

WMC RESOURCES LTD
Form 20-F
May 24, 2005
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b)

OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-31554

WMC RESOURCES LTD

Australian Business Number 76 004 184 598

(Exact name of Registrant as specified in its charter)

COMMONWEALTH OF AUSTRALIA

(Jurisdiction of incorporation or organization)

Level 16, IBM Centre, 60 City Road, Southbank, Victoria 3006, Australia

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each Class</u>	<u>Name of each exchange on which registered</u>
Ordinary Shares(1)	New York Stock Exchange
American Depositary Shares(2)	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report.

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Shares outstanding:

Fully Paid Ordinary Shares:

1,172,145,832

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: No:

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

(1) Not for trading but only in connection with the listing of the American Depositary Shares.

(2) Evidenced by American Depositary Receipts, each American Depositary Share representing four fully paid Ordinary Shares.

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In this Annual Report, the terms we, our, us, WMC Resources and WMC Resources Group refer to WMC Resources Ltd together with its subsidiaries.

THE DEMERGER

On December 11, 2002, Alumina Limited (formerly known as WMC Limited) demerged its interest in the Alcoa World Alumina and Chemicals venture from its copper/uranium, nickel and fertilizer businesses and exploration and development interests. The demerger was effected through an Australian court-approved scheme of arrangement and associated capital reduction and dividend distribution. As a result of the demerger, Alumina Limited continues to hold its interest in AWAC, and WMC Resources now holds the nickel, copper/uranium and fertilizer businesses and exploration and development interests previously held within the WMC Limited group.

We were admitted to the official list of the Australian Stock Exchange and our shares are quoted on the stock market conducted by the Australian Stock Exchange. Our shares are also listed on the New York Stock Exchange in the form of American Depositary Receipts, or ADRs.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including statements regarding (i) estimated reserves, (ii) certain plans, strategies and objectives of management, (iii) scheduled closure of certain operations or facilities, (iv) scheduled refurbishment, repair, maintenance, reconstruction and recommissioning activities, (v) anticipated production or construction commencement dates, (vi) expected costs or production output, (vii) the anticipated productive lives of projects and mines and (viii) the anticipated prices and market dynamics of commodities produced. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause actual results to differ materially from those expressed in the statements contained in this Annual Report.

For example, future revenues from operations, projects or mines described in this Annual Report will be based in part on the market price of the minerals or metals produced, which may vary significantly from current levels. These variations, if materially adverse, may impact the timing or feasibility of the development of a particular project or the expansion of certain facilities or mines. Other factors that may affect the actual construction or production commencement dates, costs or production output and anticipated lives of operations, mines or facilities include:

our ability to profitably produce and transport the minerals or metals extracted to applicable markets;

the impact of foreign currency exchange rates on the market prices of the minerals or metals we produce; and

activities of governmental authorities in certain countries where our projects, facilities or mines are being explored or developed, including increases in taxes, changes in environmental and other regulations, and political uncertainty.

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We can give no assurances that the estimated reserve figures, the scheduled closure of such operations or facilities, actual production or commencement dates, cost or production output, or anticipated lives of the projects, mines and facilities discussed herein will not differ materially from the statements contained in this Annual Report.

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DEFINITIONS

ADR means an American Depositary Receipt evidencing one or more ADSs.

ADS means an American Depositary Share.

ASX means the Australian Stock Exchange.

AWAC means Alcoa World Alumina and Chemicals.

Cash Flow Hedge means a contract which hedges an exposure to changes in cash flows from an expected future transaction related to a forecast purchase or sale or an existing asset or liability.

Combined Financial Statements are the financial statements of WMC Limited when they incorporated both Alumina Limited and WMC Resources Ltd, prior to demerger.

Commissioned means the bringing into operation of plant and/or equipment at a rate approximating its design capacity.

Consolidated means the consolidation of entities controlled by us. Unincorporated joint ventures are consolidated on a proportionate basis.

Counterparty Credit Risk means the risk of financial loss arising out of holding a particular contract or portfolio of contracts as a result of one or more parties to the relevant contract(s) failing to fulfill its financial obligations under the contract.

Currency Forward means an agreement to exchange a specified amount of one currency for another at a future date at a certain rate.

DAP means di-ammonium phosphate.

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Decline means a downwards sloping tunnel providing road access from the surface to underground mine operations.

Demerger means the demerger of WMC Limited's interest in AWAC from its other operating businesses pursuant to an Australian scheme of arrangement and associated capital reduction and dividend distribution.

Depositary means The Bank of New York Company, Inc., 101 Barclay Street, New York, NY 10286.

Derivative means an instrument or product whose value changes with changes in one or more underlying market variables, such as equity or commodity prices, interest rates or foreign exchange rates. Basic derivatives include, forwards, futures, swaps, options, warrants and convertible bonds.

Dilution means the incorporation of waste rock with the ore during the mining process resulting in lower grade.

Fair Value means, in the context of commodity, currency and interest rate hedging, the current market value (mark-to-market) of financial positions.

Fair Value Hedge means a contract which hedges an exposure to the change in fair value of a recognized asset, liability or an unrecognized firm commitment (or a part thereof) attributable to a particular risk.

Foreign Currency Hedge means a contract which hedges the foreign exchange exposure of:

an unrecognized firm commitment (fair value hedge);

an available for sale security (fair value hedge);

a forecast transaction (cash flow hedge); or

a net investment in a foreign operation .

Grass Roots Exploration is exploration undertaken at new sites not related to existing operations (also known as green fields exploration).

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Hedge means to reduce risk by entering into transactions that reduce exposure to market fluctuations. A hedge is also the term for the transactions made to effect this reduction.

Hedge Accounting means the practice of deferring accounting recognition of gains and losses on financial market hedges until the corresponding gain or loss of the underlying exposure is recognized.

Hi-Fert Pty Ltd a joint venture entity among WMC Resources, AWB Limited and Elders Limited for marketing and distribution of fertilizer.

HSRA means the Australian/US dollar Hedge Settlement Rate quoted on Reuters Screen HSRA.

Indenture means the agreement between the Government of South Australia and WMC (Olympic Dam Corporation) Pty Ltd.

Interest Rate Swap means an agreement to exchange net future cash flows. Interest rate swaps most commonly change the basis on which liabilities are paid on a specified principal. They are also used to transform the interest basis of assets. In its most common form, the fixed-floating swap, one counterparty pays a fixed rate and the other pays a floating rate based on a reference rate, such as LIBOR. There is no exchange of principal the interest rate payments are made on a notional amount.

LME means the London Metal Exchange.

MAP means mono-ammonium phosphate.

Marking-to-Market means to calculate the value of a financial instrument (or portfolio of such instruments) based on the current market rates or prices of the underlying instrument.

Mineral is a naturally occurring element or chemical compound.

Mineralization is a concentration of a valuable mineral or minerals.

Nickel Matte is the output of a nickel smelter, being predominantly nickel sulphides plus some impurities. This is typically fed to a refinery for nickel metal production. Matte can be sold as a commercial product in its own right.

NYSE means the New York Stock Exchange.

Open-cut or Open-pit means a mine at the earth's surface as distinct from an underground mine.

Option means a contract that gives the purchaser the right, but not the obligation, to buy or sell an underlying security or instrument at a certain price (the exercise, or strike price) on or before an agreed date (the exercise period). For this right, the purchaser pays a premium to the seller. The seller (writer) of an option has a duty to buy or sell at the strike price, should the purchaser exercise his right.

Ore means a naturally occurring solid resource (often rock) from which a mineral or minerals can be extracted.

Ore Reserve means that part of a mineral deposit which could be economically mined and legally extracted or produced at the time of the reserve determination. Ore reserve estimates in this Annual Report include adjustments for dilution and mine recovery loss during the mining process but do not include adjustments for metallurgical recovery. These ore reserves comply with those prescribed by the United States Securities and Exchange Commission's Industry Guide 7.

Probable Ore Reserves means reserves for which quantity and grade and/or quality are computed from information similar to that used for proven ore reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven ore reserves, is high enough to assume continuity between points of observation.

Proven Ore Reserves means reserves for which (a) the quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; the grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

SCH means a transfer of securities on the Clearing House Electronic Subregister System operated by ASX Settlement and Transfer Corporation Pty Ltd.

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SEC means the US Securities and Exchange Commission.

Stoping means the extraction of ore in an underground mine, leaving behind a void.

Sulphides means a compound of metal elements and sulphur.

Tailings are the residue remaining after extraction of the valuable components from ore.

WA Mining Act 1978 refers to legislation passed by the Government of the State of Western Australia with which all mining operations in that State must comply.

WMC Limited refers to the parent entity of WMC Resources prior to the demerger on December 11, 2002. WMC Limited changed its name to Alumina Limited in connection with the demerger.

WMC Resources means WMC Resources Ltd together with its subsidiaries. Unless indicated otherwise, references to WMC Resources prior to the effective date of the demerger are to the assets and businesses of WMC Limited that WMC Resources owned immediately upon effectiveness of the demerger.

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WEIGHTS AND MEASURES

1 troy ounce	=	31.103 grams
1 kilogram	=	32.15 troy ounces
1 kilogram	=	2.205 pounds
1 tonne	=	1,000 kilograms
1 tonne	=	2,205 pounds
1 gram per tonne	=	0.0292 troy ounces per (short) ton
1 kilometer	=	0.6214 miles

Gold recovered is reported in troy ounces (expressed as ounces in this Annual Report), the customary market unit, whereas ore production and grades are quoted in metric units, that is tonnes and grams per tonne.

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IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

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OFFER STATISTICS AND EXPECTED TIMETABLE

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

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The selected financial data appearing below as at December 31, 2004 and 2003 and for the years ended December 31, 2004, 2003 and 2002 are set forth in Australian dollars (except as otherwise indicated), and are extracted, in relevant part, from our audited Consolidated Financial Statements which appear elsewhere herein. The selected financial data appearing below as at December 31, 2002, 2001 and 2000 and for the years ended December 31, 2001 and 2000 are extracted, in relevant part, from audited Combined Financial Statements. As discussed in Note 1 to the Consolidated Financial Statements, the financial statements for 2002, 2001 and 2000 herein reflect the statements of financial performance and statements of financial position as if we were a separate entity for all periods presented. The historical financial information may not be indicative of our future performance and does not reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented. These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Australia (Australian GAAP), which differ in certain respects from accounting principles generally accepted in the United States of America (US GAAP). Note 47 to the Consolidated Financial Statements provides an explanation of these differences as they affect us and reconciliations from Australian GAAP to US GAAP of net income, comprehensive income, certain balance sheet items, shareholders' equity and cashflows.

Our net income under Australian GAAP was A\$1,326.9 million for the year ended December 31, 2004 (compared to A\$245.6 million for the year ended December 31, 2003). Under US GAAP, we would have reported a net profit of A\$752.3 million for the year ended December 31, 2004 (compared to net profit of A\$685.6 million for the year ended December 31, 2003). Comprehensive income under US GAAP for the year ended December 31, 2004 was a profit of A\$733.4 million (for the year ended December 31, 2003 a profit of A\$1,373.9 million was reported). Our Consolidated Financial Statements are prepared in accordance with Australian GAAP. The principal differences between Australian GAAP and US GAAP that affect our net income and comprehensive income, as well as our shareholders' equity, relate to the treatment of the following items:

- (i) recognition of tax losses;
- (ii) revenue from insurance proceeds;
- (iii) pension funds;
- (iv) exploration expenditure;
- (v) start-up costs;
- (vi) recognition of profit on real estate disposal;
- (vii) deferral of cost of option payments;
- (viii) fair value of accounting for derivatives;

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- (ix) amortization of mine development and deferred post-production waste removal costs;
- (x) transfers of net assets and exchange of shares between entities under common control; and
- (xi) accounting for asset retirement obligations.

The principal differences that affect the Consolidated Statement of Cash Flows are that under US GAAP, bank overdrafts are not considered to be part of net cash equivalents, and expenditure incurred on post-production waste removal cost would be classified as part of cashflows from operating activities, rather than investing activities.

Table of Contents**KEY INFORMATION**

The following selected financial data should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the Notes thereto.

SELECTED FINANCIAL DATA UNDER AUSTRALIAN GAAP

	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
	(A\$ million, except where indicated)				
Net Sales Revenue from Continuing Operations	3,828.4	3,001.3	2,487.2	2,364.1	2,666.0
Income/(Loss) from Continuing Operations:	1,326.9	239.1	(14.7)	(157.5)	327.2
Income from Operations (before tax)	1,007.8	247.9	1.8	49.7	568.6
Net Income	1,326.9	245.6	23.0	126.0	399.9
Comprehensive Income	1,323.9	248.8	26.1	111.9	380.7
Net Income per Share (A\$/share) ⁽¹⁾	1.15	0.22	0.02	0.11	0.35
Net Income/(Loss) from Continuing Operations per Ordinary Share (A\$/share) ⁽¹⁾	1.15	0.21	(0.01)	(0.14)	0.29
Diluted Net Income/(Loss) from Continuing Operations per Ordinary Share (A\$/share) ⁽²⁾	1.14	0.21	(0.01)	(0.14)	0.29
Dividends paid (A\$/share)	0.23				
Dividends paid (US\$/share) ⁽³⁾	0.16				
	At	At	At	At	At
	December 31, 2004	December 31, 2003	December 31, 2002	December 31, 2001	December 31, 2000
	(A\$ million, except where indicated)				
Total assets	8,163.1	7,560.2	7,348.1	8,242.9	8,597.0
Long-term obligations	2,374.5	2,712.9	1,709.1	3,476.3	4,304.2
Net assets	5,109.1	3,949.7	3,606.6	3,220.3	3,123.8
Shareholders' equity	5,109.1	3,949.7	3,606.6	3,220.3	3,123.8
	Millions of shares				
Number of shares	1,172.1	1,150.1	1,128.4	1,108.8	1,098.0

⁽¹⁾ The number of our shares used in the 2002 basic net income per share calculation was determined on the basis of the weighted average number of outstanding WMC Limited shares for the 11 months to November 30, 2002 (the effective demerger date for accounting purposes) and the actual number of WMC Resources shares for the month of December 2002. For prior periods, the number of our shares used in the basic net income per share calculation was determined on the basis of the weighted average number of outstanding WMC Limited shares for the periods indicated, as in the demerger each WMC Limited shareholder received one of our shares for each share in WMC Limited it held. Refer also to Notes 1(y) and 6 to the Consolidated Financial Statements.

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- (2) The number of our shares used in the 2002 diluted net income per share calculation was determined on the basis of the weighted average of the number of outstanding WMC Limited shares for the 11 months to November 30, 2002 (the effective demerger date for accounting purposes) and the actual number of WMC Resources shares for the month of December 2002. For prior periods, the number of our shares used in the diluted net income per share calculation was determined on the basis of the weighted average of the number of outstanding WMC Limited shares for the periods indicated, including potential shares from the conversion of partly paid shares and options into shares of WMC Limited. Refer also to Notes 1(y) and 6 to the Consolidated Financial Statements.
- (3) Translated to US\$ as follows:
- dividend of A\$0.06 payable on April 15, 2004 was translated at the daily exchange rate on that date of US\$0.7367.
 - dividend of A\$0.17 payable on September 22, 2004 was translated at the daily exchange rate on that date of US\$0.7048.

Table of Contents**KEY INFORMATION****SELECTED FINANCIAL DATA UNDER US GAAP**

	Year Ended December 31, 2004	Year Ended December 31, 2003 As Restated ⁵	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
(A\$ million, except where indicated)					
Net Sales Revenue	3,810.4	3,019.3	2,487.2	2,364.1	2,666.0
Income/(Loss) from Continuing Operations:	752.3	664.9	(160.8)	(231.5)	241.6
Net Income/(Loss)	752.3	685.6	(109.5)	37.7	307.6
Comprehensive Income/(Loss)	733.4	1,373.9	86.2	(804.7)	288.4
Net Income/(Loss) from Continuing Operations per Ordinary Share (A\$/share) ⁽¹⁾⁽²⁾	0.65	0.59	(0.14)	(0.21)	0.21
Diluted Net Income/(Loss) from Continuing Operations per Ordinary Share (A\$/share) ⁽³⁾	0.65	0.60	(0.14)	(0.21)	0.21
Dividends paid (A\$/share)	0.23				
Dividends paid (US\$/share) ⁽⁴⁾	0.16				
(A\$ million, except where indicated)					
	At December 31, 2004	At December 31, 2003 As Restated ⁵	At December 31, 2002 As Restated ⁶	At December 31, 2001	At December 31, 2000
Total assets	7,042.3	6,823.7	6,537.8	6,691.4	8,368.2
Long-term obligations	2,374.5	2,712.9	1,709.1	3,476.3	4,304.2
Net assets	4,507.5	3,938.6	2,470.4	2,068.8	2,888.9
Shareholders equity	4,507.5	3,938.6	2,470.4	2,068.8	2,888.9
Millions of shares					
Number of Shares	1,172.1	1,150.1	1,128.4	1,108.8	1,098.0

(1) The number of our shares used in the 2002 basic net income per share calculation was determined on the basis of the weighted average number of outstanding WMC Limited shares for the 11 months to November 30, 2002 (the effective demerger date for accounting purposes) and the actual number of WMC Resources shares for the month of December 2002. For prior periods, the number of our shares used in the basic net income per share calculation was determined on the basis of the weighted average number of outstanding WMC Limited shares for the periods indicated, as in the demerger each WMC Limited shareholder received one of our shares for each share in WMC Limited it held. Refer also to Notes 1(y) and 6 to the Consolidated Financial Statements.

(2) In 2002, net loss per share was \$0.06 before the cumulative effect of an accounting policy change for amortization of mine development and post-production waste removal costs. In 2003, net gain per share was A\$0.66 before the cumulative effect of an accounting policy change for asset retirement obligations.

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- (3) The number of our shares used in the 2002 diluted net income per share calculation was determined on the basis of the weighted average of the number of outstanding WMC Limited shares for the 11 months to November 30, 2002 (the effective demerger date for accounting purposes) and the actual number of WMC Resources shares for the month of December 2002. For prior periods, the number of our shares used in the diluted net income per share calculation was determined on the basis of the weighted average of the number of outstanding WMC Limited shares for the periods indicated, including potential shares from the conversion of partly paid shares and options into shares of WMC Limited. Refer also to Notes 1(y) and 6 to the Consolidated Financial Statements.
- (4) Translated to US\$ as follows:
- dividend of A\$0.06 payable on April 15, 2004 was translated at the daily exchange rate on that date of US\$0.7367.
 - dividend of A\$0.17 payable on September 22, 2004 was translated at the daily exchange rate on that date of US\$0.7048.
- (5) Refer to footnote at F-73 of the Consolidated Financial Statements.
- (6) Refer to footnote at F-75 of the Consolidated Financial Statements.

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We publish our Consolidated financial statements in Australian dollars (A\$ or \$). In this Annual Report, references to US\$ are to United States dollars.

The following table sets forth, for the periods and dates indicated, certain information concerning the rates of exchange of A\$1.00 into US\$ based on the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate).

Period	At Period End	Average Rate ⁽¹⁾	High	Low
	(all figures in US\$ per A\$1.00)			
Year Ended December 31, 2000	0.5560	0.5757	0.6687	0.5112
Year Ended December 31, 2001	0.5117	0.5178	0.5714	0.4812
Year Ended December 31, 2002	0.5625	0.5447	0.5748	0.5060
Year Ended December 31, 2003	0.7520	0.6524	0.7520	0.5629
Year Ended December 31, 2004	0.7805	0.7384	0.7979	0.6840
November 2004			0.7903	0.7447
December 2004			0.7805	0.7495
January 2005			0.7790	0.7578
February 2005			0.7940	0.7669
March 2005			0.7974	0.7711
April 2005			0.7834	0.7658

⁽¹⁾ The average of the exchange rates on the last day of each month during the financial period.

On May 18 2005, the Noon Buying Rate was A\$1.00 = US\$0.7598

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KEY INFORMATION

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks relating to our business

We believe that, because of the international scope of our operations and the industries in which we are engaged, numerous factors have an effect on our results and operations. The following describes the material risks that could affect us.

