilities							
Obligations under finance leases	2.31	–	–	(249)	–	–	(249)
5.25% Convertible notes $119,753,650 (US$ 105m)	6.05	–	–	–	(104,089)	–	(104,089)
Derivative financial instruments – Interest rate swaps (receive floating LIBOR pay fixed at 4.20%)	4.20	65,867	–	–	(65,867)	–	–
Derivative financial instruments – Interest rate swaps (receive floating LIBOR pay fixed at 5.46%)	5.46	125,456	–	–	(125,456)	–	–
Floating rate							
Financial Assets							
Cash and cash equivalents	5.42	246,108	–	–	–	–	246,108
Financial liabilities							
Bank loan – Sepon $102,189,781 (US$89.6m) (LIBOR plus a margin)	8.99	(102,190)	–	–	–	–	(102,190)
Bank loan – Oxiana Finance $228,102,190 (US$200m) (LIBOR plus a margin)	7.06	(228,102)	–	–	–	–	(228,102)
Net Position		107,139	–	(249)	(295,412)	–	(188,522)

Parent	Effective average interest rate %	6 months or less $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Fixed rate							
Financial liabilities							
Obligations under finance leases	11.40	–	–	(36)	–	–	(36)
5.25% Convertible notes $119,753,650 (US $105m)	6.05	–	–	–	(104,089)	–	(104,089)
Floating rate							
Financial assets							
Cash and cash equivalents	5.53	59,084	–	–	–	–	59,084
Net position		59,084	–	(36)	(104,089)	–	(45,040)

The other financial instruments of the Group not included in the above table are non-interest bearing and not subject to interest rate risk.

37. Financial risk management continued

(a) Interest rate risk continued

Consolidated

31 December 2006	Effective average interest rate %	6 months or less $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Fixed rate							
Financial liabilities							
Obligations under finance leases	1.52	–	–	–	(616)	–	(616)
5.25% Convertible notes $132,844,130 (US$105m)	6.55	–	–	–	–	(111,915)	(111,915)
Derivative financial instruments – Interest rate swaps (receive floating LIBOR pay fixed at 4.20%)	4.2	73,067	–	–	(73,067)	–	–
Floating rate							
Financial assets							
Cash and cash equivalents	5.15	670,851	–	–	–	–	670,851
Financial Liabilities							
Bank loan – Sepon $154,984,818 (US$122.5m) (LIBOR plus a margin)	8.17	(154,985)	–	–	–	–	(154,985)
Bank loan – Golden Grove $168,269,230 US$133m (LIBOR plus a margin)	7.07	(168,269)	–	–	–	–	(168,269)
Net position		420,664	–	–	(73,683)	(111,915)	235,066

Parent

31 December 2006	Effective average interest rate %	6 months or less $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Fixed rate							
Financial liabilities							
Obligations under finance leases	11.27	–	–	–	(44)	–	(44)
5.25% Convertible notes $132,844,130 (US$105m)	6.55	–	–	–	–	(111,915)	(111,915)
Floating rate							
Financial assets							
Cash and cash equivalents	5.17	105,871	–	–	–	–	105,871
Net position		105,871	–	–	(44)	(111,915)	(6,088)

The other financial instruments of the Group not included in the above table are non-interest bearing and not subject to interest rate risk.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Fair value sensitivity analysis for fixed rate instruments

The effective portion of changes in the fair value of swaps that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. The change in the fair value of the convertible note as a result of a 100 basis point decrease would result in a positive movement of $1,043,380 (2006: $1,125,311) for the Group and for the Company.