A reduction in commodity prices could materially reduce our revenues and profits.

Our revenue is derived from sales of nickel, copper, uranium, gold and fertilizers. The prices we obtain for our products are determined by, or linked to, prices in the world markets, which have historically been subject to substantial fluctuations arising from changes in supply and demand, various Australian and international macro-economic and political conditions, the cost of substitute materials, and the speculative activities of various market participants. This will have a consequent effect on the prices we can charge for our products and the revenues we receive, including under supply contracts, the pricing terms of which track market prices, which consequently affects our profitability. The general trend in recent historical commodity prices has been characterized by an increase during 2000, followed by a decline over the course of 2001 into 2002 and increases in 2003 and 2004. For further information about historical commodity price movements in the commodities we produce, please see the following sections: Qualitative and Quantitative Disclosures About Market Risk - Average Quarterly Prices, Business Description - Nickel - Markets and Competition, Business Description - Copper-uranium - Markets and Competition and Business Description - Fertilizer - Markets and Competition.

Material changes in the prices we receive for our products could have a significant effect on our results. Consequently, a sustained and uninterrupted period of unusually low prices of the metal and other products we sell could reduce our profitability and our ability to pay principal and interest on our debt, dividends, or meet our other obligations.

In 2004, commodity prices continued to rise due to significant increases in economic activity in the markets we serve. However, the general volatility in commodity prices makes it difficult for us to predict the extent and duration of any decline or increase in the cyclical commodity prices relating to our products. We expect that volatility in prices and in demand for most of our products will continue for the foreseeable future. We may enter into hedging transactions with respect to nickel, gold, copper and fertilizer with a view to reducing the potentially adverse

effects of commodity price fluctuations. Since 2000, any new hedging activity has been limited to securing acceptable rates of return for new projects. For a statement of our current hedging activity, and movements in the selling price of nickel, gold, copper and fertilizer over the last five years, see [Quantitative and Qualitative Disclosure about Market Risk](#) .

Fluctuations in foreign exchange rates could adversely affect our revenues and profits.

The products we export from Australia are predominantly sold in US\$. In the year ended December 31, 2004, 93.4% of our sales revenue was denominated in or linked to US\$. However, any dividend payments and the majority of our operating costs are denominated in A\$. Therefore, in the absence of other changes, if the A\$ strengthens in value relative to the value of the US\$, our financial results will be adversely affected. Conversely, a weakening of the A\$ relative to the US\$ will tend to have a favorable effect on our financial results. Because much of our borrowings and the majority of our receivables are denominated in US\$, movements in the A\$/US\$ exchange rate will also affect our net asset value. As at December 31, 2004, we had US\$728.4 million of US\$ repayment obligations and US\$ receivables of US\$155.3 million. We have from time to time sought to hedge our foreign currency exchange position. See [Quantitative and Qualitative Disclosure about Market Risk](#) for a more detailed discussion of our foreign exchange hedging policy.

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KEY INFORMATION

Fluctuations in the A\$/US\$ exchange rate will also affect the US\$ equivalent of the A\$ price of our ordinary shares on the ASX and, as a result, are likely to affect the market price of our ADSs in the United States. Such fluctuations would also affect the US\$ amounts received by holders of ADSs on conversion of any cash dividends paid in A\$ on the ordinary shares underlying the ADSs.

We may have fewer ore reserves than our estimates indicate.

There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. The reserves data included in this Annual Report are estimates. The actual volume and grade of reserves recovered and our rates of production may be less than these estimates may imply.

Our reserve estimates may change substantially if new information subsequently becomes available. Such estimates are, to a large extent, based on the interpretations of geological data obtained from drill holes and other sampling techniques, and feasibility studies which derive estimates of operating costs based upon anticipated tonnage and grades of the material to be mined and processed, expected recovery rates, equipment operating costs and other factors. Further, it may take many years from the initial phase of drilling before production is possible and, during that time, the economic feasibility of exploiting a discovery may change. Fluctuations in the price of commodities, variations in operating and capital costs, different recovery rates and other factors, including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may ultimately result in our estimated reserves being revised. If such a revision were to indicate a substantial reduction in proven or probable reserves at one or more of our major projects, it could negatively affect our financial condition and prospects.

A decline in the market price of a particular metal or mineral may also render the exploitation of reserves containing relatively lower grades of mineralization uneconomical. If the price we realized for a particular commodity were to decline substantially below the price at which our ore reserves were estimated for a sustained period of time, we could experience reductions in reserves and asset write-downs. Under some such circumstances, we may discontinue the development of a project or mining at one or more properties.

An increase in our production costs could reduce our profitability.

Changes in our costs have a major impact on our profitability. Our main expense categories are salaries and wages, energy, transport, materials, and amortization and depreciation of property, plant and equipment. Some of our costs are also affected by government imposts and regulations. Our costs depend upon the efficient design and construction of mining and processing facilities and competent operation of those facilities. Changes in costs of mining and processing operations can occur as a result of unforeseen events or changes in reserve estimates.

Our energy costs represent a significant portion of the production costs for our operations. The principal sources of energy for our mining operations are purchased electricity and natural gas. Energy will continue to represent a significant portion of our production costs, and we may be adversely impacted if future energy sources are not available or energy prices increase. If we are unable to procure sufficient energy at reasonable prices in the future, it could reduce the earnings or cash flow that we otherwise might realize.

Our ability to sustain or increase our current levels of production in the medium to long term is partly dependent on the development of new projects and expansion of existing operations.

Our ability to sustain or increase our current levels of production, and, therefore, our potential revenues and profits, in the medium to long term is partly dependent on the development of new projects and on the expansion of existing operations. Planned development or expansion projects may not result in the entire planned additional production. The economics of any project are based upon, among other factors, estimates of non-reserve mineralization and reserves, recovery rates, production rates, capital and operating costs of these development projects and future commodity prices. The uncertainty and volatility of some or all of these factors contributes to the risks associated with project development and expansion activities.

Our business may be affected by planned and unplanned outages and other material disruptions.

Industrial disruptions, work stoppages, refurbishments, installation of new plants, geotechnical issues, accidents or sustained bad weather at our operations can result in production losses and delays in delivery of products, which may adversely affect our profitability. Production may fall below historic or estimated levels as a result of unplanned outages. For example, in 2001, we experienced a fire at both of our copper and uranium solvent extraction units at our Olympic Dam operations. We also experienced a fire in the copper solvent extraction unit in 1999. Our copper and uranium production was adversely affected following these incidents, and future incidents of this nature or other incidents resulting in unplanned outages could materially affect our production and operating profits.

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Our current share price has been impacted by bids for all of our outstanding shares and if the current proposed offer by BHP Billiton Ltd is not consummated our share price may decrease.

We are currently the subject of a takeover bid by BHP Billiton Lonsdale Investments Pty Ltd, a wholly-owned subsidiary of BHP Billiton Limited, to acquire all our shares for A\$7.85 cash per share. BHP Billiton's offer is subject to a number of conditions including BHP Billiton's minimum acceptance condition of BHP Billiton obtaining a relevant interest in at least 90% of our shares. As of May 18 2005, BHP Billiton Ltd had received tenders for 3.53% of our outstanding shares. We cannot assure you that all of the conditions to BHP Billiton's offer will be satisfied in a timely manner, such that BHP will be obligated to consummate its takeover offer. A previous competing bid from Xstrata Capital Holdings Pty Limited (a wholly owned subsidiary of Xstrata plc) which made a \$7.00 per share offer for all our shares, has now closed, and Xstrata is not currently bidding for our shares. As of May 18, 2005 our closing price on the Australian Stock Exchange was A\$7.89. Our share price might fall in the absence of BHP Billiton successfully completing its offer.

There is a risk that BHP Billiton's conditional takeover offer, even if it is not consummated, may cause some of our senior or key personnel to leave the company as other employment opportunities arise. This risk could have an adverse impact on our operations or financial performance.

We are exposed to regulatory, legislative and judicial action, both in Australia and in other countries in which we conduct operations.

Our operations in each of the jurisdictions where we operate could be affected by government actions, such as controls on imports, exports and prices, variations in taxation laws (including royalties), government directions, guidelines and regulations, particularly in relation to the environment and mine operations, legislation, indigenous people's rights and court decisions, particularly those that impact on land access and freedom to conduct mining operations. Any such government action or court decisions may require increased capital or operating expenditures or both, or could prevent or delay the development of some of our operations.

We are also subject to the requirements of Australian mining law and the conditions of leases granted to us by state or territorial governments. See Business Description Australian Mining Law and Leases for a more detailed discussion of these requirements.

Some of our exploration and potential projects and activities are in developing countries where political, economic and other risks may be more acute than in developed countries, including our Corridor Sands project in Mozambique. These risks include: expropriation or nationalization of property; currency fluctuations (particularly in countries with high inflation); restrictions on the ability to pay dividends offshore; risks of loss due to civil strife, acts of war, guerilla activities, insurrection and terrorism; and other risks arising out of foreign sovereignty over the areas in which operations are conducted. Consequently, our exploration, development, and future production activities outside of Australia may be adversely affected by factors beyond our control, any of which could materially adversely affect our financial position or results of operations. Furthermore, in the event of a dispute arising from such activities, we may be subject to the exclusive jurisdiction of courts outside Australia or may not be successful in subjecting persons to the jurisdiction of the courts in Australia, which could adversely affect the outcome of a dispute.

We are subject to stringent environmental laws and regulations, which impose substantial costs and subject us to significant potential liabilities.

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Compliance with environmental laws and regulations imposes substantial costs and subjects us to significant potential liabilities. Our business is subject to particular risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration, production and processing. Our operations in Australia are subject to stringent federal, state and local laws and regulations relating to improving or maintaining environmental quality. Environmental laws often require parties to pay for remedial action or to pay damages regardless of fault. Environmental laws also often impose liability with respect to divested or terminated operations, even if the operations were terminated or divested many years ago. Costs associated with environmental and regulatory compliance have increased over time. In addition, the costs of environmental obligations may exceed the reserves we have established for these liabilities. For a discussion of our significant remediation projects in Australia, see [Business Description](#) [Environmental Matters](#) .

We cannot reasonably estimate the cost of future compliance or remedial work or further investment necessitated through the introduction of further environmental regulation or by any causes of contamination, including those occurring prior to the introduction of such regulation or before or after the property in question was owned or occupied by us. Among other things, the level of these costs will be dependent upon the nature and extent of the current and future environmental regulation, the time and nature of required

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remedial work, the extent of any contamination, the technology available to meet the required standards, the determination of our liabilities in proportion to those of other parties and the extent to which costs are recoverable from insurance and third parties.

Service of process, enforcement of judgments and bringing of original actions in the United States may be more difficult.

Since we and our officers and directors reside outside the United States and a substantial portion of our assets are located outside the United States, there is a risk that service of process, enforcement of judgments and bringing of original actions will be more difficult.

Native Title in Australia.

Native Title describes the rights and interests of Aboriginal and Torres Strait Islander people in land and waters according to their traditional laws and customs that are recognized under Australian law. There are current claimant applications for native title determinations in the Federal Court of Australia over areas that include the majority of our operations. However, we cannot make any assessment as to whether any of our existing assets or operations will be materially affected until court determinations are made. Court decisions and various pieces of legislation make it evident that there are complex legal and factual issues affecting our existing and future interests. Accordingly, the impact of native title is being closely monitored but cannot be finally determined at this time. See Item 8A. Legal Proceedings Native Title in Australia for a discussion of native title issues in Australia that have an impact on our operations.

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ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of WMC Resources

Background

We were incorporated under the laws of the Commonwealth of Australia on March 2, 1933. Through the transactions to effect the demerger of WMC Limited's interest in the Alcoa World Alumina and Chemicals (AWAC) joint venture with Alcoa Inc. from WMC Limited's other businesses effective December 11, 2002 we became an independent diversified resources company. From 1979 until the demerger, we had been operating as a wholly-owned subsidiary of WMC Limited, holding principally the group's nickel assets. Our main businesses consist of the discovery, development, production, processing and marketing of minerals and metals. We produce nickel, copper, phosphate fertilizers, uranium oxide, gold and a range of other intermediate products. As at December 31, 2004, we had total combined assets of approximately A\$8.2 billion and we generated net sales revenue from operations of approximately A\$4.0 billion in the year ended December 31, 2004.

We have our registered office and principal executive offices at Level 16, 60 City Road, Southbank, Victoria, 3006, Australia. Our telephone number is +61 3 9685 6000 and our facsimile number is +61 3 9685 3569.

The demerger

On November 21, 2001, WMC Limited announced a proposal to demerge its interests in AWAC from its other mineral businesses. The demerger was effected through an Australian court-approved scheme of arrangement and associated capital reduction and dividend distribution with an effective date of December 11, 2002 (and an effective accounting date of November 30, 2002). As a result of the demerger, WMC Limited has continued to hold its interest in AWAC (but changed its name to Alumina Limited) and we hold the nickel, copper/uranium and fertilizer businesses and exploration and development interests (other than those relating to AWAC) previously held within the WMC Limited group.

Immediately prior to effecting the demerger, through a series of share sale transactions internal to the WMC Limited group, we acquired those of WMC Limited's subsidiaries which held its copper/uranium and fertilizer businesses and exploration and development interests (other than those relating to AWAC), together with those subsidiaries which provide administrative or financial support to, or otherwise relate to activities conducted by, us. The shares of the subsidiaries were transferred to us in return for our newly issued ordinary shares. For accounting purposes, the subsidiaries were acquired in connection with the demerger at their fair value. These fair values were determined by using discounted cash flows in accordance with Australian GAAP. (Under Australian GAAP, fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. However, in circumstances such as these where the transaction does not take place in an active market, fair value can be determined using alternative estimation techniques such as discounted cash flows.)

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The demerger was effected in two simultaneous stages. First, WMC Limited reduced its share capital by a notional cash amount of A\$2.78 per share and declared a notional cash dividend of A\$0.73 per share. Second, under the scheme of arrangement effected by an order of the Court and binding on all WMC Limited shareholders and WMC Limited, WMC Limited shareholders agreed to purchase all of our shares utilizing as consideration their capital reduction and dividend entitlements from WMC Limited. As a result, WMC Limited shareholders received our shares on a pro-rata basis in the demerger.

The amount of the capital reduction and dividend together represented our carrying value in the books of WMC Limited at November 30, 2002 after giving effect to the share transfers at fair value mentioned above. This carrying value amounted to A\$4,007.5 million.

The demerger required the approval of a majority in number of WMC Limited shareholders present and voting, and holding at least 75% of the total number of WMC Limited shares voted, at the shareholders meeting held to consider the demerger. The implementation of the demerger was subject to the approval of the Australian court considering the scheme of arrangement. The approval of the ASX was also required in order to admit us to the official list of the ASX.

The information about us and our operating and financial review and prospects has been presented in this Annual Report as though we had existed as a stand-alone economic entity for all the periods presented.

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INFORMATION ON THE COMPANY

Proposed Takeover

On October 28, 2004 we received a conditional proposal from Xstrata Capital Holdings Pty Limited, a wholly owned subsidiary of Xstrata plc, to acquire WMC for A\$6.35 per share in cash by way of a scheme of arrangement. The Board of WMC carefully considered the proposal and determined that it failed to recognize the current and prospective value of WMC's assets and the strategic benefits to Xstrata or other potential acquirers. Accordingly the Board declined the proposal to put forward a scheme of arrangement to WMC shareholders.

On November 22, 2004 Xstrata announced that it intended to make a conditional takeover offer for WMC at a price of \$6.35 per share. This offer was increased to A\$7.20 (later amended to A\$7.00 after the payment of our A\$0.20 dividend) on February 2, 2005. The proposed offer price of A\$7.20 per share fell within the range provided by Grant Samuel, the independent expert, of A\$7.17 to A\$8.24. The Xstrata bid was unsuccessful and is now closed. Xstrata is not currently bidding for our shares.

On March 8, 2005, BHP Billiton Lonsdale Investments Pty Ltd, a wholly owned subsidiary of BHP Billiton Limited, announced that it intended to make an offer for WMC at a price of A\$7.85 per share, conditional on acceptances representing 90% of WMC shares, Foreign Investment Review Board and other regulatory approvals and other conditions. The Board of Directors of WMC have unanimously recommended that WMC shareholders accept the offer from BHP Billiton in the absence of a superior proposal. WMC entered into a Deed of Undertaking with BHP Billiton which is further described in Item 10C Material Contracts. The offer currently closes on June 3, 2005, unless otherwise extended.

Capitalization Expenditures and Divestiture

Since January 1, 2002 we have made the following principal capital expenditures and divestiture:

The divestment of our Kambalda mines is part of our nickel strategy to divest mature nickel mines and seek to participate in the benefits that a small focused operator can yield from the remaining resource. Since early 2000, we have sold various mines within our Kambalda nickel operations. To the date of this Annual Report, proceeds from these sales have totalled A\$78.0 million in aggregate, including sale proceeds of A\$26.0 million for the sole remaining mine of Lanfranchi in 2004.

In 2002, we completed an optimization project to increase production capacity of copper cathode at our Olympic Dam operations in South Australia. The project has increased the refinery capacity and improved efficiency in the milling and hydro-metallurgy areas. The capital cost was approximately A\$79 million.

In October 2003, we merged the operating subsidiary that held our interest in the Meliadine West gold project with Complex Minerals Corp., a Canadian mining company. During 2004, we sold our investment in Complex Minerals Corp. for A\$16.6 million.

In January 2003, we finalized our acquisition of 100% of the Corridor Sands titanium dioxide project located in Mozambique for US\$62.5 million. We settled the final tranche of US\$25 million by issuing 6,715,123 shares in December 2003.

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During 2004 we completed the rebuild of the Olympic Dam copper and uranium solvent extraction circuits following a fire in 2001. The cost of the rebuild was A\$384 million.

In December 2004, we diluted our interest in Hi-Fert Pty Ltd from 100 percent to 33.3 percent in order to form a strategic partnership with ELF Australia Pty Ltd (a joint venture owned by a subsidiary of AWB Limited and Elders Limited) relating to the distribution and marketing of fertilizers. The proceeds from the dilution totaled A\$67.5 million.

We currently have the following capital expenditure, asset purchase and divestiture activities in progress, all of which are being financed internally:

An extension of the Perseverance mine at Leinster. The expected cost of the extension is approximately A\$207 million with an expected completion date of October, 2005.

A two stage pre-feasibility study into the expansion of Olympic Dam is to be completed by early 2006 at a cost of A\$70 million. In addition, a commitment to a A\$72 million feasibility drilling program (and negotiation of associated land access agreements) has been made. This program of works will commence in 2005 and continue through to mid 2007.

Resource drilling, development studies and exploration will be undertaken for Nickel in Western Australia to support our development plans. This will be undertaken in 2005 at an expected cost of A\$90 million.

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INFORMATION ON THE COMPANY

B. Business Overview

General

Our main business is the discovery, development, production, processing, and marketing of minerals and metals. We produce nickel, copper, uranium oxide, gold and a range of other intermediate products. Our other activities include producing, marketing and distributing fertilizers.

During 2004, we explored in Australia, China, Peru, Mexico, Tanzania, Botswana, Malawi, Zambia, Canada and the USA. During 2004, we undertook technical, engineering and metallurgical studies at Corridor Sands as well as continuing negotiations for a power supply agreement and discussions with major titanium dioxide pigment customers regarding binding sales agreements. In May 2003, the Industrial Development Corporation of South Africa exercised its option over 10% of the project's equity for US\$10 million with the majority of this due upon the achievement of key project milestones. In December 2003, we made the final payment of US\$25 million to acquire the Corridor Sands project from Southern Mining Corporation by issuing 6,715,123 WMC Resources shares to that corporation. The additional US\$25 million was allocated to Acquired Mineral Rights. In December 2004, the sale to IDC was approved by the Reserve Bank of South Africa.

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INFORMATION ON THE COMPANY

The following map shows the location of our operations and interests in Australia.

CORPORATE OFFICES

1. Melbourne, Victoria
2. Perth, Western Australia
3. Adelaide, South Australia

COPPER-URANIUM

4. Olympic Dam, South Australia

NICKEL

5. Kalgoorlie, Western Australia
6. Kambalda, Western Australia
7. Kwinana, Western Australia
8. Leinster, Western Australia
9. Mount Keith, Western Australia
10. Yakabindie, Western Australia

FERTILIZER

11. Mt Isa, Queensland
12. Phosphate Hill, Queensland
13. Townsville, Queensland

EXPLORATION

14. West Musgrave, Western Australia
15. Collurabbie, Western Australia

AUSTRALIA

Table of Contents**INFORMATION ON THE COMPANY****Segment Information**

We categorize our on-going operations as follows: Nickel; Copper-Uranium (the Olympic Dam Operations produces copper, uranium oxide, gold and silver); Fertilizers; Regional Exploration and New Business. Geographic and financial information relating to the segments of continuing operations are included under Note 7 to our Consolidated Financial Statements. The following table sets forth financial information in A\$ by operating segments for each of the last three years.

FINANCIAL INFORMATION BY SEGMENT (CONTINUING OPERATIONS)

	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
	(A\$ million)		
Sales Revenue by Operating Segments⁽¹⁾			
Nickel	2,175.4	1,861.8	1,343.0
Copper-uranium	1,177.5	719.0	723.3
Fertilizers	485.6	428.1	420.6
Inter-segment sales revenue	(10.1)	(7.6)	0.4
	3,828.4	3,001.3	2,487.3
Consolidated Income/(Loss) by Operating Segments before Income Tax			
Nickel	866.5	472.5	221.5
Copper-uranium	243.5	(97.5)	53.8
Fertilizers	2.5	(25.6)	(57.4)
Unallocated profits/(losses)	(13.5)	12.7	11.4
Product Operating Income	1,099.0	362.1	229.3
New Business	(31.6)	(19.5)	(36.5)
Regional Exploration	(28.7)	(23.4)	(21.5)
Financing/Corporate	(30.9)	(77.8)	(205.9)
	1,007.8	241.4	(34.6)

⁽¹⁾ Sales revenue includes intermediate-product sales, commodity and related currency hedging. Inter-segment sales are on a commercial basis and are not significant. All revenues are considered to be generated in Australia - see Note 7 of our Consolidated Financial Statements.

The operations and assets of our business segments are further described in Item 4D - Property, Plant and Equipment .

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INFORMATION ON THE COMPANY

C. Organizational Structure

The WMC Resources Group consists of WMC Resources, the ultimate parent company, and its subsidiaries. Our business is split into business units based on major production commodities and activities:

Nickel;

Copper-Uranium;

Fertilizers;

Regional Exploration and New Business; and

Other.

The principal companies within the WMC Resources Group are:

WMC Resources Ltd Incorporated in Australia, WMC Resources Ltd is the parent holding company as well as an operating entity that owns the nickel mining, processing and marketing operations.

WMC (Olympic Dam Corporation) Pty Ltd Incorporated in Australia, this company owns the Olympic Dam Operations which produces high quality refined copper and uranium oxide and gold and silver as co-products. It is wholly owned by WMC Resources Ltd.

WMC Fertilizers Pty Ltd Incorporated in Australia, this company owns the Queensland Fertilizer Operations and a 33.3% interest in the fertilizer distribution arm, Hi-Fert Pty Ltd. It is wholly owned by WMC Resources Ltd.

WMC Finance Limited Incorporated in Australia, this company's principal activities are the borrowing and lending of money and other financing activities, including commodity and currency hedging and the selling of gold and silver purchased from related entities. It is wholly owned by WMC Resources Ltd.

WMC Finance (USA) Limited Incorporated in Australia, the principal activity of this company is to hold debt issued in the United States markets. It is wholly owned by WMC Resources Ltd.

D. Property, Plant and Equipment

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All our assets are 100% owned, either directly or through subsidiary companies, unless otherwise stated.

Under our current life of mine plans, all reported reserves will be mined out within the period of existing leases or concessions or within the time period of assured renewal periods. All reported reserves, except for Corridor Sands, are at sites which have all required permits and government approvals. On conversion to a mining license from the existing exploration title, Corridor Sands reported reserves will be mined within the period of the mining license or within the time period of assured renewal periods.

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INFORMATION ON THE COMPANY

1. Nickel

Our nickel business unit is a fully integrated nickel business comprising mines, concentrators, a smelter and a refinery. We produced 115,774 tonnes of contained nickel-in-concentrate extracted from 14.8 million tonnes of ore processed in the year ended December 31, 2004. This compared with production of 117,722 tonnes of contained nickel-in-concentrate in the year ended December 31, 2003 from 14.5 million tonnes of ore processed. Purchased feed from third parties was 28,121 tonnes of recovered nickel for the year ended December 31, 2004, compared to 25,913 tonnes for the year ended December 31, 2003.

Our strategy for the nickel business unit is to:

maintain base production above 100,000 tonnes a year;

increase output by approximately 25,000 tonnes a year by applying technology to unlock value from stockpiled low-grade and talc ores;

extend business life by continuing to convert resources to reserves;

apply new in-house technology to identify deeper ore bodies that are beyond the range of conventional geophysical techniques; and

continue regional exploration to identify a new nickel province.

We commenced production of nickel-in-concentrate in 1967, following the discovery of significant nickel ore reserves at Kambalda. We currently mine nickel ore from both open-cut and underground mines at our wholly owned mines at Leinster and Mount Keith. We ceased mining at Kambalda in 2002. The mill and concentrator at Kambalda are now fed with third party ore. Nickel ore is concentrated at Kambalda, Leinster and Mount Keith and then the majority of this nickel concentrate is transported to the Kalgoorlie Nickel Smelter to be smelted into nickel matte. Until March 2005, we sold some of the Mount Keith production directly as concentrate pursuant to a long-term contract. In the year ended December 31, 2004, we sold 33% of nickel-in-matte produced to overseas customers compared to 37% in 2003 fiscal year and refined the balance at our Kwinana Nickel Refinery to produce LME accredited nickel briquettes, nickel powder and various other intermediate products such as cobalt-nickel sulphide.

Pursuant to an agreement with Southern Cross Energy which expires in 2013, power at the Kambalda, Mount Keith and Leinster nickel operations and at the Kalgoorlie Nickel Smelter is primarily derived from on-site third party gas fired turbines. Gas for these turbines is sourced by WMC from the North West gas fields and transported through the Goldfields Gas Pipeline. WMC is currently involved in an arbitration to resolve a dispute about the tariff charged under the gas transmission agreement. Power generated by Southern Cross Energy in the goldfields is distributed across Western Power's network for use at the Kwinana Nickel Refinery. WMC purchases delivered gas for use at the Kwinana Nickel Refinery. This gas is sourced from North West shelf gas fields and is transported by the Dampier to Bunbury Natural Gas Pipeline and the Parmelia Pipeline.

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A summary of the production of nickel-in-concentrate from our mines and third parties, matte from our smelter and metal from our refinery for the last five years is set out below.

NICKEL PRODUCTION SUMMARY

	Year Ended December 31, 2004 ⁽³⁾	Year Ended December 31, 2003 ⁽²⁾	Year Ended December 31, 2002 ⁽¹⁾	Year Ended December 31, 2001	Year Ended December 31, 2000
	(tonnes)				
	Nickel-in-concentrate Produced				
Kambalda	28,121	25,912	23,225	18,653	19,202
Leinster	44,577	41,806	40,006	38,008	40,724
Mount Keith	43,076	50,004	43,192	47,930	47,532
Total	115,774	117,722	106,423	104,591	107,458
	Kalgoorlie Smelter Production				
Concentrate treated	717,360	711,100	640,500	704,330	737,244
Matte produced	141,247	147,700	134,400	140,432	148,051
Nickel-in-matte produced	97,780	99,152	91,574	96,650	103,019
	Kwinana Refinery Production				
Matte treated	93,925	92,000	100,700	94,208	93,975
Refined nickel produced	62,479	61,417	65,055	61,324	60,532

⁽¹⁾ In 2002, the Kalgoorlie Nickel Smelter was shut down for 24 days for repairs to the mist precipitators following a fire.

⁽²⁾ In 2003, the Kwinana Nickel Refinery was shut down for 19 days for repairs following a rupture in the boiler tube.

⁽³⁾ In 2004;

The Kalgoorlie Nickel Smelter was shut down for 13 days to replace the roof on the furnace reaction shaft;

The Kwinana Nickel Refinery was shut down for 23 days for the three-yearly statutory maintenance shutdown.

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The table below shows our proven and probable nickel ore reserves.

NICKEL ORE RESERVES^{(1) (2) (3)}

As at December 31, 2004

Operation	Type of Reserve ⁽⁴⁾	Proven ⁽⁵⁾		Probable ⁽⁶⁾		Total		Assumed overall Metallurgical Recovery ⁽⁷⁾
		Ore million tonnes	Grade %	Ore million tonnes	Grade %	Ore million tonnes	Grade %	(%)
Leinster	u/g	7.20	1.80	11.70	1.90	18.90	1.90	81
	o/c	0.50	1.60	0.10	2.00	0.60	1.70	78
	s/p	0.10	1.70			0.10	1.70	81
Mount Keith ⁽⁸⁾	o/c	200.00	0.54	60.00	0.47	260.00	0.52	62
	s/p	29.20	0.49			29.20	0.49	54

(1) The commodity price used to estimate the 2004 nickel ore reserves was A\$5.42/lb. At the 3 year average exchange rate this equates to US\$3.50/lb.

(2) Ore reserves reflect tonnages recoverable from mining. The estimates include diluting materials and allowances for losses which may occur when the material is mined but do not include adjustments for metallurgical recovery.

(3) We have a 100% interest in all operations.

(4) u/g = underground, o/c = open-cut, s/p = stockpile

(5) Approximate drill hole spacings we used to classify the proven ore reserves are:

Leinster (Perseverance Shoot) ≤25m x 25m and

Mount Keith ≤40m x 40m.

(6) Approximate drill hole spacings we used to classify the probable ore reserves are:

Leinster (Perseverance Shoot) ≤50m x 50m and

Mount Keith ≤80m x 80m.

- (7) The metallurgical recovery factors included in the table represent the estimated overall nickel recovery, from run-of-mine ore feed to final saleable product, assumed in the estimation of the ore reserves. The reported factors for the nickel operations are estimated primarily on the basis of the historical concentrator, smelter and refinery performance, and do not include current planned metallurgical recovery improvements. Assumed metallurgical recoveries for the individual components of the nickel business are the following:

Leinster concentrator: 86% (u/g ore) and 82% (o/c ore);

Mount Keith concentrator: 65% (o/c ore) and 57% (s/p ore);

Kalgoorlie Nickel Smelter: 97%; and

Kwinana Nickel Refinery: 98%

- (8) *Mt Keith Reserves*

During the past twelve months we have been undertaking an extensive life of mine drilling campaign, which is now over 60% complete. The result of this work (including geological remodeling of the ore body, extensive geostatistical re-evaluation and quality assurance), when combined with our normal reconciliation of ore deliveries from various stages of the pit, have led us to reduce our overall reserve tonnage and nickel grade estimation by approximately 2% (after production depletion) and 7% respectively.

These results are based on interpretation of the drilling results and resource modelling completed by late 2004. The resource and reserve models will be further updated following the completion of the life of mine drilling program in late 2005.

In 2004, we continued our exploration work at our West Musgrave nickel-copper project in Western Australia. West Musgrave is located within the Musgrave Ranges north-east of Laverton near the South Australian border. The tenements lie entirely within Aboriginal Reserve No. A17614, administered by the Ngaanyatjarra Land Council. In addition, we have a 70-30 joint venture with Falcon Minerals NL (including the Olympia project) and hold 100 percent of other tenements covering a large area at Collurabbie. Recent drilling at the Olympia project has intersected significant nickel-copper-platinum group mineralization. See discussion of West Musgrave and Collurabbie at Regional Exploration and New Business Minerals Exploration .

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Nickel Operations

Kambalda Nickel Operations

Our Kambalda operation, comprising of a concentrator, is located 56 kilometers south of Kalgoorlie in Western Australia. Since early 2000, we have been divesting our mines at Kambalda and entering into long-term nickel purchase agreements with the mine operators for the processing of ore and the purchase of subsequent concentrate. The divestment of the mines is part of our nickel strategy to divest mature mines where proven and probable reserves are nearly depleted and reduce the capital intensity of the operation. During the first half of 2002, we ceased mining ore at Kambalda and now rely entirely on third party ore for feed through the concentrator, some of which is sourced from mines previously owned by us. The Kambalda concentrator has a capacity of 1.5 million tonnes of ore per year. In 2004, the utilization of the Kambalda concentrator was approximately 62.5%. The nickel concentrate, containing approximately 13% nickel, is dried at Kambalda and transported by rail to the Kalgoorlie Nickel Smelter for conversion to nickel-in-matte.

Purchases from third parties amounted to 28,121 tonnes of recovered nickel for the year ended December 31, 2004, and 25,912 tonnes for the year ended December 31, 2003. The lease containing the Miitel mine, previously on care-and-maintenance was sold in November 2000. The Wannaway mine and North Widgiemooltha Block were sold to external parties in 2001. We leased land containing the Otter, Juan and Coronet North mines to a third party under a long term arrangement in 2001. We sold the Long Victor mine during September 2002. We ceased mining at Lanfranchi at the end of March 2002 and, in November 2004, sold this mine and associated tenements to a third party. We have entered into long-term nickel purchase agreements with the purchasers of these mines.

The net written down value of property and associated plant and equipment at Kambalda Nickel Operations at December 31, 2004 was A\$12.8 million.

Leinster Nickel Operations

Leinster is approximately 375 kilometers north of Kalgoorlie in Western Australia. We purchased the Leinster Nickel Operations in 1988 from Mount Isa Mines and Western Selcast.

The site comprises underground and open pit mines and a concentrator and is supported by the nearby township of Leinster. The Leinster deposits consist of both medium-grade disseminated sulfide and sulfide mineralization with average grades of approximately 1.9%. During 2004, we sourced our Leinster production from the Perseverance underground mine and the Harmony open pit. The Leinster mill has a nominal operating capacity of 3 million tonnes of ore per year but has rarely been required to operate at this rate, due to limited ore supplies. In 2004 its utilization was approximately 82%. The nickel concentrate, containing approximately 12% nickel, is dried at Leinster before being delivered to our Kalgoorlie Nickel Smelter for further processing.

The net written down value of our property and associated plant and equipment at Leinster Nickel Operations at December 31, 2004 was A\$349.2 million. Our reserves are equivalent to approximately eight years life at current production rates.

Mount Keith Operations

Mount Keith is located in Western Australia, approximately 450 kilometers north of Kalgoorlie and 80 kilometers north of Leinster. The Mount Keith deposit is a low-grade disseminated sulphide ore body averaging some 0.52% nickel that is mined by open-cut method. The operation includes a concentrator and ancillary facilities and we officially commissioned it in January 1995.

The agreement to sell up to a maximum of 14,000 tonnes of nickel-in-concentrate per year to OMG Harjavalta Nickel Oy expired in March 2005. Mount Keith concentrates, containing approximately 23% nickel, not contracted for sale are transported by road to Leinster or Kambalda for drying and blending with other concentrates and then delivered to the Kalgoorlie Nickel Smelter for smelting.

The nominal capacity of the Mount Keith concentrator is 11.5 million tonnes of ore per annum. It currently has a utilization of approximately 94%.

The net written down value of our property and associated plant and equipment at Mount Keith Operations at December 31, 2004 was A\$564.1 million. Our reserves included in the current mine plan will be depleted in approximately 19 years at current production rates.

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Kalgoorlie Nickel Smelter

We constructed the Kalgoorlie Nickel Smelter and commenced operation in 1972 to supply nickel matte under sales contracts to overseas nickel refiners and also to supply our nickel refinery at Kwinana. The smelter receives supplies of concentrate from the Kambalda, Leinster and Mount Keith treatment plants. We use a flash smelting process to produce matte containing 65% to 74% nickel.

The Kalgoorlie Nickel Smelter also produces sulphuric acid. We sell approximately half of the sulphuric acid to a nickel laterite operation in Western Australia, with some acid being used at Mount Keith and the Kwinana Nickel Refinery. In the year ended December 31, 2004, we produced 525,479 tonnes of sulphuric acid compared to 528,921 tonnes in the previous 12 months.

In the year ended December 31, 2004 approximately 66% of the nickel-in-matte we produced, and in the year ended December 31, 2003 approximately 63% of the nickel-in-matte we produced, was sent by rail to our refinery at Kwinana where we refined it to nickel metal. We exported the remainder.

The net written down value of our property and associated plant and equipment at the Kalgoorlie Nickel Smelter at December 31, 2004 was A\$227.6 million.

Kwinana Nickel Refinery

The Kwinana Nickel Refinery is located 30 kilometers south of Perth in Western Australia. We constructed the refinery, which commenced operation in 1970, and use the Sherritt-Gordon ammonia leach process to convert nickel matte from the Kalgoorlie Nickel Smelter into LME grade nickel briquettes and nickel powder. A small amount of higher grade nickel concentrate from Mount Keith has on occasion been used to supplement matte as feedstock. The refinery also produces a number of intermediate products, including copper sulphide, cobalt-nickel sulphide and ammonium sulphate. The cobalt-nickel sulphide is treated by a third-party processor that separates the nickel and cobalt into metal. We receive a credit for the nickel and have the cobalt metal returned for subsequent sale.

The net written down value of our property and associated plant and equipment at the Kwinana Nickel Refinery at December 31, 2004 was A\$179.3 million.

Markets and Competition

Nickel is used primarily in the production of stainless steel, low alloy steels, nickel-based alloys to impart strength, toughness and corrosion resistance. It is also used for electroplating and the production of chemicals and batteries. Stainless steel accounted for approximately 67% of world primary nickel demand in 2004. In the western world, growth in demand for stainless steel has consistently outstripped growth in

industrial production.

The London Metal Exchange is the central price setting market for most nickel. Having reached a cyclical low in 2001, Nickel prices have successively trended upwards and reached a new 15-year high in 2004 due to higher stainless steel production, strong Chinese demand, constrained supply and limited availability of stainless steel scrap. Nickel prices in 2004 ranged from US\$4.78/lb to US\$8.06/lb compared with a range of US\$3.27/lb to US\$7.56/lb in 2003 (average daily cash settlement).

We sell nickel metal, nickel matte, nickel concentrate and various intermediate-products. Most of our nickel metal sales are made under short- to medium-term contractual arrangements. We sell nickel metal to a large number of customers in Europe, North America and Asia. We also maintain a website for the sale of cobalt metal.

Most of our nickel-in-matte sales are made under medium-to long-term contractual arrangements to customers in Asia and Europe. Our long-term contractual arrangements to supply 26,000 tonnes to Sumitomo progressively expired between 2003 and March 2005. In 2002, we entered into a three year agreement, commencing in 2005, for 10,000 tonnes of nickel-in-matte per year with Jinchuan Group Limited of China. In 2003, we concluded a second nickel-in-matte sales agreement with Jinchuan. The second contract is a six-year agreement, commencing in 2005, for 15,000 tonnes of nickel-in-matte per year. These contracts effectively replace our long-term supply contracts to Sumitomo.

Table of Contents**INFORMATION ON THE COMPANY****2. COPPER AND URANIUM**

Our Olympic Dam Operations in South Australia are a significant Australian producer of both copper and uranium oxide. Our Olympic Dam subsidiary assumed 100% ownership of the Olympic Dam Operations on March 31, 1993 after previously holding 51% in the joint venture that established operations at Olympic Dam.

During 2002, Olympic Dam completed an optimization project to increase its treatment capacity to 10.5 million tonnes per annum of ore treated at reserve grade of 2.1% which equates to 202,000 tonnes per annum copper production. However, due to the rebuild of the copper and uranium solvent extraction plants, the planned reline of the smelter furnace and a failure of a heat exchanger in the acid plant, actual production in 2003 was 160,080 tonnes. Following successful commissioning of the new copper solvent extraction plant in the first quarter of 2004, production in 2004 was 224,731 tonnes of copper. We are planning production in 2005 to be approximately 226,000 tonnes of copper. Over the next year, WMC Resources will complete its A\$70 million pre-feasibility study into the next phase of Olympic Dam development, which is a study to potentially increase copper production to in excess of 500,000 tonnes per annum. In addition, we have committed a further A\$72 million to feasibility drilling to commence in 2005 and continue through to mid 2007.