Sensitivity Analysis

Cash flow sensitivity analysis for variable rate instruments

An increase/(decrease) of 100 basis points in interest rates at the reporting date would have the following effect on after tax profit and equity:

Consolidated

	Profit/(loss) after tax		Equity	
	100 bp increase $'000	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp decrease $'000**
2007				
Variable rate instruments (after interest rate swaps)	(704)	704	(1,678)	1,678
2006				
Variable rate instruments (after interest rate swaps)	3,579	(3,579)	(578)	578

37. Financial risk management continued

(b) Credit risk

Management has a counterparty credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit reviews are performed on all customers and exposure limits are assigned to each. Investments are allowed only in highly liquid cash investments and only with counterparties with sound credit ratings. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

	2007 $'000	2006 $'000
Cash and cash equivalents	**246,108**	670,851
Trade receivables	**49,895**	31,773
Other debtors	**61,775**	1,536
Interest rate swaps used for hedging – assets	**–**	2,110
Gold put options used for hedging – assets	**–**	47
Foreign currency put options	**416**	–
	358,194	706,317
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:		
Australia	**17,609**	2,022
Asia	**13,416**	11,473
Europe	**10,956**	8,969
USA	**7,914**	9,309
	49,895	31,773
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:		
Copper	**19,725**	16,613
Zinc	**18,933**	11,819
Gold	**8,787**	2,318
Lead	**471**	905
Silver	**1,979**	118
	49,895	31,773

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables, which includes the amount owed by the Group's most significant customer. The Group's most significant customer accounts for $10,530,748 of the trade receivables carrying amount at 31 December 2007 (2006: $15,323,000).

The aging of trade receivables at the reporting date was:

Not past due	**49,895**	31,773
Total	**49,895**	31,773

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying amount $'000	**Contractual cash flows $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**5 years or more $'000**
31 December 2007							
Secured bank loans	316,492	(384,556)	(25,447)	(47,775)	(216,406)	(94,927)	–
Convertible notes	104,089	(148,045)	(3,144)	(3,144)	(6,287)	(135,471)	–
Finance lease liabilities	249	(251)	(113)	(113)	(25)	–	–
Trade and other payables	138,584	(138,584)	(138,584)	–	–	–	–
Interest rate swaps – liabilities	(6,109)	(7,167)	(327)	(1,379)	(2,886)	(2,575)	–
	553,305	(678,603)	(167,615)	(52,411)	(225,604)	(232,974)	–
31 December 2006							
Secured bank loans	315,089	(384,614)	(30,141)	(25,459)	(43,736)	(285,278)	–
Convertible notes	111,915	(171,203)	(3,487)	(3,487)	(6,974)	(20,923)	(136,331)
Finance lease liabilities	616	(624)	(151)	(150)	(323)	–	–
Trade and other payables	101,326	(101,326)	(101,326)	–	–	–	–
Interest rate swaps – assets	2,110	(2,291)	(577)	(480)	(671)	(563)	–
	531,056	(660,057)	(135,682)	(29,576)	(51,704)	(306,764)	(136,331)

37. Financial risk management continued

(d) Cash flow hedges

The following table indicates the periods in which the cash flow hedges are expected to impact on the hedge reserve:

	Carrying amount $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	5 years or more $'000
31 December 2007						
Interest rate swaps – liabilities	(6,109)	(312)	(1,269)	(3,700)	(827)	–
Foreign currency put options	416	–	–	–	–	–
	(5,693)	(312)	(1,269)	(3,700)	(827)	–
31 December 2006						
Interest rate swaps – assets	2,110	(561)	(454)	(950)	(144)	–
Gold put options	47	–	–	–	–	–
	2,157	(561)	(454)	(950)	(144)	–

Derivative financial Instruments

Fair value changes relating to changes in the intrinsic value are recognised directly in the hedging reserve to the extent that the hedge is effective and are recycled to the income statement as the underlying hedged transaction occurs and the options are exercised or lapsed. Fair value changes relating to changes in the time value of options or to the extent that the hedge is ineffective are recognised in the income statement.

Gold put options

The Group has entered into put options (minimum price) for a portion of its gold production up to four years into the future to manage its exposure to price risk. The details of these options are as follows:

Amount – oz	Strike price (USD)	Delivery date
62,670	370	2008
29,544	370	2009

The fair value of the options at 31 December 2007 is $58 (2006: $47,000). The fair value of the put options was estimated using an option pricing model.

Foreign currency put options

The Group has entered into three foreign currency put options for the exchange of USD for AUD. The details of the options are as follows:

Amount – USD	Forward rate (USD/AUD)	Delivery date
$30,000,000	0.9195	08 Jan 2008
$30,000,000	0.9195	14 Feb 2008
$30,000,000	0.9195	11 Mar 2008

The fair value of the options at 31 December 2007 is $416,000. The fair value of the put options was estimated using an option pricing model.