A summary of our Olympic Dam copper, uranium oxide and gold production is set out below:

OLYMPIC DAM PRODUCTION SUMMARY

		Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Ore treated	000s tonnes	8,887	8,386	8,875	9,336	8,901
Grade of Ore:						
Copper	%	2.26	2.42	2.57	2.47	2.53
Uranium oxide concentrate	kilograms/tonne	0.64	0.63	0.69	0.72	0.73
Gold	grams/tonne	0.45	0.47	0.53	0.59	0.53
Metal Produced:						
Refined copper	tonnes	224,731	160,080	178,120	200,523	200,423
Uranium oxide concentrate	tonnes	4,404	3,203	2,891	4,379	4,539
Gold	ounces	88,633	86,117	64,293	113,412	69,967

In July 2002, we announced that a review of the smelting operations had identified that deterioration in excess of expectations in the furnace roof and sidewall refractory, and in adjacent taphole cooling jackets, would require increased maintenance and consequential down time that would impact copper production and might impact uranium oxide production. The review found that it would be prudent from an operating risk perspective to advance plans to reline the Olympic Dam furnace, which was previously scheduled for a smelter shutdown in the first half of 2004. As a result, we brought the reline forward to the second half of 2003. The shutdown was completed on October 9 over a period of 50 days and the smelter returned to capacity by the end of that month. The cost of shutdown was within the A\$127 million budget. Operations were subsequently interrupted due to a foam-up of the furnace bath and failure of a heat exchanger in the acid plant. Our combined production loss for 2003 was approximately 18,000 tonnes of copper and 340 tonnes of uranium oxide. In 2004, we produced a record 224,731 tonnes of copper and 4,404 tonnes of uranium oxide.

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The table below shows our proven and probable copper, uranium oxide and gold reserves at the Olympic Dam Operations.

OLYMPIC DAM ORE RESERVES⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

As at December 31, 2004

Commodity	Type of Reserve ⁽⁵⁾	Unit of Grade	Proven ⁽⁶⁾		Probable ⁽⁷⁾		Total		Assumed Overall Metallurgical Recovery ⁽⁸⁾
			Ore million tonnes	Grade	Ore million tonnes	Grade	Ore million tonnes	Grade	%
Copper	u/g	%	119	2.1	642	1.4	761	1.5	91
Uranium	u/g	kg/tonne	119	0.6	642	0.5	761	0.5	72
Gold	u/g	gram/tonne	119	0.5	642	0.5	761	0.5	60

(1) The commodity prices used to estimate the 2004 ore reserves were: A\$1.42/lb for copper, A\$30.00/lb for uranium oxide and A\$500/oz for gold. At the 3-year average exchange rate, this equates to US\$0.92/lb for copper, US\$19.40/lb for uranium oxide and US\$323/oz for gold.

(2) Ore reserves at Olympic Dam contain copper, uranium oxide and gold. The reported copper, uranium oxide and gold grades are for the same reserve tonnage.

(3) Ore reserves reflect tonnages recoverable from mining. The estimates include diluting materials and allowances for losses which may occur when the material is mined but do not include adjustments for metallurgical recovery.

(4) We have a 100% interest in the Olympic Dam Operations.

(5) u/g = underground

(6) Approximate drill hole spacings we used to classify the proven ore reserves are $\leq 40\text{m} \times 40\text{m}$.

(7) Approximate drill hole spacings we used to classify the probable ore reserves are $\leq 80\text{m} \times 80\text{m}$.

(8) The metallurgical recovery factors included in the tabulation represent the estimated overall recovery of copper, uranium oxide and gold, from run-of-mine ore feed to final saleable product, assumed in the estimation of the ore reserves. The reported factors are estimated

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primarily on the basis of the historical concentrator, smelter and refinery performance and do not include current planned metallurgical recovery improvements. The copper recovery factor of 91% is based on a copper flotation recovery of 93% and a smelter recovery of 97.5%.

Olympic Dam's current strategic approach can be summarized as follows:

further improve the reliability of our processing and mining performance to achieve annual throughput of 10.5 million tonnes by December 2005;

improve returns from existing operations by debottlenecking increasing recovery and reducing costs;

progress the Olympic Dam Development Study into an open-pit expansion;

capitalize on upward trends in uranium demand and prices; and

strengthen our position in copper in the Asian markets.

Due to the size of the Olympic Dam ore body, there is potential to increase the size of the operation further. We are currently examining a substantial increase in production via an open-pit mine. However, this expansion of Olympic Dam will require various regulatory and governmental approvals covering a range of operational matters.

Olympic Dam Operations

We discovered the Olympic Dam copper, uranium, gold and silver deposit in 1975, 560 kilometers north-west of Adelaide in South Australia. It comprises a large number of discrete ore zones throughout an area of several square kilometers ranging in depth from 350 meters to approximately one kilometer. The Olympic Dam underground mining operation is highly mechanized, with automated rail transportation and underground crushing. The primary method of ore extraction is long hole open stoping with cemented aggregate fill. This method allows for large equipment to achieve high productivity and maximum ore recovery.

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Ore is hoisted to the surface where it is fed to two grinding circuits in parallel. After grinding, the resultant slurry passes to a flotation circuit where a series of flotation stages and a further regrinding stage produce a copper concentrate. The concentrate then passes through a leaching circuit which is principally designed to extract uranium from the copper minerals. Uranium is extracted in a solvent extraction plant, producing yellow-cake, which is subsequently calcined to produce uranium oxide concentrate and then packaged in drums for export sales.

After drying, copper concentrate is fed to an Outokumpu flash furnace, which produces blister copper and flash furnace slag. Blister copper is transferred to anode furnaces for fire refining. Anode copper is transported to the refinery where the ISA electro-refining process is used to produce copper cathodes. The slimes from this process are treated separately to recover gold and silver.

Power for the Olympic Dam Operations is supplied via a 275kV power line from Adelaide, with power supplied currently under contract until July 2006 by TXU and transmitted by Electranet in accordance with the *National Electricity Code* and the *Electricity Act 1996 (SA)* (as amended). We have finalized a formal contract with TXU covering a four-year term with an option to extend for two additional terms of three years. The new contract commenced operation for the supply of electricity to Olympic Dam from July 1, 2002.

Water supply for Olympic Dam is accessed from bore fields which draw from the Great Artesian Basin in South Australia. The operation has licenses from the relevant authorities to allow a drawdown (aquifer pressure) estimated to be the equivalent of 42 megalitres per day, of which 33 megalitres per day is currently used.

The Olympic Dam Operations produces both LME accredited electrolytic refined copper cathode and electro-won copper which is not LME accredited. We commenced production at Olympic Dam in 1988 at a rate of 45,000 tonnes per year of refined copper. Between 1989 and 1995, our production rate was increased, ultimately raising the ore mining capacity to approximately 3 million tonnes per year to supply a copper production capacity of approximately 85,000 tonnes per year. In 1999, we completed a major expansion of operations at Olympic Dam with production capacity increasing to approximately 200,000 tonnes of refined copper, 4,300 tonnes of uranium oxide, 75,000 ounces of refined gold and 850,000 ounces of refined silver per year. A further optimization project in 2002 has taken our refined copper production capacity to 235,000 tonnes per annum. However, production in 2003 was 160,080 tonnes due to the plant shutdown to reline the smelter, the rebuild of the copper and uranium solvent extraction plants and a failure of a heat exchanger in the acid plant. With the commissioning of the new copper solvent extraction plant in the first quarter of 2004, production in 2004 was 224,731 tonnes of copper.

The Olympic Dam Operations experienced a fire in the copper solvent extraction circuit in 1999 which resulted in a loss of approximately 7,150 tonnes of copper production. We experienced a further fire in both the copper and uranium solvent extraction area in 2001. The total cost of the rebuild was A\$384 million with the uranium circuit operational in May 2003 and the copper circuit operational in December 2003. The cash effect of the rebuild cost and lost production were partially offset by insurance proceeds of A\$156.5 million. The claims have been settled with our insurers and all outstanding insurance proceeds received in 2004.

The net written down value of our property and associated plant and equipment at Olympic Dam at December 31, 2004 was A\$3.8 billion. Reserves included in our current mine plan will be depleted in approximately 20 years at current production rates.

The Indenture Agreement

On June 21, 1982, the Government of South Australia, by an Act of the Parliament of that State, called the Roxby Downs (Indenture Ratification) Act 1982, ratified an agreement between the State of South Australia and the then-current Olympic Dam Operations joint venturers. This Act:

levies an ad valorem royalty of 3.5% on the value of the products which leave the mining lease. A second tier of additional royalty is also levied when the after-tax rate of return from the operation is greater than a threshold rate of 1.2 times the 10-year Australian government bond rate. After December 31, 2005, the royalty reverts to the royalty under the State Mining Act which, at present, is 2.5% (however, the government have indicated its intention to increase this to 3.5% in the future);

confers continuing mining rights (via a Special Mining Lease) at Olympic Dam Operations for the deposit's expected mine life

confers the right to draw water;

provides Government infrastructure and services; and

the obligations relate to production of up to 350,000 tonnes of copper per year.

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The Special Mining Lease relating to our Olympic Dam Operation has been granted for a period of fifty years with a right of extension for further period of fifty years.

For information on native land claims refer to Item 8A Legal Proceedings .

Markets and Competition

Copper

Industrial usage of copper derives from its electrical and thermal conductive properties, its durability and strength. Copper has many end uses, including consumer products, transport, industrial machinery, construction and electronic products.

Copper is an internationally traded commodity, traded on the LME in London and the COMEX division of the New York Mercantile Exchange in New York.

The average copper price in 2004 was US\$1.30/lb (US\$2,866/tonne). The copper market continued to strengthen and posted substantial gains during 2004, largely due to strong Chinese demand and historically low inventories.

During 2004 we exported approximately 75% of the copper we sold. Sales growth occurred in most of South East Asia where infrastructure projects drove strong demand. All copper prices are priced on the LME cash price plus a premium. Approximately 95% of our sales are made under short to medium-term contracts with major customers.

Uranium Oxide as a co-product to copper at Olympic Dam

The only significant commercial end use of uranium is as fuel for nuclear power electricity generating plants. Nuclear power currently accounts for approximately 16% of the world's electricity requirements. The ongoing construction of new nuclear power plants, and the planning for additional plants, should see nuclear power's share of overall electricity generation remain at approximately 15% up to 2010. Production of uranium oxide is spread among a number of countries, with Canada and Australia being the largest producers. The industry is dominated by a small number of large producers. Worldwide annual mine production amounted to approximately 46,000 tonnes of uranium oxide in 2004, an increase of approximately 11% from 2003.

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Previously, uranium consumption slowed in the 1990s with reduced construction of new power reactors. However, demand has continued to strongly outstrip mine supply, requiring continued drawdown of diminishing secondary supplies (stock drawdowns and recycling of highly enriched uranium). Former Russian military uranium has been entering the commercial market in increasing quantities since 1995.

As secondary supplies decline, the growing gap between uranium oxide supply and demand will have to be met by new primary production of uranium oxide.

Uranium oxide is not traded on an official exchange and the spot market is highly illiquid as most uranium oxide is sold under long-term contract (three-to-ten years). In spite of this, the spot market is important, as pricing under some portions of long-term contracts are linked to the spot market. Spot prices in 2004 averaged US\$18.65/lb uranium oxide, a 61% increase from 2003.

Our objective is to match sales of uranium to production, with the bulk of production committed under long-term sales contracts with well-established and reputable electricity generating utilities. In 2004, we sold uranium oxide to companies in the United Kingdom, Finland, Sweden, France, Japan, Spain, Canada and the United States.

Uranium is exported in accordance with Australian government regulations and the requirements of bilateral safeguards agreements between the Australian government and the recipient's national government.

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3. FERTILIZER

We hold mining leases over two phosphate deposits in north-west Queensland. Our major phosphate resource is located at Phosphate Hill, 140 kilometers southeast of Mount Isa. The principal activities at Phosphate Hill are conducted on Mining Lease 5543, which expires on October 31, 2035. Currently, mining is from three open pits using excavators and trucks. Ore is treated through a beneficiation plant which has a four-stage process of crushing, washing and de-sliming, grinding, thickening and slurry storage. We completed the construction of the Queensland Fertilizer Operation at the end of 1999, and commissioned the integrated plant during 2000.

Sulphuric acid is sourced from an acid plant we own located adjacent to Xstrata Plc's Mt Isa smelter and from the Korea Zinc plant at Townsville. The acid plant has a production capacity of approximately 1.1 million tonnes of sulphuric acid per year. The agreement with Xstrata to convert the smelter off-gases to sulphuric acid obligates both parties on a reasonable endeavors basis. If for some reason sulphur dioxide gas is unavailable, the acid plant burns sulphur to produce sulphur dioxide, although production volumes and costs would be affected if the sulphur dioxide gas from the acid plant was not available for an extended period of time. We transport sulphuric acid to Phosphate Hill in specially designed rail tanker wagons.

Sulphuric acid is combined with filter cake from the beneficiation plant in a phosphoric acid plant to produce phosphoric acid and gypsum. The phosphoric acid plant at the Queensland Fertilizer Operations is a hemihydrate plant with a production capacity of 485,000 tonnes per annum.

In the ammonia plant, ammonia is produced by combining hydrogen from natural gas and nitrogen from air. In the granulation plant, phosphoric acid is reacted with ammonia to form ammonium phosphate slurry which is pumped into the granulator where it forms granules of fertilizer, as either di-ammonium phosphate (DAP) or mono-ammonium phosphate (MAP). We transport the final product by rail to handling and storage facilities in Townsville under the terms of a 20-year take-or-pay rail transport contract with Queensland Rail to a minimum annual tonnage of approximately one million tonnes. The Townsville storage facilities have a capacity of 90,000 tonnes.

We store gypsum onsite at Phosphate Hill in large lined dams. Gypsum storage and disposal is a significant cost for the operation, as the production process produces large quantities of gypsum. We are currently exploring longer-term low-cost alternatives for the storage and/or use of the gypsum produced.

We source power at Phosphate Hill from on-site third-party gas fired turbines. We purchase natural gas for power and ammonia production under a long-term contract with Santos Ltd and others. We source this gas from the Cooper Basin gas fields in south-west Queensland via the AGL Carpentaria gas pipeline.

We source our water from a series of bores into nearby aquifers within the mining lease area. These should be adequate to meet requirements for at least 10 to 15 years. We are currently pursuing access to other identified sources.

Our current principal strategic objectives for our Queensland Fertilizer Operations are to:

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Increase annual production above the annual design capacity of 960,000 tonnes;

Reduce operating costs and obtain additional low-cost production through plant optimization and de-bottlenecking;

Develop domestic markets;

Increase production of value-added products;

Increase Hi-Fert Pty Ltd's market position and profitability, leveraging its recent growth through a joint venture arrangement and its position as the second largest distributor on the east coast of Australia;

Following a period of poor returns, the domestic and international fertilizer markets are undergoing consolidation. Queensland Fertilizer Operations will consider all its strategic options to participate in this process. As a result, during 2004 we diluted our interest in our marketing and distribution business, Hi-Fert Pty Ltd, from 100 percent to 33.3 percent in order to form a strategic partnership with ELF Australia Pty Ltd (a joint venture owned by a subsidiary of AWB Limited and Elders Limited) relating to the distribution and marketing of fertilizer.

We are currently investigating ways to increase the percentage of MAP produced and the introduction of differentiated MAP products for which there may be increased market demand.

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The table below details principal components and location of the Queensland Fertilizer Operations:

Queensland Fertilizer Operations

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The table below shows our Phosphate Hill fertilizer production over the last five years.

PHOSPHATE HILL PRODUCTION SUMMARY

	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
	(tonnes)				
Di-ammonium phosphate (DAP)	647,862	759,856	718,287	651,498	326,262
Mono-ammonium phosphate (MAP)	236,059	162,121	102,713	57,947	

A production efficiency study to investigate ways to increase annual production of phosphate fertilizer by 15% to approximately 1.1 million tonnes has been completed. This is expected to be implemented over the next few years.

The table below shows our proven and probable phosphate ore reserves.

PHOSPHATE HILL ORE RESERVES^{(1), (2), (3)}

As at December 31, 2004

Type of Reserve ⁽⁴⁾	Proven Ore ⁽⁵⁾		Probable ⁽⁶⁾		Total		Assumed Overall Metallurgical Recovery ⁽⁷⁾ %
	Ore million of tonnes	Grade (% P ₂ O ₅)	Ore million of tonnes	Grade (% P ₂ O ₅)	Ore million of tonnes	Grade (% P ₂ O ₅)	
o/c	27.8	24.4	57.6	24.4	85.4	24.4	85
s/p	0.7	22.3			0.7	22.3	85

⁽¹⁾ The commodity price used to estimate the 2004 ore reserves was A\$300/tonne (for DAP free-on-board Tampa). At the 3-year average exchange rate, this equated to US\$194/tonne (for DAP free-on-board Tampa). In addition to the DAP price, premiums for differentiated products and the freight differential between Australia and Tampa contributed to the realized revenue.

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- (2) Ore reserves reflect tonnages recoverable from mining. The estimates include diluting materials and allowances for losses which may occur when the material is mined but do not include adjustments for metallurgical recovery.
- (3) We have a 100% interest in the Phosphate Hill operation.
- (4) O/c = open cut, s/p = stockpile
- (5) Approximate drill hole spacings we used to classify the proven ore reserves were $\leq 40\text{m} \times 40\text{m}$.
- (6) Approximate drill hole spacings we used to classify the probable ore reserves were $\leq 120\text{m} \times \leq 120\text{m}$.
- (7) The metallurgical recovery factors included in the tabulation represent the estimated overall recovery of P_2O_5 from run-of-mine ore feed to final saleable product, assumed in the estimation of the ore reserves. The reported recovery refers to the combined recovery of the beneficiation plant and the phosphoric acid plant.

The net written down value of property and associated plant and equipment at our Queensland Fertilizer Operations at December 31, 2004 was A\$510.8 million. Reserves included in our current mine plan will be depleted in approximately 30 years at current production rates.

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Markets and Competition

During 2004, we continued our market development strategy, in support of ongoing growth in production from our fertilizer operations. Our focus is on delivering fertilizer products to the Australian market, which yields the best margins for our operations. In particular, we have continued to increase the domestic sales of MAP as we move toward an even production split between MAP and DAP.

We have marketing arrangements in place for our total fertilizer production based on 2004 volumes. We have domestic supply contracts in place with major Australian fertilizer distributors serving the domestic market and a marketing agreement in place targeting Asian markets.

Ammonium phosphate fertilizers are increasing their share of both the global and Australian domestic phosphate fertilizer market due to their high nutrient content and savings in storage, handling, transportation and application costs. Within the Australian domestic market, MAP demand is growing at a greater rate than DAP, which supports our strategy of increasing the production of MAP.

The generally accepted benchmark for ammonium phosphate fertilizer is based on US Gulf of Mexico prices. The DAP price has increased over 2004, increasing from US\$204 per tonne (free-on-board Tampa) to US\$233 per tonne at the end of the year. The price has declined slightly in the first half of 2005 and was US\$226 per tonne at the end of April 2005. This price strength has been driven by a combination of strong international demand, particularly in Latin America, and increased manufacturing input costs such as ammonia and phosphate rock, forcing producers to raise prices to cover costs.

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4. REGIONAL EXPLORATION AND NEW BUSINESS

Minerals Exploration

Exploration is a core component of our growth strategy. Our global minerals exploration program seeks to deliver mineral discoveries that provide significant growth opportunity in locales where we can effectively manage the business and technical risks. During 2004, we conducted exploration in Australia, China, Peru, Mexico, Tanzania, Botswana, Zambia, Malawi, Canada and the USA.

We spent A\$28.7 million on minerals exploration for continuing operations for the year ended December 31, 2004. Our expenditure for the year ended December 31, 2003 was A\$23.4 million. Our exploration includes global green fields, targeting and testing for deposits of nickel and copper-gold, as well as near-mine and regional nickel exploration in Western Australia.