Interest rate swaps

The Group has entered into amortising interest rate swaps for the exchange of fixed interest for LIBOR. The details of the swaps are as follows:

Start date	End date	Face value $'000	Currency	Pay leg (fixed)	Receive leg (floating)	Fair value 31 December $'000	
						2007	2006
30 Jun 2006	31 Dec 2010	$57,752	USD	4.20	LIBOR	**(345)**	2,110
30 Jun 2008	21 Dec 2012	$110,000	USD	5.46	LIBOR	**(5,764)**	-

(e) Commodity price risk

The Group's source of commodity price risk arises from embedded derivatives in certain sales contracts containing a provisional pricing mechanism.

The following table shows the effect that the 5-year average annual commodity price movements would have had on increased (decreased) after tax profit for the year:

	5-year average annual price movement	**2007 $'000**	2006 $'000
Commodity			
Copper	31%	**3,579**	3,554
Zinc	23%	**275**	1,478
Gold	19%	**1,165**	307
Lead	36%	**478**	225
Silver	25%	**350**	77
		5,847	5,641

37. Financial risk management continued

(f) Fair Values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, as set out below.

The fair value for unlisted investments, where there is no organised financial market, has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment. The net fair values of bank loans and convertible notes are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present values. For other assets and other liabilities the net fair value approximates their carrying value.

	Carrying amount		Fair value	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Consolidated				
Financial assets				
Cash and cash equivalents	**246,108**	670,851	**246,108**	670,851
Receivables	**111,670**	33,309	**111,670**	33,309
Derivative financial instruments	**416**	2,157	**416**	2,157
Available-for-sale financial assets	**38,500**	14,802	**38,500**	14,802
Investments accounted for using the equity method	**148,347**	6,591	**148,347**	6,591
Total financial assets	**545,041**	727,710	**545,041**	727,710
Financial liabilities				
Payables	**141,216**	106,055	**141,216**	106,055
Bank loans	**316,492**	315,088	**330,292**	323,254
Finance lease	**249**	616	**249**	616
Convertible notes	**104,089**	111,915	**119,754**	132,844
Derivative financial instruments	**6,109**	–	**6,109**	–
Total financial liabilities	**568,155**	533,674	**597,620**	562,769
Net assets	**(23,114)**	194,036	**(52,579)**	164,941
Parent				
Financial assets				
Cash and cash equivalents	**59,084**	105,871	**59,084**	105,871
Receivables	**671,154**	647,278	**671,154**	647,278
Derivative financial instruments	**–**	–	**–**	–
Available-for-sale financial assets	**13,055**	10,840	**13,055**	10,840
Total financial assets	**743,293**	763,989	**743,293**	763,989
Financial liabilities				
Payables	**16,986**	6,301	**16,986**	6,301
Bank loans	**–**	–	**–**	–
Finance lease	**35**	44	**35**	44
Convertible notes	**104,089**	111,915	**119,754**	132,844
Financial guarantees	**–**	306	**–**	306
Derivative financial instruments	**–**	–	**–**	–
Total financial liabilities	**121,110**	118,566	**136,775**	139,495
Net assets	**622,183**	645,423	**606,518**	624,494

37. Financial risk management continued

(g) Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	Consolidated	Oxiana Limited
	AUD $'000	AUD $'000
31 December 2007		
Cash and cash equivalents	34,761	19,979
Trade and other receivables	49,097	34,223
Available-for-sale financial assets	29,584	13,055
Foreign currency put options	416	–
Trade and other payables	(101,821)	(15,617)
Total exposure	12,037	51,640
31 December 2006		
Cash and cash equivalents	36,583	9,888
Trade and other receivables	3,282	545
Available-for-sale financial assets	10,840	10,840
Trade and other payables	(42,044)	(4,443)
Total exposure	8,661	16,830

The following significant exchange rates applied during the year:

	Average rate		31 December spot rate	
Currency	**2007**	2006	**2007**	2006
AUD/USD	**0.8391**	0.7522	**0.8768**	0.7904

Sensitivity analysis

The average annual movement in the USD/AUD exchange rate over the last 5 years was 12.4% based on the year-end spot rates. In respect of recognised financial instruments, a 12.4% strengthening of the AUD against the USD at 31 December would have increased/(decreased) equity and profit by the amounts shown below. This analysis relates to USD functional currency entities and assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

	Profit $'000
31 December 2007	
AUD	1,684
31 December 2006	
AUD	1,072

38. Contingent assets and liabilities

The Directors are of the opinion that provisions are not required in respect of the matters below as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities not considered remote.

The Group had contingent liabilities at 31 December 2007 in respect of claims received for cost increases incurred by unrelated parties performing various supply and construction contracts relating to the construction of the Prominent Hill mine. These claims are being investigated. While the liability is not being admitted, should these claims be upheld, a liability estimated at $14,650,000 would arise.

39. Commitments for expenditure

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
(a) Capital expenditure commitments				
Capital expenditure commitments contracted for:				
Capital expenditure projects	**300,344**	333,046	**–**	–
Payable				
– not later than 1 year	**287,404**	158,039	**–**	–
– later than 1 year but not later than 5 years	**12,940**	175,007	**–**	–
	300,344	333,046	**–**	–
(b) Finance leases				
Commitments in relation to finance leases are as follows:				
Within 1 year	**226**	301	**11**	11
Later than one year but not later than 5 years	**25**	323	**25**	36
Minimum lease payments	**251**	624	**37**	47
Less: Future finance charges	**(2)**	(8)	**(1)**	(3)
Total lease liabilities	**249**	616	**36**	44
Representing:				
Current (note 22)	**224**	296	**11**	10
Non-current (note 22)	**25**	320	**25**	34
	249	616	**36**	44

The interest rates implicit in the various leases vary from 1% to 11% and under the terms of the leases, the lessors will refund to the Group the net proceeds from sale of the leased assets at the end of the contract period or at whatever time is mutually agreed.

	Consolidated		Oxiana Limited	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
(c) Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable:				
– not later than 1 year	**5,654**	729	**1,118**	729
– later than 1 year but not later than 5 years	**14,477**	2,831	**5,330**	2,831
– later than 5 years	**6,532**	–	**–**	–
	26,663	3,560	**6,448**	3,560

Represents a property lease which is a non-cancellable lease with a 6 year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the term for an additional 3 years.

40. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the controlled entities listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' Reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. 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.

Oxiana Limited and the following subsidiaries became party to the Deed on 24 December 2007:

- Oxiana Prominent Hill Pty Ltd
- Oxiana Prominent Hill Operations Pty Ltd
- Minotaur Resources Holdings Pty Ltd
- Oxiana Finance (Holdings) Pty Ltd
- Oxiana Finance Pty Ltd
- Oxiana Golden Grove (Holdings) Pty Ltd
- Oxiana Golden Grove Pty Ltd
- Oxiana Golden Grove (Finance) Pty Ltd

40. Deed of cross guarantee continued

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 31 December 2007, is set out as follows:

Summarised income statement and accumulated profits

	Consolidated
	2007 $'000
Profit before income tax	358,499
Income tax expense	(51,199)
Profit after tax	307,300
Retained profits at the beginning of the year	346,798
Transfers to and from reserves	(6,187)
Dividends recognised during the year	(137,759)
Accumulated profits at the end of the year attributable to members of Oxiana Limited	510,152

Balance sheet

Assets	
Current assets	
Cash and cash equivalents	101,778
Receivables	566,577
Inventories	31,462
Derivative financial instruments	416
Other	975
Total current assets	701,208
Non-current assets	
Available for sale financial assets	13,055
Other financial assets	261,215
Investments accounted for using the equity method	9,000
Property, plant and equipment	1,016,509
Intangible assets	1,223
Deferred tax assets	–
Total non-current assets	1,301,002
Total assets	2,002,210
Liabilities	
Current liabilities	
Trade and other payables	109,722
Interest bearing liabilities	125,467
Current tax liabilities	–
Provisions	6,745
Derivative financial instruments	1,652
Total current liabilities	243,586
Non-current liabilities	
Interest bearing liabilities	196,796
Deferred tax liabilities	71,896
Provisions	37,917
Derivative financial instruments	4,112
Total non-current liabilities	310,721
Total liabilities	554,307
Net assets	1,447,903
Equity	
Contributed equity	1,056,681
Treasury shares	(1,697)
Reserves	(117,233)
Accumulated profits	510,152
Total equity	1,447,903