West Musgrave, Western Australia

The Babel-Nebo nickel-copper-platinum group occurrence at West Musgrave, which we discovered in 2000, is located approximately 800 kilometers north-east of Leonora in Western Australia. A total of 125 holes have been drilled to test the potential of the deposit. This drilling has identified an inventory of mineralization in the order of one million tonnes of nickel and one million tonnes of copper. At this stage, a mineral resource has not been defined for the deposit. Further metallurgical studies are planned and will facilitate evaluation of the project economics. The mineral inventory is situated within mining leases which have a 21 year term with automatic renewal rights, other exploration targets at West Musgrave are held through exploration licences. In 2003, we reached an agreement with the local communities and the Ngaanyatjarra Land Council (NLC). This agreement was in addition to our primary 1997 exploration agreement with the NLC and provided us land access to additional selected exploration licenses in the region. Airborne electromagnetic targets on these additional licenses were explored in 2004, without exploration success. A further agreement was reached early in 2005 regarding additional targets which are expected to be tested during 2005.

Our exploration in this area is currently focused on identifying new zones of mineralization at Babel-Nebo while broader, regional exploration continues. Two drilling programs, one to test for deep mineralization at Babel-Nebo and one to test a significant electro-magnetic anomaly in the region are planned for 2005.

Collurabbie, Western Australia

At Collurabbie, some 180 kilometers east-north-east of our Mt Keith nickel operations, we have a 70-30 joint venture with Falcon Minerals NL, and hold 100 percent of tenements covering a large additional area. Drilling at the Olympia project within the Falcon Minerals joint venture during 2004 intersected significant nickel-copper-platinum group mineralization over a strike length of 600 metres.

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In the broader Olympia area, we have completed aircore drilling over a strike extent of eight kilometers. There are indications of nickel-copper-platinum group element metals along the entire strike length of the trend. We have planned a follow-up drilling program for 2005.

New Business

Mozambique - Corridor Sands Project

We have a Prospecting and Research License (Mineral Tenement) on the land which incorporates our Corridor Sands mineral sands project in Southern Mozambique. Under the licensing agreement, subject to committing to a development plan, we have the right to convert the exploration license to a mining title and commence exploitation of the resource, which title will have an initial 25 year term, renewable with 15 year terms for the life of mine. The project contemplates the exploitation of large, currently undeveloped mineral sands deposits. The project envisages a world-scale integrated mining, concentration and smelting operation to produce titanium dioxide slag, used to produce pigments for brightness and opacity in the manufacture of paint, paper and plastics. We are working towards development of the project to meet forecast demand for additional titanium dioxide slag in late 2008.

In November 2000, after an earlier due diligence investigation, we paid Southern Mining US\$15 million for an exclusive option to study and acquire a controlling interest in the project. We completed a bankable feasibility study in 2002. During 2003, we began discussions with major customers to establish firm purchase agreements.

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INFORMATION ON THE COMPANY

On December 9, 2002, we announced that we had agreed to acquire 100% of the Corridor Sands project from Southern Mining Corporation Limited. The total consideration paid was US\$87.5 million and comprised two tranches. The first tranche was satisfied by the issue on December 9, 2002 of 14,080,604 shares in each of WMC Resources and Alumina Limited, valued at US\$62.5 million (based on the respective share prices of each company on that date). The second tranche of US\$25 million was paid by issuing 6,715,123 WMC Resources shares to Southern Mining Corporation in December 2003. During 2003, the Industrial Development Corporation of South Africa exercised its option to acquire a 10% interest in the project for US\$10 million. The initial exercise price of US\$100,000 has been paid with the balance of US\$9.9 million payable on achievement of key project milestones. This transaction was approved by the Reserve Bank of South Africa in December 2004. The Industrial Development Corporation will now fund its share of project activities.

Environmental Matters

Our environmental policy states our commitment to achieve compatibility between economic development and the maintenance of the environment, and to observe all applicable environmental laws. Primary responsibility for environmental matters rests with site management. A corporate safety, environment and social development group provides technical and professional support to the line managers in the execution of the environmental policy and implementation of the environment health and safety management system, which is generally consistent with the requirements of ISO14001. Regular internal audits of each sites conformance with the management system standards are undertaken, and selectively subjected to a process of independent checks by an external verifier. Environmental non-compliances are reported monthly to the Board of Directors. In April 2005, we published our tenth annual Sustainability Report that covers the 2004 reporting period. The Sustainability report has been exclusively web-based since the 2002 report was published in 2003. Prior to 2001, these reports were published as the Environmental Progress Report.

We have mining and mineral-processing operations in Australia and have active exploration and project activities in many countries. Our activities are subject to various laws governing the protection of the environment in areas such as air and water quality, emissions, waste disposal, environmental impact assessments, land rehabilitation and access to, and use of, ground water. A failure by us to comply with the laws in relation to environmental issues might result in sanctions such as: fines; orders requiring additional environmental controls; more onerous license conditions or curtailment of operations.

We continue to invest in plant and equipment to improve the reliability and environmental performance of our operations and to ensure compliance with regulatory requirements. Our principal environmental costs continue to be recovery of contaminated groundwater at the Baldivis tailings storage facility. To December 31, 2004, we have spent A\$86.7 million (A\$83.4 million as at the end of 2003) on groundwater remediation at our Kwinana and Baldivis facilities. Current remediation work at Kwinana has been completed and we anticipate that work at Baldivis will continue until approximately 2008, at a further cost of A\$23.8 million.

We accrue financial provisions for meeting environmental obligations for site closure and rehabilitation across all our sites. The basis for accruing provisions is reviewed annually by sites and is also subject to triennial corporate reviews. As at December 31, 2004, we had made financial provisions of A\$119.2 million for future rehabilitation activities.

We cannot reasonably estimate the cost of future compliance or remedial work or further investment necessitated through the introduction of further environmental regulation or by any causes of contamination, including those occurring prior to the introduction of such regulation or before or after the property in question was owned or occupied by us. The level of such costs will be dependent upon the requirements of future environmental regulation, the extent of any contamination, the technology available to meet the required standards, the determination of our

liabilities in proportion to those of other parties and the extent to which costs are recoverable from insurance and third parties.

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Australian Mining Law and Leases

In Australia, with few exceptions, all onshore mineral rights are reserved to the government of the relevant State or Territory. Exploration for minerals is regulated by the general mining legislation of the relevant State or Territory and controlled by the relevant State or Territory government department. Where native title has not been extinguished, native title legislation may apply to the grant of tenure and some subsequent administrative processes (see Item 8A, *Legal Proceedings – Native Title in Australia*).

Where large-scale mining projects are involved, mining leases can also be granted pursuant to specific legislation of the State or Territory. Such mining leases involve complex agreements with State or Territory governments on matters such as water rights, the size of the mining tenements, protection of the environment, the provision of infrastructure and the payment of royalties. In South Australia, the Olympic Dam Operations special mining lease is an example of this type of agreement (see Item 4D, *Property, Plant and Equipment – Copper – Indenture Agreement*).

In addition, a number of mineral leases and mining leases pertaining to the Kambalda Nickel Operations and Leinster Nickel Operations were issued pursuant to the Nickel Refinery (Western Mining Corporation Limited) Agreement Act 1968 (WA) and the Nickel (Agnew) Agreement Act 1974 (WA), respectively.

Our nickel operating properties are located in the State of Western Australia. Upon application to the Western Australian Department of Mineral and Petroleum Resources, the mining registrar or the warden may grant a prospecting license. The warden is also responsible for providing recommendations in relation to exploration licenses to the Minister who, in turn, may grant an exploration license. Exploration or prospecting licenses generally grant exclusive rights to explore for minerals in an area for a set period, as long as the holder complies with the provisions of the relevant Mining Act relating to conditions of tenure and minimum annual expenditure.

In most Australian states, if the holder of an exploration license establishes indications of an economic mineral deposit and expends a minimum level of investment, it may apply for a mining lease. In Western Australia the maximum area of a mining lease is 10 square kilometers and the maximum initial term is 21 years. A general purpose lease may also be granted for one or more of a number of permitted purposes. These purposes include erecting, placing and operating machinery in connection with mining operations, depositing or treating minerals or tailings and using the land for any other specified purpose directly connected with mining operations.

In Western Australia, the holder of an exploration license can obtain a mining lease without establishing an economic deposit. This gives the holder exclusive mining rights on the property. The Minister for Mines of the State of Western Australia may grant or

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refuse a mining lease at his discretion, regardless of the warden's recommendations. If the applicant is the holder of an exploration license and the holder has complied with the conditions attaching to the exploration license, an application, generally, will be granted. However, a 1994 decision of the Full Court of the Supreme Court of Western Australia held that the automatic grant was subject to the Minister's discretion to refuse the mining lease application on reasonable grounds in the public interest, such as major environmental issues.

Upon expiration of the initial term of a Western Australian mining lease, the holder has the right to renew the lease for a further period of 21 years. Subsequent renewals are subject to the Minister's discretion.

Holders of mining leases must pay royalties on minerals extracted from the mining area. The amount of the royalty payable is specified in the relevant legislation. The royalty on sales of nickel in Western Australia is 2.5% of the free on board contained metal value of nickel sold.

See Item 4D Property, Plant and Equipment Copper Indenture Agreement for the royalties payable with respect to the Olympic Dam Operations.

In addition to the aforementioned leases, we own freehold property which include mineral rights at Kambalda in Western Australia and the tenure underlying the Olympic Dam Operations. No royalty is payable by us to the State of Western Australia for nickel production from the mines operated by third parties and located on the freehold land at Kambalda, although a royalty is payable to a prior holder of the freehold property.

A summary of our significant leases and freehold property for Western Australian, South Australian and Queensland operations follows.

Operation	Relevant Act(s)	Term	Expiration Date of Lease⁽¹⁾	Life of Approved Mine Plan
Kambalda Nickel Operations	Mining Act 1978 (WA)	Leases are either currently within their initial 21-year lease period or within the term of their first (as of right) renewal period of 21 years. Further renewals are at Minister's discretion.	2006 2011 2026	8
	Nickel Refinery (Western Mining Corporation Limited) Agreement Act 1968 (WA)	All leases have completed their initial term of 21 years. All leases had an option to be renewed for a further period of 21 years. This option has been exercised against all leases. A second renewed term is available for a further period of 21 years. However, grant of this renewal is at the Minister's discretion. These tenements can also be replaced by WA Mining Act 1978 mining leases in which case they would become subject to the provisions of that Act. A number of leases have been sub-leased to a third party pending finalization of a sale	2007-2008 2014 2017-2018	

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and purchase agreement.

Transfer of Land Act (WA) In perpetuity. Proportion of freehold land sub-leased to
Mining on Private Property Act a third party for mining purposes.
1898 (WA)

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Operation	Relevant Act(s)	Term	Expiration Date of Lease⁽¹⁾	Life of Approved Mine Plan
Leinster Nickel Operations	Nickel (Agnew) Agreement Act 1974 (WA)	Lease has completed its initial term of 21 years. Option for a renewed term of a further period of 21 years has been exercised. Lease has unlimited rights for renewal for further periods of 21 years. This lease can also be replaced by WA Mining Act 1978 mining leases in which case they would become subject to the provisions of that Act.	2019	8
	Mining Act 1978 (WA)	Leases are currently within their initial 21-year lease period or are within the term of their first (as-of-right) renewal period of 21 years. A further 21 years is available as a right of renewal. Further renewals are at Minister's discretion.	2008-2010 2012-2013 2015 2025	
Mount Keith Operations	Mining Act 1978 (WA)	Leases are currently within their initial 21-year lease period. A further 21 years is available as a right of renewal. Further renewals are at Minister's discretion.	2008 2011-2016	19
Olympic Dam Operations	Roxby Downs (Indenture Ratification) Act 1982 (SA)	50 years plus right to renew for further periods of up to 50 years.	2036	20
	Real Property Act 1886 (SA)	In perpetuity.		
Phosphate Hill	Mineral Resources Act 1989 (Qld)	40 years plus renewal periods as negotiated with Queensland Government.	2035	30

⁽¹⁾ There may be a number of lease agreements applicable for each operation

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion of our operating performance and financial condition should be read in conjunction with our Consolidated Financial Statements, including the notes thereto, which are included in this annual report. Those Consolidated Financial Statements have been prepared in accordance with Australian GAAP, which differs in certain respects from US GAAP. A discussion of the principal differences between Australian GAAP and US GAAP as they relate to us and a reconciliation of certain items to US GAAP are provided in Notes 47 and 48 to the Consolidated Financial Statements. Unless noted otherwise, amounts and disclosures of accounting matters made in this section are determined in accordance with Australian GAAP.

Demerger

We were formed as a result of the demerger of WMC Limited into two entities. Pursuant to the demerger, we acquired the copper-uranium and fertilizer businesses, two finance vehicles, WMC Finance Limited and WMC Finance (USA) Limited, as well as exploration and development interests (other than those relating to AWAC). We already held WMC Limited's nickel business. WMC Limited, now renamed Alumina Limited, continues to hold the interest in AWAC, costs associated with AWAC and exploration and development interests related to AWAC.

The following discussion of our operating and financial review has been prepared, like the historical financial statements on which the discussion is based, as though we had existed as a stand-alone economic entity, consisting of the businesses and assets identified above, for each of the periods presented. This presentation includes the results of operations which have been discontinued, such as gold and talc, the proceeds from the sale of these same discontinued businesses and the associated hedging losses incurred by them. As a result, the financial presentation does not entirely reflect our businesses and assets on an on-going-forward basis, the latter being focused upon the nickel, copper/uranium and fertilizer businesses.

In addition, although the financial statements include all costs and revenues incurred by us for the reported periods, they do not necessarily reflect what the costs and revenues would have been had we existed as a separate, stand-alone economic entity during the periods presented. In particular, in order to achieve improved financial outcomes, management might have made different decisions regarding exploration, project evaluation, corporate expenditure activities and capital structure. Some of the uncertainties surrounding our operating and financial prospects are described in the section entitled Risk Factors.

The transactions that occurred in conjunction with the demerger and the manner in which the demerger has been implemented, will also have an effect on our results of operations and financial position in future years relative to our historical results of operations and financial position discussed in this section. In particular, as part of the demerger, we acquired WMC Limited's copper/uranium and fertilizer businesses and WMC Limited's international exploration assets and businesses (other than those relating to AWAC) at their fair value as required under Australian GAAP. These internal acquisitions resulted in an increase in the reported value of our consolidated property, plant and equipment and will result in correspondingly higher depreciation and amortization expense in future years compared to historical periods. In addition, in connection with the demerger, we replaced WMC Limited's debt facilities and borrowings with new debt facilities and borrowings. As a result, following implementation of the demerger, our level of debt was reduced by approximately A\$577 million. This lower level of debt will also result in a lower level of annual interest expense associated with borrowings in future years compared to historical periods. Finally, the transfers of WMC Finance Limited and WMC Finance (USA) Limited in connection with the demerger resulted in the accounting for the derivative and financial

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instruments held in these entities at fair value on the date of transfer as required under Australian GAAP. As a result, our future earnings will only be impacted, in respect of these instruments, by the movement in commodity prices and exchange rates between the date of transfer and the maturity date, although future cash flows will still be impacted in respect of these instruments by the movement in commodity prices and exchange rates between the dates when the contracts were originally entered into and their maturity dates.

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Basis of Preparation

2004 and 2003 fiscal years

The financial statements for the years ended December 31, 2004 and December 31, 2003 reflect the financial performance of the operations of the WMC Resources Ltd group for the full financial year as, on a statutory basis, we controlled the copper-uranium, fertilizer and finance activities for the full 2004 and 2003 fiscal years.

2002 fiscal year

In compliance with Australian Accounting Standards and the Corporations Act 2001, for Australian reporting purposes, we were required to prepare Australian statutory accounts, for the year ending December 31, 2002 on a legal entity basis which, for these purposes, reflect the results of the nickel operations and corporate activities for the full 2002 financial year, but only include the results of the copper-uranium, fertilizer and finance activities for the month of December 2002, the period from the consummation of the demerger until the end of the financial year. As the statutory presentation does not reflect the full annual financial results of all the businesses that now comprise our group, the Consolidated Financial Statements included in this Annual Report have been prepared on a carve out basis as though we controlled the copper-uranium, fertilizer and finance activities for the full 2002 fiscal year. A reconciliation of net income on a statutory basis to net income on a carve out basis for the year ended December 31, 2002 has been included in Reconciliation between net income on a statutory basis and net income on a carve-out basis in this Annual Report.

Critical Accounting Policies

Our critical accounting policies are more fully described in Note 1 to our Consolidated Financial Statements, in respect of Australian GAAP, with differences in accounting policies for US GAAP more fully described in Note 45 to the Consolidated Financial Statements. Some of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty and are based on our historical experience, terms of existing contracts, management's view on trends in the mining industry and information from outside sources.

Our management believes the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements and could potentially impact our financial results and future financial performance.

Our critical accounting policies include those discussed below.

Amortization of mine properties and mine development assets

We calculate the amortization of mine properties on a straight line basis over the estimated remaining life of those mines or the life of the specific asset, whichever is shorter. Our estimates of remaining mine lives are determined as the period of time over which proven and probable reserves determined in accordance with the SEC's Industry Guide 7 are expected to be extracted.

We calculate the amortization of our capital cost of mine development on a units-of-production basis over the proven and probable reserves determined in accordance with the SEC's Industry Guide 7 included in the current mine plan. In order to calculate the amortization charge, we total the costs of development, including net costs, incurred to date and estimated future development costs, and divide this by the total proven and probable reserves included in the current mine plan. We calculate the annual depletion based on the units of production during the period multiplied by the per-unit cost.

Our estimate of the total expected future lives and production of our mines could be materially different from our actual production in the future and the actual lives of the mines due to changes in the factors used in determining our ore reserves, such as the commodity prices and foreign currency exchange rates. Any change in management's estimate of the total expected future lives of our mines may impact the amortization charges we record in our consolidated financial statements in relation to mine properties and mine development. In addition, actual future costs of mine development could differ from those estimated for the purpose of determining the rate of amortization.

Where ore has been mined and subsequently stockpiled for future processing, we include it in the determination of proven and probable reserves. However, we do not include this stockpiled ore in the total reserves used in the amortization calculation for mine development, as this calculation only references proven and probable reserves included in our current mine plan.

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For US GAAP purposes, amortization of the deferred costs of mine development is calculated on a units-of-production basis over the proven and probable reserves which relate to the particular category of development, either life of mine plan reserves or reserves for which no further capital expenditure is required. No future developments costs are taken into account in calculating the amortization charge.

Life of mine plan development comprises capital expenditures that will be utilized in the extraction of all the proven and probable ore reserves in the current detailed mine plan. These expenditures are predominantly incurred up front and in advance of any ore extraction or during major expansions. The types of development included in this category are ore haulage shafts, initial decline, ore passes and chutes and underground ore crusher cavities and are intended to be used for the extraction of all ore within the current mine plan. These costs are amortized on a units-of-production basis over the total proven and probable reserves in the current mine plan.

Development which is amortized over reserves for which no further capital is required comprises capital expenditure to provide access to various areas within the mine to allow the extraction of ore to commence. The types of development included within this category are: access and perimeter drives, ventilation drives and rises, and progressive declining subsequent to initial contact with the ore body. These costs are amortized on a units-of-production basis over the proven and probable reserves that can be currently accessed without future capital development costs being incurred.

Post-production waste removal

We accumulate all costs of post-production waste removal (stripping) from open pit mines, and defer them on the balance sheet as part of the total of mine properties and mine development. These costs include the costs of drilling, blasting, loading and haulage of waste rock from the open pit to the waste pile. Consistent with the methodology described above for amortization of mine development costs, we combine these costs with expected future costs of waste removal and amortize them on a units of production basis over proven and probable reserves determined in accordance with the SEC's Industry Guide 7 included in the current mine plan.

Variations exist in the accounting methods adopted by companies in the mining industry to account for post-production waste removal costs, and certain companies expense these costs as incurred. If we had not adopted a policy of deferring and amortizing these costs, we would have experienced greater volatility in period-to-period results.

For US GAAP purposes, deferred waste removal costs are considered deferred production costs and classified as other non-current assets in the balance sheet, and operating cash flows in the cash flow statement. The amortization of deferred post-production waste removal costs is determined by applying a life-of-mine waste-to-metal stripping ratio. The stripping ratio is calculated by comparing the recoverable metal included in the proven and probable reserves to be extracted over the life of the mine to the total volume of waste to be extracted over the same period. This ratio is then applied to the production of metal for the period to determine the amortization charge.

Recoverable value of long-lived assets

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We carry our long-lived mining assets at depreciated historical cost. Our management reviews these carrying values for impairment on a half-yearly basis. Where necessary, we revalue the carrying amounts of non-current assets downwards to their recoverable amount. Our reviews are based on undiscounted projections of anticipated future cash flows to be generated by utilizing the long-lived assets.

For US GAAP purposes, our long-lived mining assets are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If we deem an asset impaired, an impairment loss is measured and recorded based on the fair value of the asset, which generally will be computed using discounted expected future cash flows.

While management believes that these estimates of future cash flows are reasonable, different assumptions regarding projected commodity prices, production costs and foreign currency exchange rates could materially affect the anticipated cash flows to be generated by the long-lived assets, thereby affecting the evaluations of the carrying values of the long-lived assets.

Deferred taxation

When determining deferred taxation, our management makes estimates as to the future recoverability of deferred tax assets. If management determines that a deferred tax asset will not be realized, we would record a charge for that portion of the deferred tax assets which is not considered recoverable. These determinations are based on the projected realization of tax allowances and tax losses.

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In the event that these tax losses recognized as assets are not realized, an adjustment would be required to income in the period that the determination was made. Likewise, should our management determine that we would be able to realize tax assets in the future in excess of the recorded amount, we would record an adjustment to increase the deferred tax asset as a credit to income in the period that the determination is made.

Under Australian GAAP, the threshold test that must be met to recognize a deferred tax asset is that recoverability must be virtually certain for tax losses and beyond reasonable doubt for timing differences. Under US GAAP, recoverability of the deferred tax asset must be considered to be more likely than not.

Environmental rehabilitation costs

We make provision for environmental rehabilitation costs and related liabilities based on our management's interpretations of current environmental and regulatory requirements. In addition, final environmental rehabilitation obligations are estimated based on these interpretations, with provisions made over the expected lives of our operations. While our management believes that the environmental rehabilitation provisions made are adequate and that the interpretations applied are appropriate, the amounts we estimate for the future liabilities may differ materially from the costs that will actually be incurred. We reassess estimated cost of rehabilitation on a regular basis. If our management determines that we have created an insufficient rehabilitation provision, we will adjust earnings prospectively. Our rehabilitation provisions as at December 31, 2004 were A\$119.2 million in the aggregate, compared to estimated total future costs of A\$397.8 million.

For US GAAP purposes, we bring to account (calculated at a discounted present value) an asset retirement obligation and a matching asset at the initial point the liability is incurred, generally when the mine or production facility is first commenced. We amortize the cost of the obligation over the life of the related long-lived asset. Increases in the obligation as a result of the passage of time are treated as an operating expense.

Accounting for derivative instruments and hedging activities

We defer certain unrealized gains and losses on derivatives contracts that are used to hedge changes in cash flows from forecasted transactions, and bring these amounts to account when the hedged transaction is recognized in income. See item 11 – Qualitative and Quantitative Disclosures about Market Risks, as well as Note 1(w) to our Consolidated Financial Statements for an expanded discussion of our accounting policy under Australian GAAP, and Note 45(h) for discussion under US GAAP. Our hedged forecasted transactions are based on detailed production forecasts, which are based on the mine plans, and amounts hedged are based on a portion of our reserves determined in accordance with the SEC's Industry Guide 7, and as determined in accordance with our treasury risk management guidelines. On this basis, we consider the forecasted transactions to be probable of occurring, however changes in ore reserves due to changes in commodity prices or exchange rates could result in these transactions failing to occur, in which case, we would bring to account immediately any unrecognized gains or losses on derivative contracts.

General Factors

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On October 28, 2004 we received a conditional proposal from Xstrata plc to acquire WMC Resources for A\$6.35 per share in cash by way of a scheme of arrangement. The Board of WMC Resources carefully considered the proposal and determined that it failed to recognize the current and prospective value of WMC Resources' assets and the strategic benefits to Xstrata or other potential acquirers. Accordingly the Board declined the proposal to put forward a scheme of arrangement to WMC Resources shareholders.

On November 21, 2004 Xstrata plc announced that it intended to make a conditional takeover offer for WMC Resources at a price of A\$6.35 per share. This offer was increased to A\$7.20 (later amended to A\$7.00 after the payment of our A\$0.20 dividend) on February 2, 2005. The proposed offer price of A\$7.20 per share fell within the range provided by Grant Samuel, the independent expert, of A\$7.17 to A\$8.24. The Xstrata plc bid was unsuccessful and is now closed. Xstrata is not currently bidding for our shares.

On March 8, 2005, BHP Billiton Limited announced that it intended to make an offer for WMC Resources at a price of A\$7.85 per share, conditional on acceptances representing 90% of WMC Resources shares, Foreign Investment Review Board and other regulatory approvals and other conditions. The Board of Directors of WMC have unanimously recommended that WMC Resources shareholders accept the offer from BHP Billiton in the absence of a superior proposal. The offer currently closes on June 3, 2005. As of May 18 2005, BHP Billiton Ltd had received tenders for 3.53% of our outstanding shares.

Our operations during the three-year period ended December 31, 2004 were characterized by a focus upon our core businesses of nickel, copper/uranium (Olympic Dam) and fertilizers (Phosphate Hill). This strategy, begun in the 1990s when our operations were part of WMC Limited, included: major investment and restructuring to enhance the competitiveness and quality of our assets, with an

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emphasis on developing fully integrated production facilities to achieve efficiency and a competitive cost base, exploring expansion opportunities at existing businesses and focusing on sites with long-life reserves. In addition, non-core businesses, such as oil and gas, talc and gold were divested.

Our performance in the year ended December 31, 2002 continued to be negatively influenced by our production constraints related to downtime for repairs and disruptions to production. Our Olympic Dam copper/uranium and our nickel businesses experienced higher per unit costs of sales during the year, although commodity prices began to recover during the period.

Performance in fiscal 2003 strengthened significantly reflecting a strong performance from the nickel business due to high nickel prices and sound operating performance. The gains from the nickel business were partially offset by the appreciating Australian dollar and production constraints at Olympic Dam.

Our performance in fiscal 2004 was very strong due to improved operational reliability and strong commodity markets.

Our financial and operational performance and prospects are influenced by a number of factors. The following is a discussion of the key general factors which affect the consolidated and segment results of our business and financial performance.

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Factors affecting our consolidated results

Commodity prices

We sell products which are commodities and our financial performance is significantly influenced by the prices we obtain for these products. The price of a commodity is generally determined by, or linked to, the price for that product in the world markets. World commodity prices are subject to changes in supply and demand, and characterized by significant fluctuations. The volatility of commodity prices means that the sales revenues and, absent mitigating factors, profit generated by sales of our products can vary considerably from period to period, even where production levels and costs remain constant. For information about commodity price movements for nickel, copper, gold and fertilizer, see the section entitled "Qualitative and Quantitative Disclosures About Market Risk - Average Quarterly Prices".

Fluctuations in the A\$/US\$ Exchange Rate

The world commodity prices for the products we sell are denominated in, or linked to, the US\$. By contrast, most of our costs are denominated in A\$ and our accounts are prepared in A\$. As a consequence, fluctuations in the rate of exchange between the US\$ and A\$ may have an effect on our financial results. Absent mitigating factors such as foreign currency hedging, an appreciation of the US\$ relative to the A\$ increases the value of sales revenues as compared to costs and has a positive impact on profit. Depreciation in the US\$ compared to the A\$ decreases the value of sales revenue to costs and exerts negative pressure on our profit. For information about movements in the US\$/Australia \$ exchange rate, see the section entitled "Exchange Rates".

Capital Expenditures

Mining is a capital intensive business, where much investment in infrastructure and plant is required. Recent major capital expenditures include the rebuilding of uranium and copper solvent extraction plants at Olympic Dam and the expansion of the Perseverance mine at Leinster. These are discussed in more detail below.

Factors affecting our business segments - financial results

Regulatory Environment

We are subject to extensive regulation in Australia and abroad. Of particular importance in Australia is the impact of native title claims on mining and other leases. See Item 8A, "Legal Proceedings - Native Title in Australia". Furthermore, mining leases are subject to certain conditions. We are also subject to regulation on environmental matters, with special regulations applying in the context of the export and handling of uranium.

Competitive Environment

Our competitive position is based on our core longer-life assets, which are complemented by fully integrated production facilities, all of which are being optimized to lower costs and increase production. We also continue to engage in exploration to identify new ore bodies and development opportunities. Our competitive position is further enhanced by the fact that most of our operations are in politically stable, low-risk jurisdictions and that we have striven to achieve a high level of environmental and health and safety compliance.

Nickel Operations

In 2002, higher realised prices and higher sales volumes of concentrate and nickel metal were offset only partially by reduced nickel matte sales and higher cost of sales resulting in an improved profit for the year. We curtailed nickel matte production in the first half of 2002 following a shutdown of the acid plant at the Kalgoorlie smelter for repairs. In 2003, our nickel business recorded stronger profits. This was due to higher realized nickel prices and the highest level of nickel-in-concentrate for five years following record production at Mount Keith. In 2004, our nickel business almost doubled the earnings from the previous year due to higher realized prices and lower cash costs of production. Ore production commenced at Leinster's new Eleven Mile Well pit in December 2004. In addition, we are currently extending the Perseverance mine at Leinster at an estimated total cost of A\$207 million. Approximately 90% of our nickel metal sales are made under short- to medium-term contractual arrangements.

Olympic Dam Operations

A fire at the Olympic Dam operation's solvent extraction plant in October 2001 resulted in a A\$71.8 million charge for the write-off of assets and reduced production in the 2001 year, a A\$97.7 million charge due to reduced production in 2002 and a further A\$48.5 million charge due to reduced production in 2003. The rebuilt uranium solvent extraction plant was commissioned in the first

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half of 2003, and construction of the copper solvent extraction plant was completed in the second half of 2003. The scheduled relining of the furnace was completed in October 2003. Operations in the last quarter of 2003 were interrupted by a foam-up of the furnace bath and the failure of a heat exchanger in the acid plant. As a consequence of these repairs, refurbishment activities and the smelter reline, refined copper production for 2003 was approximately 160,080 tonnes. In 2002, we completed an optimization project to take the annual capacity from approximately 200,000 tonnes of refined copper to 235,000 tonnes. Following commissioning of the new copper solvent extraction plant in the first quarter of 2004, production reached 224,731 tonnes of copper. We currently expect to achieve approximately 226,000 tonnes in 2005. We sell approximately 90% of copper production under contracts which are negotiated annually. More than 90% of our uranium oxide production is committed under long-term sales contracts. Over the next year, WMC Resources will complete its A\$70 million pre-feasibility study into on the next phase of Olympic Dam development which may result in increasing copper production to in excess of 500,000 tonnes per annum. Furthermore, WMC Resources has committed to a A\$72 million feasibility drilling program (and obtaining associated land access agreements) that will commence from 2005 and continue through to mid 2007.

Queensland Fertilizer Operations

During 2002 the Queensland Fertilizer Operation's production rate increased and we achieved over 95% of design capacity in October 2002. This capacity, however, was offset by a decrease in fertilizer prices, resulting in a loss in 2002. In 2003, record production and higher DAP prices were offset by unfavorable exchange rate movements, resulting in a small loss. Earnings improved sharply in 2004 despite reduced margins on Hi-Fert sales. The Phosphate Hill site has the potential for future development but such opportunities are still in the early stages of study. We sell almost 100% of fertilizer production under contract.

Outlook for 2005

Group

We expect that favourable market conditions for each of our commodities will continue throughout 2005. Strong production is expected from each operation and we remain focused on delivering safe, sustained and consistent performance from each of our operations.

Nickel

During 2005, we expect nickel-in-concentrate production to exceed 117,800 tonnes. With long-term contracts under which we sell nickel concentrate to outside parties expiring in the first quarter of 2005, we expect that redirecting this concentrate into our own value-adding production stream will result in record nickel-in-matte production of more than 107,500 tonnes, with a corresponding record level of nickel metal production of more than 67,500 tonnes.

To support our development plans, we are investing more than \$90 million during 2005 in resource drilling, development studies and exploration in Western Australia. This work will include in-fill drilling at Yakabindie and extensional drilling in the Perseverance underground mine at Leinster. Our development studies will focus on the proposed new concentrator and hydrometallurgical circuit for treating talc and low-grade

ores, as well as a feasibility study on the Cliffs deposit near Mt Keith and a refinery expansion study.

Olympic Dam Operations

Full year production is expected to be approximately 226,000 tonnes of copper and 4,700 tonnes of uranium.

In addition to the pre-feasibility expansion study, we have planned a series of low-capital, high-return process enhancement projects for 2005 and 2006.

A feasibility drilling program will commence in 2005 and continue through to mid 2007 following completion of pre-feasibility drilling (which forms part of the pre-feasibility expansion study).

We have a program to lift mining and milling rates to enable us to achieve an annual throughput target of 10.5 million tonnes by December 2005. This includes low-cost initiatives to remove flow restrictions in our milling and materials handling during mining. We are developing a further program, to be implemented after 2005, that aims to raise our annual throughput to 12.3 million tonnes.

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Queensland Fertilizer Operations

Our Queensland Fertilizer Operation was expected to produce approximately 980,000 tonnes of fertilizer in 2005. Operational constraints in the second quarter of 2005 indicate this target may be reduced by up to 25,000 tonnes. This will have minimal financial impact and steps are underway to mitigate the production shortfall.

The Phosphate Hill deposit is of sufficient size to support expansion. It has a current mine life of more than 30 years. We have plans for small capital projects and de-bottlenecking in the next few years to increase annual production to 1.1 million tonnes.

Queensland Fertilizer Operations plans to increase production of mono-ammonium based products towards 50 percent of total production. During 2004, those products represented 27 percent of total production.

2004 Compared to 2003

Overview

Our consolidated net profit after tax from continuing operations was A\$1,326.9 million for the year ended December 31, 2004 compared with a net profit after tax of A\$239.1 million for the year ended December 31, 2003. Our net sales revenue from continuing operations amounted to A\$3,828.4 million for the year ended December 31, 2004 compared with A\$3,001.3 million for the comparable previous year, an increase of 27.6%. Our net income was positively influenced by an increase in earnings from nickel and copper, an improved result from our fertilizer operations and the realization of significant tax credits. These were partly offset by the effect of a weaker US dollar relative to the Australian dollar and increased costs relating to new business and exploration development.

Revenues

Our sales revenue from continuing operations for the year ended December 31, 2004 increased to A\$3,828.4 million, up from A\$3,001.3 million in the year ended December 31, 2003. The increase was driven by higher nickel prices up from an average of US\$4.36 per pound in 2003 to US\$6.28 per pound in 2004, higher copper prices up from an average of US\$0.81 per pound in 2003 to US\$1.30 per pound in 2004 and a 31.5% increase in copper tonnes sold. This was offset by a weaker US dollar relative to the Australian dollar and reduced uranium tonnes sold (as detailed in the following table). Net foreign exchange and commodity price hedging gains of A\$146.8 million in 2004 were up from a gain of A\$72.1 million in the comparable period in 2003, due to the weaker US dollar relative to the Australian dollar and a higher volume of US dollar hedging positions in 2004. The following tables show our sales volume by major product category for 2004 and 2003 and the average prices for our products.

	Year ended December 31,	
	2004	2003
SALES VOLUME SUMMARY		
Nickel (000 tonnes)		
- Nickel-in-concentrate	13.0	14.9
- Nickel-in-matte	31.7	36.5
- Nickel metal	62.1	60.9
Refined copper (000 tonnes)	229.5	174.5
Uranium oxide (tonnes)	4,172.0	4,575.0
Fertilizer (000 tonnes)	1,257.0	1,244.0
- Queensland Fertilizer Operations external sales	658.0	689.0
- Hi Fert sales	599.0	555.0

	Year ended December 31,	
	2004	2003
PRICES SUMMARY⁽¹⁾		
Nickel (US\$/lb)	6.28	4.36
Copper (US\$/lb)	1.30	0.81
Fertilizer (US\$/tonne)	222	180

⁽¹⁾ Average prices for the periods presented.

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Costs

Our total costs from continuing operations of A\$2,952.7 million for the year ended December 31, 2004 were marginally higher than the comparable period in 2003 of A\$2,731.1 million. The change was driven by a A\$233.6 million increase in costs of production largely due to higher volumes and the increased LME-related cost of third party ore for feed in our nickel operations.

Depreciation and amortization from continuing operations decreased to A\$464.8 million from A\$508.3 million in 2003, primarily due to the cessation of mining at the Harmony open-pit near Leinster (A\$44 million).

In 2004, borrowing costs were reduced by A\$20.7 million compared to 2003, due to lower effective interest rates and reduced net debt levels. Net borrowing costs were reduced by a similar magnitude of A\$23.5 million from A\$22.9 million in 2004 compared to A\$46.4 million in 2003.

Profit

Our consolidated net profit after tax from continuing operations was A\$1,326.9 million for the year ended December 31, 2004 compared with a net profit after tax of A\$239.1 million for the year ended December 31, 2003. The significant increase in our net result after tax largely reflects increased Australian dollar commodity prices, a turnaround in operational reliability and profitability at Olympic Dam, improved revenues and earnings growth in nickel operations, insurance recoveries, lower amortization expense (primarily in our nickel business) and the recognition of previously unbooked tax losses.

The net tax credit for 2004 was A\$319.1 million reflecting tax credits from the recognition of Australian tax losses and other timing differences not previously brought to account, residual hedge obligations settled in 2004 and restatement of deferred tax balances on entry to the Australian tax consolidation regime.

Cash flow

Our net cash inflow from operating activities for the year ended December 31, 2004 was A\$1,422.4 million, compared to A\$675.5 million for the year ended December 31, 2003. Key factors impacting net cash flow from operating activities were:

receipts from customers increased by 23.6% to A\$3,692.4 million, principally due to higher nickel and copper prices partially offset by a weaker US dollar relative to the Australian dollar;

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payments to suppliers and employees increased by 4.9% to A\$2,361.7 million from A\$2,251.8 million in the year ended December 31, 2003 principally due to increased production and increased costs of third party ore for feed in our nickel operations; and

proceeds we received in 2004 with respect to business interruption insurance claims relating to our nickel and copper operations of A\$101.5 million compared to insurance proceeds of A\$10.5 million in 2003.

Our net cash outflow from investing activities for the year ended December 31, 2004 was A\$345.9 million, compared to a net cash outflow from investing activities of A\$679.9 million in the year ended December 31, 2003. The key factors contributing to the outflow from our investing activities in 2004 compared to 2003 were:

proceeds from the dilution of ownership of Hi Fert Pty Ltd of A\$67.5 million in 2004; and

payments for property, plant and equipment amounted to A\$424.8 million for the year ended December 31, 2004, compared to A\$661.9 million for the comparable period in 2003 principally due to costs incurred on the rebuild of the copper and uranium solvent extraction plants and other major maintenance shutdowns during 2003.

Net cash outflow from our financing activities was A\$701.1 million, compared to a net cash inflow from financing activities of A\$27.3 million for the year ended December 31, 2003, principally due to:

Repayment of borrowings of A\$425.7 million in 2004 against net proceeds of borrowings of \$53.9 million in 2003;

payment on the settlement of legacy gold asset related hedge contracts of A\$116.8 million in 2004 compared to A\$33.0 million in 2003; and

a dividend payment of A\$206.4 million made in year ended December 31 2004.