41. Company details

The financial report covers both Oxiana Limited as an individual entity and the Group consisting of Oxiana Limited and its controlled entities. A description of the nature of the Group's operations and its principal activities is included in the Directors' Report. Oxiana Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Oxiana Limited
Level 9
31 Queen Street
Melbourne VIC 3000

42. Subsequent events

There have been no events subsequent to the reporting date which have significantly affected or may significantly affect the Group's operations, results or state of affairs.

DIRECTORS' DECLARATION

1 In the opinion of the Directors of Oxiana Limited ('the Company'):

(a) the financial statements and notes set out on pages 36 to 92, and the remuneration disclosures that are contained in sections III, IV, VI, VII, and IX of the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Company and the Group as at 31 December 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

(c) the remuneration disclosures that are contained in sections III, IV, VI, VII, and IX of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and

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

2 There are reasonable grounds to believe that the Company and Group entities identified in note 40 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 Group 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 2007.

The declaration is signed in accordance with a resolution of the Board of Directors.

Owen L. Hegarty
Director

Melbourne
20 February 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXIANA LIMITED

KPMG

Report on the financial report and AASB 124 remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of Oxiana Limited (the Company), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 42 and the Directors' Declaration set out on pages 36 to 93 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of Directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading 'remuneration report' in sections III, IV, VI, VII and IX of the Directors' Report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group and the Company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The Directors of the Company are also responsible for the remuneration disclosures contained in the Directors' Report.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Oxiana Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2.

Auditor's opinion on AASB 124 remuneration disclosures contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in sections III, IV, VI, VII and IX of the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

Michael Bray
Partner

Melbourne
20 February 2008

Capital

Share capital comprised 1,545,427,293 fully paid ordinary shares on 20 February 2008.

Shareholder Details

At 20 February 2008 the Company had 63,949 shareholders. There were 1,677 shareholdings with less than a marketable parcel of $500 worth of ordinary shares.

Top 20 Investors at 20 February 2008

Name	Current Balance	Issued Capital %
National Nominees Limited	197,221,146	12.76%
HSBC Custody Nominees (Australia) Limited	156,431,013	10.12%
J P Morgan Nominees Australia Limited	92,981,477	6.02%
ANZ Nominees Limited	62,620,471	4.05%
Citicorp Nominees Pty Limited	48,487,023	3.14%
Romadak Pty Ltd	27,966,651	1.81%
Cogent Nominees Pty Limited	16,819,160	1.09%
Yarraandoo Pty Ltd	14,194,014	0.92%
Yarraandoo Pty Ltd	12,099,506	0.78%
Mr Owen Leigh Hegarty	12,000,000	0.78%
UBS Nominees Pty Ltd	10,965,406	0.71%
ANZ Nominees Limited	10,045,556	0.65%
RBC Dexia Investor Services Australia Nominees Pty Ltd	9,558,037	0.62%
AMP Life Limited	7,935,750	0.51%
Queensland Investment Corporation	7,111,107	0.46%
UBS Wealth Management Nominees Pty Ltd	6,813,509	0.44%
Rossi, Mr and Mrs Zaccaria	6,300,000	0.41%
RBC Dexia Investor Services Australia Nominees Pty Ltd	6,079,585	0.39%
Merrill Lynch (Australia) Nominees Pty Limited	5,907,406	0.38%
Shimmering Bronze Pty Ltd	5,740,493	0.37%
Total	**717,277,310**	**46.41%**

Substantial Shareholders at 20 February 2008

Merrill Lynch & Co Inc.	158,801,636	10.28%

Investor Categories at 20 February 2008

Ranges	Investors	Securities	Issued Capital %
1 – 1,000	12,989	7,254,434	0.47
1,001 – 5,000	27,332	75,033,272	4.85
5,001 – 10,000	11,551	88,183,443	5.71
10,001 – 100,000	11,154	284,695,039	18.42
100,001 – and Over	923	1,090,261,105	70.55
Total	**63,949**	**1,545,427,293**	**100.00**

Voting Rights

On a show of hands, every member present in person or by attorney or by proxy or by representative shall have one vote. 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.