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Our net assets increased by 29.4% to A\$5,109.1 million from A\$3,949.7 million at December 31, 2003, including an increase in our total assets to A\$8,163.1 million from A\$7,560.2 million. The increase in our net assets mainly reflects a reduction in interest bearing liabilities from A\$1,353.2 million at December 31, 2003 to A\$905.1 million at December 31, 2004 due to the decline in value of our US dollar denominated debt in Australian dollar terms and debt repayments made during 2004. The A\$602.9 million increase in our total assets was principally due to an increase of A\$486.7 million in the value of deferred tax assets and A\$373.6 million increase in cash assets due to strong earnings during 2004. The tax balances have been restated as at December 31, 2004 to reflect the recognition of Australian tax losses and other timing differences not previously brought to account and the restatement of deferred tax balances on entry to the Australian tax consolidation regime as announced on December 9, 2004.

Segment Results**Nickel**

Our profit before hedging, interest and tax increased to A\$790.3 million in 2004, compared with a profit before hedging, interest and tax of A\$430.2 million in 2003. Our higher profit before hedging, interest and tax in 2004 was principally due to higher revenues of A\$278.6 million driven mainly by higher Australian nickel prices and a lower amortization expense, offset by slightly reduced matte and nickel-in-concentrate sales volumes and increased costs of third party purchased feedstock. Nickel-in-concentrate production was marginally lower, reflecting lower Mt Keith production with mining transitioning from the higher grade ore at the bottom of Stage E cutback in 2003 to lower grade ore from the new Stage F cutback during 2004. This was offset by improved milling performance at Leinster and higher third party feedstock purchases at Kambalda. Nickel-in-matte production at the Kalgoorlie Nickel Smelter was marginally lower, reflecting reduced concentrate supply in the second quarter during the transition between cutbacks at Mt Keith. The Kwinana Nickel Refinery increased nickel metal production by 2% compared to 2003 notwithstanding a planned three-yearly major maintenance shutdown in the first half and an unplanned shut in 2003. The average unit cost of nickel metal sales (net of by-product credits) for 2004 was A\$5.04/lb, compared to A\$4.79lb in 2003, as a result of higher costs for purchased feed at Kambalda arising from the higher nickel price and reduced availability of Mt Keith ore offset by higher credits for intermediate products such as cobalt, residue and oxide sales. The following table provides information regarding the performance of our nickel business unit in 2004 and 2003.

NICKEL PERFORMANCE SUMMARY	Year ended December 31,	
	2004	2003
	A\$ millions	
Financial		
Profit before hedging, interest and tax ⁽¹⁾	790.3	430.2
Commodity/currency hedging	78.7	43.7
Profit before interest and tax	869.0	473.9
Intra-group sales	(2.5)	

Segment result⁽²⁾	866.5	473.9
Sales revenue (net of hedging)	2,175.4	1,861.8
Capital expenditure	298.3	219.0
Total assets	2,149.3	1,835.4
		000 tonnes
Production		
Nickel-in-concentrate	115.8	117.7
Nickel-in-matte	97.8	99.2
Nickel metal	62.5	61.4
		000 tonnes
Sales		
Nickel-in-concentrate	13.0	14.9
Nickel-in-matte	31.7	36.5
Nickel metal	62.1	60.9

- (1) We have included information concerning profit before hedging, interest and tax in our segment results as we believe this is a useful measure of operational performance because it removes items not related to the underlying performance of the business segment and it is also commonly used by certain investors to evaluate the core results of our segments. Profit before hedging, interest and tax is not a measure of financial performance under Australian GAAP and should not be considered an alternative to, or more meaningful than, income before interest and income tax or net income/(loss) attributable to holding company shareholders. Our consolidated results as discussed herein include the results of hedging, interest and tax.

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- (2) Segment result is segment revenues less segment expenses. Segment revenues include operating revenues from ordinary activities before tax, resulting from the operating activities of a segment that are directly attributable to a segment, and a portion of other revenues that can be allocated on a reasonable basis to the segment. Segment result in 2004 does not include interest, foreign currency revaluations or income taxation.

Our sales revenue increased to A\$2,175.4 million in 2004 compared to A\$1,861.8 million in 2003 due to higher realized Australian dollar prices resulting from a stronger US dollar nickel price and higher nickel metal sales offset by a stronger US dollar relative to the Australian dollar and lower sales volumes of nickel concentrate and matte. Hedging gains at A\$78.7 million in 2004, compared to the gain of A\$43.7 million in 2003 reflecting the weaker US dollar during 2004.

Realized nickel metal prices in Australian dollars averaged A\$8.97 per pound for the year ended December 31, 2004, an increase over the average price for the year ended December 31, 2003 of A\$6.70 per pound again reflecting the stronger nickel commodity prices in 2004.

Copper/Uranium

Our profit before hedging, interest and tax was A\$191.4 million in 2004, compared with a loss before hedging, interest and tax of A\$112.6 million in 2003. Our profit before hedging, interest and tax in 2004 was principally due to higher sales volumes from increased production, higher Australian dollar copper prices and insurance recoveries.

Copper production was a record 224,731 tonnes, up 40 percent on the previous year, driven by record smelter utilization and refinery performance. This performance was underpinned by a reliability improvement program which commenced in the smelter and was subsequently implemented in the mine and hydromet areas.

The solvent extraction plant circuit was successfully commissioned during 2004, and a program to lift copper, uranium and gold recoveries commenced. Uranium recovery increased from a historical 65-70 percent to a record 77 percent in the fourth quarter.

Cash operating costs rose by A\$112 million (20 percent) due to a 40 percent increase in production levels, reliability program funding and increased royalty payments. The following table provides information regarding the performance of our copper and uranium business in 2004 and 2003.

COPPER AND URANIUM PERFORMANCE SUMMARY	Year ended December 31,	
	2004	2003
	A\$ millions	

Financial

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Profit/(loss) before hedging, interest and tax ⁽¹⁾	191.4	(112.6)
Commodity/currency hedging	59.7	22.7
	<u> </u>	<u> </u>
Profit/(loss) before interest and tax	251.1	(89.9)
Intra-group purchases	7.6	7.6
	<u> </u>	<u> </u>
Segment result⁽²⁾	243.5	(97.5)
	<u> </u>	<u> </u>
Sales revenue (net of hedging)	1,177.5	719.0
Capital expenditure	98.5	396.7
Total assets	4,159.2	4,313.0
	<u> </u>	<u> </u>
Production		
Refined copper (000 tonnes)	224.7	160.1
Uranium oxide (tonnes)	4,404	3,203
	<u> </u>	<u> </u>
Sales		
Refined copper (000 tonnes)	229.5	174.5
Uranium oxide (tonnes)	4,172	4,575
	<u> </u>	<u> </u>

- ⁽¹⁾ We have included information concerning profit before hedging, interest and tax in our segment results as we believe this is a useful measure of operational performance because it removes items not related to the underlying performance of the business segment and it is also commonly used by certain investors to evaluate the core results of our segments. Profit before hedging, interest and tax is not a measure of financial performance under Australian GAAP and should not be considered an alternative to, or more meaningful than, income before interest and income tax or net income/(loss) attributable to holding company shareholders. Our consolidated results as discussed herein include the results of hedging, interest and tax.

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- (2) Segment result is segment revenues less segment expenses. Segment revenues include operating revenues from ordinary activities before tax, resulting from the operating activities of a segment that are directly attributable to a segment, and a portion of other revenues that can be allocated on a reasonable basis to the segment. Segment result does not include interest, foreign currency revaluations or intra-group sales.

Our sales revenue increased to A\$1,177.5 million in the year ended December 31, 2004, compared to A\$719.0 million in the comparable period of 2003, in line with higher sales reflecting higher production and a higher realized copper price (in Australian dollar terms).

Our sales revenue includes hedging gains of A\$59.7 million in 2004, compared to the A\$22.7 million of hedging gain in 2003, reflecting the weaker US dollar during 2004 and the increased quantum of hedging contracts.

Capital expenditure was A\$298 million lower in 2004 due to completion of the solvent extraction plants, the furnace rebuild program in 2003 and a risk-based review of capital requirements in 2004.

Copper prices averaged US\$1.30 per pound in 2004, up 60% on the average price in the year ended December 31, 2003 of US\$0.81 per pound. Australian dollar prices averaged A\$1.76 per pound for the year ended December 31, 2004, up 42% on the average price in the year ended December 31, 2003 of A\$1.24 per pound, due to the stronger US dollar relative to the Australian dollar in the year ended December 31, 2004. The copper market continued to strengthen and posted substantial gains during 2004, largely on the back of strong Chinese demand and historically low inventories. The uranium price has strengthened considerably. The spot price indicator for uranium rose in excess of 40 percent during 2004. Some of WMC's existing contracts include a spot price reference component and new contracts will be written at prevailing market conditions.

Fertilizer Operations

In 2004, we had a loss before hedging, interest and tax of A\$0.8 million, compared to a loss before hedging, interest and tax of A\$23.7 million in 2003. The improved performance was a result of a higher Australian Dollar sales prices partly offset by the costs of importing fertilizer to meet customer demand.

FERTILIZER PERFORMANCE SUMMARY⁽¹⁾	Year ended December 31,	
	2004	2003
	A\$ millions	
Financial		
Profit/(Loss) before hedging, interest and tax ⁽²⁾	(0.8)	(23.7)
Commodity/currency hedging	8.4	5.7
Profit/(Loss) before interest and tax	7.6	(18.0)

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Intra-group purchases	2.5	
Intra-group sales	(7.6)	(7.6)
	<u> </u>	<u> </u>
Segment result⁽³⁾	2.5	(25.6)
	<u> </u>	<u> </u>
Sales revenue (net of hedging)	485.6	428.1
Capital expenditure	17.5	40.5
Total assets	618.8	753.5
	<u> </u>	<u> </u>
	000 tonnes	
Production		
Phosphate fertilizer	884	922
	<u> </u>	<u> </u>
	000 tonnes	
Sales		
Queensland Fertilizer Operations external sales	658	689
Hi-Fert sales	599	555
	<u> </u>	<u> </u>

⁽¹⁾ Includes performance of wholly-owned subsidiary Hi Fert Pty Ltd for 12 months in 2003 and 11 months in 2004 (due to the sale of two thirds share in Hi Fert in November 2004).

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- (2) We have included information concerning loss before hedging, interest and tax in our segment results as we believe this is a useful measure of operational performance because it removes items not related to the underlying performance of the business and it is also commonly used by certain investors to evaluate the core results of our segments. Profit before hedging, interest and tax is not a measure of financial performance under Australian GAAP and should not be considered an alternative to, or more meaningful than, income before interest and income tax or net income/(loss) attributable to holding company shareholders. Our consolidated results as discussed herein include the results of hedging, interest and tax.
- (3) Segment result is segment revenues less segment expenses. Segment revenues include operating revenues from ordinary activities before tax, resulting from the operating activities of a segment that are directly attributable to a segment, and a portion of other revenues that can be allocated on a reasonable basis to the segment. Segment result does not include interest, foreign currency revaluations or intra-group sales.

The decrease in total assets of A\$134.7 million is attributable to the recognition of additional deferred tax benefits in 2003, the divestment of Hi Fert in November 2004 and the transfer to Group tax consolidation in 2004

Our production in 2004 was 884,000 tonnes of ammonium phosphate fertilizer, a decrease of 4.3 % from the 922,000 tonnes produced in 2003 due to a reduced supply of sulphuric acid in the first half of 2004 restricting fertilizer production.

The price of DAP averaged US\$222 per tonne in 2004 compared to US\$180 per tonne in 2003. The US\$/A\$ exchange rate increased from an average of 0.65 in 2003 to 0.74 in 2004.

2003 Compared to 2002

Overview

Our consolidated net profit after tax from continuing operations was A\$239.1 million for the year ended December 31, 2003 compared with a net loss after tax of A\$14.7 million for the year ended December 31, 2002. Our net sales revenue from continuing operations amounted to A\$3,001.3 million for the year ended December 31, 2003 compared with A\$2,487.2 million for the comparable previous year, an increase of 20.7%. Our net income was positively influenced by an increase in earnings from nickel, a decrease in interest expense and an improved result from our fertilizer operations. These were partly offset by reduced copper production and associated sales volumes, a weaker US dollar relative to the Australian dollar and reduced income from significant items.

Revenues

Our sales revenue from continuing operations for the year ended December 31, 2003 increased to A\$3,001.3 million, up from A\$2,487.2 million in the year ended December 31, 2002. The increase was driven by higher nickel prices up from an average of US\$3.07 per pound in 2002 to US\$4.36 per pound in 2003, offset by a weaker US dollar relative to the Australian dollar and reduced copper production and sales (as detailed

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in the following table). Net foreign exchange and commodity price hedging gains of A\$72.1 million in 2003 were up, from a loss of A\$113.3 million in the comparable period in 2002 due to the weaker US dollar relative to the Australian dollar, reduced quantum of hedge positions in 2003 and the impact of acquisition of the hedge book at fair value as part of the demerger. The following tables show our sales volume by major product category for 2003 and 2002 and the average prices for our products.

SALES VOLUME SUMMARY	Year ended December 31,	
	2003	2002
Nickel (000 tonnes)		
- Nickel-in-concentrate	14.9	14.1
- Nickel-in-matte	36.5	25.7
- Nickel metal	60.9	64.8
Refined copper (000 tonnes)	174.5	186.1
Uranium oxide (tonnes)	4,575.0	3,888.0
Fertilizer (000 tonnes)	1,244.0	1,254.0
- Queensland Fertilizer Operations external sales	689.0	606.0
- Hi Fert sales	555.0	648.0

PRICES SUMMARY⁽¹⁾	Year ended December 31,	
	2003	2002
Nickel (US\$/lb)	4.36	3.07
Copper (US\$/lb)	0.81	0.71
Fertilizer (US\$/tonne)	180	157

⁽¹⁾ Average prices for the periods presented.

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Costs

Our total costs from continuing operations of A\$2,801.8 million for the year ended December 31, 2003 were marginally higher than the comparable period in 2002 of A\$2,799.6 million. The marginal increase was due to an increase in costs of production of A\$217 million due to costs of third party ore for feed in our nickel operations and an increase in selling and distribution expenses of A\$81.9 million, offset by a reduction in net borrowings costs of A\$83.9 million and lower income from significant items of A\$209.9 million (as a result of insurance payments of A\$120.0 million and proceeds from early termination of interest rate swaps of A\$75.9 million recognized in 2002).

Depreciation and amortization from continuing operations decreased to A\$508.3 million from A\$511.0 million in 2002.

In 2003, borrowing costs were reduced by A\$83.9 million compared to 2002, due to more favourable rates on our global bond issue. The reduction in interest costs was similar in magnitude to the A\$75.9 million profit we recognized on the early termination of interest rate swaps in 2002, resulting in an overall marginal difference in our net borrowing cost of A\$46.3 million in 2003 compared to A\$48.7 million in 2002.

Profit

Our consolidated net profit after tax from continuing operations was A\$239.1 million for the year ended December 31, 2003 compared with a net loss after tax of A\$14.7 million for the year ended December 31, 2002. The significant increase in our net result after tax was primarily attributable to increased sales revenues, reduced borrowing costs and lower general and administrative and other expenses offset by non-recurring significant items recorded in 2002 of insurance income and proceeds from early termination of interest rate swaps.

Cash flow

Our net cash inflow from operating activities for the year ended December 31, 2003 was A\$675.5 million, compared to A\$399.0 million for the year ended December 31, 2002. Key factors impacting net cash flow from operating activities were:

receipts from customers increased by 21.7% to A\$2,987.3 million, principally due to higher nickel and copper prices partially offset by a weaker US dollar relative to the Australian dollar;

payments to suppliers and employees increased by 10.2% to A\$2,251.8 million from A\$2,043.4 million in the year ended December 31, 2002 principally due to increased production and increased costs of third party ore for feed in our nickel operations; and

proceeds we received in 2003 from the close out of the 2005 to 2008 hedge book of A\$18.6 million compared to proceeds of A\$71.2 million received from the close out of an interest rate swap in 2002.

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Our net cash outflow from investing activities for the year ended December 31, 2003 was A\$679.9 million, compared to a net cash outflow from investing activities of A\$402.7 million in the year ended December 31, 2002. The key factors contributing to the outflow from our investing activities in 2003 compared to 2002 were:

proceeds from the sale of non-current assets of A\$22.6 million compared to proceeds of A\$25.7 million from the sale of Central Norseman Gold Corporation Ltd and our gold royalty right with respect to the St Ives and Agnew gold operations sold in 2001 (classified as discontinued operations) in 2002;

payments for property, plant and equipment amounted to A\$661.9 million, compared to A\$464.9 million in 2002 principally due to costs incurred on the rebuild of the copper and uranium solvent extraction plans and other major maintenance shutdowns;

payment of A\$34.4 million in 2002 for close out of gold hedge contracts following the sale of the gold business in 2001; and

payment of A\$45.2 million of demerger costs in 2003.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Net cash inflow from our financing activities was A\$27.3 million, compared to a net cash outflow from financing activities of A\$24.8 million for the year ended December 31, 2002, principally due to:

net proceeds of borrowings of A\$53.9 million in 2003 against a net repayment of A\$446.4 million in 2002;

proceeds from share issues of A\$54.8 million in 2003;

a A\$12.4 million net increase in contributed equity in 2002 reflecting the equity cashflows retained by us but incurred by WMC Limited prior to the demerger

payment of A\$38.5 million for the close out of interest rate hedge book in 2003;

payment of a fee for the redemption of our Yankee Bonds of A\$150.2 million in 2002; and

a transfer of A\$577 million net debt (consisting of a transfer of A\$600 million debt, net of A\$23 million retained cash) to Alumina Limited as part of the demerger in 2002.

Balance sheet

Our net assets increased by 9.5% to A\$3,949.7 million from A\$3,606.6 million at December 31, 2002, including an increase in our total assets to A\$7,560.2 million from A\$7,348.1 million. The increase in our net assets mainly reflects a reduction in interest bearing liabilities from A\$1,657.5 million at December 31, 2002 to A\$1,353.2 million at December 31, 2003 due to the decline in value of our US dollar denominated debt in Australian dollar terms. The A\$212.1 million increase in our total assets was principally due to an increase of A\$184.2 million in the value of plant and equipment to A\$4,520.5 million reflecting the capitalized costs of the rebuild at Olympic Dam net of the impact of depreciation and amortization charges.

Segment Results

Nickel

Our profit before hedging, interest and tax increased to A\$396.1 million in 2003, compared with a profit before hedging, interest and tax of A\$269.9 million in 2002. Our higher profit before hedging, interest and tax in 2003 was principally due to higher revenue of A\$410.5 million offset by reduced overall production and increased production costs. An unplanned shutdown of the Kwinana Nickel Refinery reduced overall nickel metal production by 6% compared to 2002. However, nickel-in-concentrate production was at its highest levels for five years following record production at Mt Keith, strong output from Leinster and increased third party feed to Kambalda. The average unit cost of nickel metal sales (net of by-product credits) for 2003 was A\$4.79/lb, compared to A\$4.17/lb in 2002, as a result of lower production following the

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unplanned shutdown for repairs to the boiler at the Kwinana Nickel Refinery and increased purchases and costs (related to the higher nickel price) of third party concentrate feed. This replaced concentrate feed previously produced internally from the Kambalda mines, which we have now sold. The following table provides information regarding the performance of our nickel business unit in 2003 and 2002.

	Year ended December 31,	
NICKEL PERFORMANCE SUMMARY	2003	2002
	A\$ millions	
Financial		
Profit before hedging, interest and tax ⁽¹⁾	396.1	269.9
Commodity/currency hedging	43.7	(58.0)
	439.8	211.9
Profit before interest and tax		
Foreign currency revaluation	34.1	9.5
Intra-group sales		0.1
	473.9	221.5
Segment result⁽²⁾		
Sales revenue (net of hedging)	1,861.8	1,343.0
Capital expenditure	219.0	191.0
Total assets	1,835.4	1,696.0
	000 tonnes	
Production		
Nickel-in-concentrate	117.7	106.4
Nickel-in-matte	99.2	91.6
Nickel metal	61.4	65.1
	000 tonnes	
Sales		
Nickel-in-concentrate	14.9	14.1
Nickel-in-matte	36.5	25.7
Nickel metal	60.9	64.8
	000 tonnes	

⁽¹⁾ We have included information concerning profit before hedging, interest and tax in our segment results as we believe this is a useful measure of operational performance because it removes items not related to the underlying performance of the business segment and it is also commonly used by certain investors to evaluate the core results of our segments. Profit before hedging, interest and tax is not a measure of financial performance under Australian GAAP and should not be considered an alternative to, or more meaningful than, income before interest and income tax or net income/(loss) attributable to holding company shareholders. Our consolidated results as discussed herein include the results of hedging, interest and tax.