Dividends

The Company has declared a final dividend with respect to the year ended 31 December 2007 of 4 cents per share unfranked. The dividend is payable to shareholders on 9 April 2008. Shareholders registered on 19 March 2008 will be eligible for the dividend. The Dividend Reinvestment Plan remains in place and will be offered to shareholders at a 2.5% discount to market price.

Dividend Payments

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

Share Registry Information

Visit Link Market Services' website www.linkmarketservices.com.au and access a wide variety of holding information, change your personal details and download forms. You can:

- check your current and previous holding balances
- elect to receive financial reports electronically
- update your address details
- update your bank details
- confirm whether you have lodged your Tax File Number (TFN), Australian Business Number (ABN) or exemption
- check transaction and dividend history
- enter your email address
- check the share prices and graphs
- download a variety of instruction forms.

You can access this information via a security login using your Security Holder Reference Number (SRN) or Holder Identification Number (HIN), as well as your surname (or company name) and postcode (must be postcode recorded on your holding record).

Contact Information

You can also contact the Company's share registry by calling 1300 554 474 or from outside Australia +61 2 8280 7111. Share registry contact details are contained in the Corporate Directory on the inner back cover of this report.

Interest in Mining Tenements

At the date of the Directors' Report, the Company's interests in significant mining and exploration tenements were as follows:

Area	Description	% Interest
Sepon, Laos	MEPA	100
Prominent Hill – SA	EL3229	100
Prominent Hill – SA	EL3079	100
Prominent Hill – SA	EL3056	100
Prominent Hill – SA	EL3162	100
Prominent Hill – SA	EL3795	100
Prominent Hill – SA	ML6228	100
Woorong Creek – SA	EL3528	100
Golden Grove – WA	M59/03	100
Golden Grove – WA	M59/88	100
Golden Grove – WA	M59/89	100
Golden Grove – WA	M59/90	100
Golden Grove – WA	M59/91	100
Golden Grove – WA	M59/92	100
Golden Grove – WA	M59/93	100
Golden Grove – WA	M59/94	100
Golden Grove – WA	M59/95	100
Golden Grove – WA	M59/143	100
Golden Grove – WA	M59/195	100
Gregory – WA	E69/2125	100
Kathleen Valley – WA	E36/539	100
Wiluna – WA	E53/1003	100
Wiluna – WA	E53/1120	100
Wiluna – WA	E53/1149	100
Wiluna – WA	E53/1151	100
Wiluna – WA	E53/1161	100
Wiluna – WA	E53/1162	100
Wiluna – WA	E53/1179	100
Wiluna – WA	E53/259	100
Wiluna – WA	E53/399	100
Wiluna – WA	E53/536	100
Wiluna – WA	E53/609	100
Wiluna – WA	E53/624	100
Wiluna – WA	E53/674	100
Wiluna – WA	E53/735	100
Wiluna – WA	E53/803	100
Wiluna – WA	E53/845	100
Wiluna – WA	E53/846	100
Wiluna – WA	E53/854	100
Wiluna – WA	E53/886	100
Wiluna – WA	E53/912	100
Wiluna – WA	E53/919	100
Wiluna – WA	P53/1000	100
Wiluna – WA	P53/1001	100
Wiluna – WA	P53/1002	100
Wiluna – WA	P53/1023	100
Wiluna – WA	P53/1099	100
Wiluna – WA	P53/1100	100
Wiluna – WA	P53/1201	100
Wiluna – WA	P53/1212	100
Wiluna – WA	P53/1220	100
Wiluna – WA	P53/1227	100
Wiluna – WA	P53/1228	100
Wiluna – WA	P53/833	100
Wiluna – WA	P53/834	100
Wiluna – WA	P53/835	100
Wiluna – WA	P53/836	100
Wiluna – WA	P53/837	100
Wiluna – WA	P53/838	100
Wiluna – WA	P53/839	100
Wiluna – WA	P53/840	100
Cambodia	Okvau	80
Cambodia	Occhung	80
Martabe, Indonesia	COW	100
Golden Grove – WA	M59/227	100
Golden Grove – WA	M59/361	100
Golden Grove – WA	M59/362	100
Golden Grove – WA	M59/363	100
Golden Grove – WA	M59/543	100
Golden Grove – WA	P59/1217	100
Golden Grove – WA	P59/1218	100
Golden Grove – WA	P59/1219	100
Golden Grove – WA	P59/1220	100
Wiluna – WA	M53/113	100
Wiluna – WA	M53/117	100
Wiluna – WA	M53/118	100
Wiluna – WA	M53/119	100
Wiluna – WA	M53/120	100
Wiluna – WA	M53/121	100
Wiluna – WA	M53/122	100
Wiluna – WA	M53/123	100
Wiluna – WA	M53/124	100
Wiluna – WA	M53/129	100
Wiluna – WA	M53/130	100
Wiluna – WA	M53/131	100
Wiluna – WA	M53/139	100
Wiluna – WA	M53/147	100
Wiluna – WA	M53/150	100
Wiluna – WA	M53/188	100
Wiluna – WA	M53/204	100
Wiluna – WA	M53/224	100
Wiluna – WA	M53/24	100
Wiluna – WA	M53/25	100
Wiluna – WA	M53/253	100
Wiluna – WA	M53/34	100
Wiluna – WA	M53/384	100
Wiluna – WA	M53/41	100
Wiluna – WA	M53/415	100
Wiluna – WA	M53/45	100
Wiluna – WA	M53/49	100
Wiluna – WA	M53/52	100
Wiluna – WA	M53/53	100
Wiluna – WA	M53/54	100
Wiluna – WA	M53/67	100
Wiluna – WA	M53/70	100
Wiluna – WA	M53/74	100
Wiluna – WA	M53/78	100
Wiluna – WA	M53/796	100
Wiluna – WA	M53/797	100
Wiluna – WA	M53/798	100
Wiluna – WA	M53/82	100
Wiluna – WA	M53/910	100
Wiluna – WA	M53/92	100
Wiluna – WA	M53/932	100
Wiluna – WA	M53/955	100
Stawell South – Vic	EL4695	100
China – Yunnan	EL53/731380	51
China – Yunnan	EL53/737378	51
China – Yunnan	EL53/731381	51
China – Yunnan	EL53/511455	51
China – Yunnan	EL53/511443	51
China – Yunnan	EL53/630323	25
Thailand – Petchabun	SPL12/2549	75
Petchabun – Thailand	SPL13/2549	75
Petchabun –Thailand	SPL14/2549	75
Thailand – Phichit	SPL15/2549	75
Thailand – Phichit	SPL16/2549	75

OXIANA LIMITED
ABN 40 005 482 824

Directors
Barry Cusack, Chairman
Owen Hegarty, Managing Director and CEO
Ronald Beevor, Non-executive Director
Michael Eager, Non-executive Director
Brian Jamieson, Non-executive Director

Company Secretary
David Forsyth

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Exchange Listings
The Company's Fully Paid Ordinary Shares (code OXR) are listed on the Australian Securities Exchange and on the Frankfurt and Berlin Stock Exchanges (code OXR).
New York ADR's (code OXFLY)

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Executive Committee
Managing Director and CEO:
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Executive General Manager, Asia:
Peter Albert
Company Secretary: David Forsyth
General Manager, Marketing:
Russell Griffin
Executive General Manager,
Corporate Development: Peter Lester
Executive General Manager,
Exploration and Resources:
Antony Manini
General Manager, Human Resources:
Stephen Mullen
Executive General Manager, Australia:
John Nitschke
Chief Financial Officer: Jeff Sells

Investor enquiries: Richard Hedstrom – richard.hedstrom@oxiana.com.au
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Annual General Meeting
10.00 am 17th April 2008
Melbourne Exhibition Centre
Auditorium
Level 2, 2 Clarendon Street
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Executive General Manager, Asia:
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Director: Saman Aneka
General Manager, Sepon Operations:
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