Table of Contents**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

- (2) Segment result is segment revenues less segment expenses. Segment revenues include operating revenues from ordinary activities before tax, resulting from the operating activities of a segment that are directly attributable to a segment, and a portion of other revenues that can be allocated on a reasonable basis to the segment. Segment result in 2003 does not include interest, foreign currency revaluations or intra-group sales.

The nickel refinery at Kwinana produced 61,417 tonnes of nickel metal in 2003, down from 65,055 tonnes in 2002, following the unplanned shutdown for repairs to the boiler.

Our sales revenue increased to A\$1,861.8 million in 2003 compared to A\$1,343.0 million in 2002 due to our higher realized Australian dollar prices resulting from a weaker US dollar relative to the Australian dollar and higher sales volumes of concentrate and nickel metal, offset in part by reduced matte sales. Hedging gains at A\$43.7 million in 2003, compared to the loss of A\$58.0 million in 2002 reflecting the weaker US dollar during 2002 and the reduced quantum of hedging contracts.

We are continually reviewing the mine plans for our open cut mines and making changes as appropriate to reflect updated information. Changes to the mine plans for the Mount Keith and Harmony mines in the six months to December 31, 2003 resulted in changes to stripping ratios, which had a positive impact on profit of A\$5.4 million (credit) (2002: A\$1.1 million credit). Realized nickel metal prices in Australian dollars averaged A\$6.70 per pound for the year ended December 31, 2003, an increase over the average price for the year ended December 31, 2002 of A\$5.55 per pound again reflecting the stronger nickel commodity prices in 2003.

Copper/Uranium

Our loss before hedging, interest and tax was A\$112.6 million in 2003, compared with a profit before hedging, interest and tax of A\$100.4 million in 2002. Our loss before hedging, interest and tax in 2003 was principally due to lower sales volumes from reduced production, a decline in the value of the US dollar as well as insurance revenue of A\$120 million recognized in 2002.

Our production continued to be impacted by the fire in the solvent extraction plant in October 2001 and the consequent rebuild of the copper and uranium solvent extraction plants. Downtime to repair a failure of a heat exchanger in the acid plant and a planned reline of the smelter furnace and a foam up in the furnace bath also impacted production. As a result, refined copper production decreased by 10% to 160,080 tonnes. Our uranium oxide production increased by 11% to 3,203 tonnes in 2003. This production however, did not completely fulfill our sales commitments. We fulfilled the balance of our uranium sales commitments through a combination of on-market purchases and uranium loans. The following table provides information regarding the performance of our copper and uranium business in 2003 and 2002.

COPPER AND URANIUM PERFORMANCE SUMMARY	Year ended December 31,	
	2003	2002
Financial	A\$ millions	

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Profit before hedging, interest and tax ⁽¹⁾	(112.6)	100.4
Commodity/currency hedging	22.7	(41.6)
	<u> </u>	<u> </u>
Profit before interest and tax	(89.9)	58.8
Intra-group purchases	7.6	5.0
	<u> </u>	<u> </u>
Segment result⁽²⁾	(97.5)	53.8
	<u> </u>	<u> </u>
Sales revenue (net of hedging)	719.0	723.3
Capital expenditure	396.7	216.0
Total assets	4,313.0	4,146.2
	<u> </u>	<u> </u>
Production		
Refined copper (000 tonnes)	160.1	178.1
Uranium oxide (tonnes)	3,203	2,891
	<u> </u>	<u> </u>
Sales		
Refined copper (000 tonnes)	174.5	186.1
Uranium oxide (tonnes)	4,575	3,888
	<u> </u>	<u> </u>

- ⁽¹⁾ We have included information concerning profit before hedging, interest and tax in our segment results as we believe this is a useful measure of operational performance because it removes items not related to the underlying performance of the business segment and it is also commonly used by certain investors to evaluate the core results of our segments. Profit before hedging, interest and tax is not a measure of financial performance under Australian GAAP and should not be considered an alternative to, or more meaningful than, income before interest and income tax or net income/(loss) attributable to holding company shareholders. Our consolidated results as discussed herein include the results of hedging, interest and tax.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

(2) Segment result is segment revenues less segment expenses. Segment revenues include operating revenues from ordinary activities before tax, resulting from the operating activities of a segment that are directly attributable to a segment, and a portion of other revenues that can be allocated on a reasonable basis to the segment. Segment result does not include interest, foreign currency revaluations or intra-group sales.

Our sales revenue decreased to A\$719 million in the year ended December 31, 2003, compared to A\$723.3 million in the comparable period of 2002, in line with lower sales reflecting reduced production and a lower realized copper price (in Australian dollar terms). In 2002, we recognized preliminary insurance claims totalling A\$120 million for both business interruption (A\$80 million) and material damage (A\$40 million) associated with the solvent extraction plant fire.

Our sales revenue includes hedging gains of A\$22.7 million in 2003, compared to the A\$41.6 million of hedging losses in 2002, reflecting the weaker US dollar during 2002 and the reduced quantum of hedging contracts.

The increase in total assets of A\$166.8 million was primarily attributable to the capitalized costs of the copper and uranium solvent extraction plant rebuild.

The rebuild of the solvent extraction plant continued during 2003 with the uranium circuit completed in the first half of 2003 and construction of the copper solvent extraction plant was completed in the second half of 2003. During 2002, we completed an optimization project to increase our capacity to 235,000 tonnes of copper cathode on schedule and on budget. We estimate our production of refined copper to be approximately 230,000 tonnes in 2004. The plant is targeted to operate at the rate of 235,000 tonnes per annum in 2005.

Copper prices averaged US\$0.81 per pound in 2003, up 14% on the average price in the year ended December 31, 2002 of US\$0.71 per pound. Australian dollar prices averaged A\$1.27 per pound for the year ended December 31, 2003, down 2.3% on the average price in the year ended December 31, 2002 of A\$1.30 per pound, due to the weaker US dollar relative to the Australian dollar in the year ended December 31, 2003.

Fertilizer Operations

We had a loss before hedging, interest and tax of A\$23.7 million in 2003, compared to a loss before hedging, interest and tax of A\$41.2 million in 2002. Our reduced loss before hedging, interest and tax in 2003 was as a result of increased production partially offset by lower realized Australian dollar prices.

FERTILIZER PERFORMANCE SUMMARY⁽¹⁾

Year ended December 31,	
2003	2002
A\$ millions	

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Financial		
(Loss) before hedging, interest and tax ⁽²⁾	(23.7)	(41.2)
Commodity/currency hedging	5.7	(12.3)
	<u> </u>	<u> </u>
(Loss) before interest and tax	(18.0)	(53.5)
Intra-group sales	(7.6)	(3.9)
	<u> </u>	<u> </u>
Segment result⁽³⁾	(25.6)	(57.4)
	<u> </u>	<u> </u>
Sales revenue (net of hedging)	428.1	420.4
Capital expenditure	40.5	50.2
Total assets	753.5	720.6
	<u> </u>	<u> </u>
	000 tonnes	
Production		
Phosphate fertilizer	922	821.0
	<u> </u>	<u> </u>
	000 tonnes	
Sales		
Queensland Fertilizer Operations external sales	689	606
Hi-Fert sales	555	648
	<u> </u>	<u> </u>

⁽¹⁾ Includes performance of then wholly-owned subsidiary Hi Fert Pty. Ltd.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

- (2) We have included information concerning loss before hedging, interest and tax in our segment results as we believe this is a useful measure of operational performance because it removes items not related to the underlying performance of the business and it is also commonly used by certain investors to evaluate the core results of our segments. Profit before hedging, interest and tax is not a measure of financial performance under Australian GAAP and should not be considered an alternative to, or more meaningful than, income before interest and income tax or net income/(loss) attributable to holding company shareholders. Our consolidated results as discussed herein include the results of hedging, interest and tax.
- (3) Segment result is segment revenues less segment expenses. Segment revenues include operating revenues from ordinary activities before tax, resulting from the operating activities of a segment that are directly attributable to a segment, and a portion of other revenues that can be allocated on a reasonable basis to the segment. Segment result does not include interest, foreign currency revaluations or intra-group sales.

The increase in total assets of A\$32.9 million is primarily attributable to the recognition of additional deferred tax benefits.

Our production in 2003 was 922,000 tonnes of ammonium phosphate fertilizer, an increase of 12.3% from the 821,000 tonnes we produced in 2002 as the plant achieved full year production equivalent to 100% of design capacity (after accounting for a planned major maintenance shutdown).

The price of DAP averaged US\$180 per tonne in 2003 compared to US\$157 per tonne in 2002. The US\$/A\$ exchange rate increased from an average of 0.5447 in 2002 to 0.6588 in 2003.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

New Accounting Pronouncements

Australian Accounting Standards Board

The Australian Financial Reporting Council (FRC) has determined that Australian entities must adopt Australian International Financial Reporting Standards (AIFRS) from January 1, 2005. The adoption of AIFRS will be first reflected in our financial statements for the half year ending June 30, 2005 and the year ending December 31, 2005. The significant areas expected to be affected are as follows:

Provision for environmental rehabilitation

Environmental obligations associated with the retirement or disposal of long lived assets will be recognized when the disturbance occurs and are based on the extent of damage incurred. The provision is measured as the present value of the future expenditure. A corresponding rehabilitation asset is also recognized.

On an ongoing basis, the rehabilitation liability will be remeasured at each reporting period in line with the changes in the time value of money (recognized as an expense in the statement of financial performance and an increase in the provision), and additional disturbances/changes in rehabilitation costs will be recognized as additions/changes to the corresponding asset and rehabilitation liability. The rehabilitation asset will be amortized to the statement of financial performance on the same basis as the development asset.

Currently, we have a rehabilitation liability which progressively increases (with the corresponding amount booked to the statement of financial performance) over the life of the operation.

Impact on WMC:

Transition impact - We will be required to remeasure the existing environmental rehabilitation provision to the present value of the future expenditure and recognise a related rehabilitation asset. Retained earnings will be impacted to the extent that this net position differs from the existing rehabilitation provision.

Continuing impact - The statement of financial performance will recognise both an accretion expense and amortisation of the rehabilitation asset.

Derivatives

Some financial assets and liabilities, including all derivatives, will be recorded on the face of the statement of financial position at fair value. Assuming certain conditions are met, hedges are classified as either cash flow hedges, fair value hedges or hedges of investments in foreign operations. Changes in the fair value of cash flow hedges can be deferred in an equity account in the statement of financial position, provided the hedges are effective. Changes in the market value of fair value hedges together with changes in the fair value of underlying positions are booked to the statement of financial performance.

We currently value hedges at spot prices and defer gains and losses on effective hedges as assets and liabilities on the statement of financial position until the underlying hedged transaction occurs.

Impact on WMC:

Transition impact We are yet to determine the date of transition, however it is likely the existing derivative based balances will be revalued to market rates and any deferred gains or losses transferred to equity.

Continuing impact Since we closed out our 2005 to 2008 currency and 2005 to 2010 commodity hedge books in 2003 and 2004 (and it is assumed that no hedging will be put in place under our current Price Risk Management Policy), and since the effect of the 2004 legacy hedge book will be finalised in 2004, there should not be a significant impact on our earnings.

Defined benefit superannuation plan

An asset/liability, being the net of the defined benefit obligation (adjusted for unrecognized actuarial gains/losses and past service costs) and the fair value of the plan assets, will be recognized in the statement of financial position. On an ongoing basis, the movement in this net balance will be recognized in the statement of financial performance.

Currently, we recognise the cash contributions to the defined benefit super fund as an expense in the statement of financial performance.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Impact on WMC:

Transition impact - We will recognise a defined benefit liability in the statement of financial position with the corresponding impact to retained earnings.

Continuing impact - Movements in the net position of the defined benefit fund at subsequent reporting periods will be recognized in the statement of financial performance.

Income tax

Income tax will be calculated based on the balance sheet approach, replacing the current income statement method. This may result in the recognition of additional deferred tax assets and liabilities. In addition, tax losses will be recognized as an asset to the extent that future taxable profits are probable. This may result in greater deferred tax assets when compared to the existing criteria for recognising future income tax benefits when tax losses are virtually certain of being realised and timing differences where realisation is assured beyond reasonable doubt.

Impact on WMC:

Transition impact - The change to the balance sheet approach may result in the recognition of additional deferred tax assets and liabilities with a corresponding impact to retained earnings.

Continuing impact - Movements in deferred tax assets and liabilities will be recognized in the statement of financial performance.

Impairment of Assets

The recoverable amount of non-current assets will be assessed as the higher of net selling price and value in use, on a discounted basis. We currently assess recoverable amounts of non-current assets based on undiscounted future net cash flows.

Impact on WMC:

Transition impact - Current assessment does not indicate any impact on the AIFRS opening statement of financial position.

Continuing impact Future economic cycles and other risks and uncertainties could result in a greater volatility of earnings as a consequence of write-downs (and subsequent reversals) of non-current assets.

US GAAP Accounting Standards

The Financial Accounting Standards Board (FASB) has issued certain Statements of Financial Accounting Standards which are not effective with respect to the fiscal years we have presented in the consolidated financial statements.

In December 2004, FASB issued FASB Statement No. 123R (FAS 123R) *Share-based Payment*, which requires public companies to measure the cost of equity based services awards based on the grant-date fair value of the award. The cost is to be recognized over the period during which an employee is required to provide service in exchange for the awards or the requisite service period. The statement is effective as of the beginning of the annual reporting period beginning after June 15, 2005. As we do not have any unvested share based payments on issue to employees we do not expect the future adoption of this standard to have any material impact on our financial statements.

In December 2004, FASB issued Statement No. 153 (FAS 153) *Exchanges of Nonmonetary Assets* an amendment of APB Opinion No. 29, which requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance (as defined). The statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We are currently assessing the impact of adopting this standard.

In November 2004, FASB issued Statement No. 151 (FAS 151) *Inventory Costs*, an amendment of ARB No. 43, Chapter 4, which adopts the IASB view related to inventories that abnormal amounts of idle capacity and spoilage costs should be excluded from the cost of inventory and expensed when incurred. The provisions of FAS 151 are applicable to inventory costs incurred during fiscal years beginning after June 15, 2005. We are currently assessing the impact of adopting this standard.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

In July 2004, FASB ratified the consensus of the Emerging Issues Task Force (Task Force) on EITF 02-14 *Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means*, which addresses when and how a company should apply the equity method of accounting if it does not have an investment in common stock of another entity yet is able to exercise significant influence over the operating activities of that entity. The consensus should be applied in reporting periods beginning after September 15, 2004. We are currently assessing the impact of adopting this standard.

In March 2004, the FASB ratified the consensus of the Task Force on EITF 04-2 *Whether Mineral Rights are Tangible or Intangible Assets and Related Issues*, which requires mineral rights to be recorded as tangible assets, and the disclosure of mineral rights in a separate caption. The consensus is to be applied in the first reporting period beginning after the FASB ratification of the consensus. We are currently assessing the impact of adopting this standard.

In March 2004, the FASB ratified the consensus of the Task Force on EITF 04-3 *Mineral Assets: Impairment and Business Combinations*, which requires the value attributed to the value beyond proven and probable reserves (VBPP) and the effects of anticipated fluctuations in future market prices of minerals should be considered in a manner that is consistent with the expectations of the marketplace participants when an entity allocates the purchase price to assets acquired in a business combination. Additionally, the value attributed to the VBPP and the effects of anticipated fluctuations in future market prices of minerals should be considered in the cash flow analysis used to test mining assets for impairment under FAS 144. The consensus is to be applied prospectively to business combinations completed and impairment tests performed in reporting periods beginning after March 31, 2004. The additional consensus is effective prospectively to FAS 144 impairment tests completed for financial years commencing after March 31, 2004. We are currently assessing the impact of adopting this standard.

In March 2005, the Task Force reached a consensus on EITF 04-6 *Accounting for Stripping Costs Incurred During Production in the Mining Industry*, which applies to stripping costs incurred during the production phase of a mine. EITF 04-6 requires stripping costs incurred during the production phase of a mine to be included in the costs of the inventory produced during the period that the stripping costs are incurred. The consensus is to be applied in the first reporting period in fiscal years beginning after December 15, 2005. We are currently assessing the impact of adopting this standard.

We adopted the following standards effective for the year ended 31 December 2004.

In May 2003, the Task Force finalised its position on EITF 00-21 *Revenue Arrangements with Multiple Deliveries*. It addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. EITF 00-21 requires that separate contracts with the same entity or related parties that are entered into at or near the same time are presumed to have been negotiated as a package and should, therefore, be evaluated as a single arrangement in considering whether there are one or more units of accounting. That presumption may be overcome if there is sufficient evidence to the contrary. This Issue also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. The guidance in this issue is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of this consensus had no material impact on our financial statements.

In March 2004, FASB ratified the consensus of the Task Force on EITF 03-01 *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, which applies to debt and marketable securities classified as held for sale or held to maturity under FAS 115. EITF 03-01 requires the disclosure of the aggregate amount of unrealised losses and the aggregate fair value of investments with unrealised losses. The consensus is to be applied in reporting periods ending after June 14, 2004. The adoption of this consensus had no material impact on our financial statements.

In December 2003, FASB issued Financial Interpretation No. 46(R), Consolidation of Variable Interest Entities or FIN 46R, which replaces FASB Interpretation No. 46, Consolidation of Variable Interest Entities, or FIN 46. FIN 46(R) applies at different dates to different types of enterprises and entities, and special provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of FIN 46(R). Application of FIN 46 or FIN 46(R) is required in financial statements of public entities that have interests in variable-interest entities or potential variable-interest entities commonly referred to as special-purpose entities (SPEs) for periods ending after December 15, 2003. Application by public entities for all other types of entities is required in financial statements for periods ending after March 15, 2004. In some instances, enterprises have the option of applying or continuing to apply FIN 46 for a short period of time before applying FIN 46(R). FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. We have evaluated all SPEs and have determined that there will be no impact in the future upon final adoption of FIN 46(R) by March 31, 2004.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

B. Liquidity and Capital Resources

Our ability and the ability of our subsidiaries to generate cash internally is influenced by the following major factors:

- (i) the levels of world commodity prices and exchange rates to which our revenue is substantially exposed;
- (ii) the level of expenditure required to explore and develop new ore reserves and to maintain existing production facilities;
- (iii) the level of capital expenditure required to develop new projects;
- (iv) the level of operating expenditure required for energy, wages, salaries and consumables; and
- (v) the level of interest rates on borrowings.

These factors will continue to influence our liquidity and capital resources in future years.

Our ability to pay dividends and meet other obligations is dependent in large part on, and may be limited by, the amount of cash generated by our nickel operations and the level of dividends we receive from our subsidiaries holding our copper-uranium and fertilizer businesses.

We generated net cash from operating activities of A\$1,422.4 million for the year ended December 31, 2004, compared with net cash from operating activities of A\$675.5 million for the year ended December 31, 2003. The increase was due to a A\$705.1 million increase in our receipts from customers from significantly higher commodity prices. This was in part offset by A\$109.9 million of increased costs of production.

Our capital expenditure in 2004 of A\$424.8 million included A\$40.7 million to finalise the rebuild of the copper and uranium solvent extraction circuits at Olympic Dam and A\$79.9 million on the Perseverance deeps project at Leinster. The expected cost of the Olympic Dam rebuild across 2002 to 2004 is approximately A\$384 million, and the cost will be funded through operating cash flows.

Our working capital was positive A\$674.9 million as at December 31, 2004, due to the strong operational performance resulting in the repayment of our short term interest bearing liabilities and an increase in our cash assets. In our opinion, working capital is sufficient for our present requirements.

Our total borrowings were A\$905.1 million at December 31, 2004, down from A\$1,353.2 million at December 31, 2003. During the year ended December 31, 2004, our net repayments of borrowings amounted to A\$425.7 million, compared with net proceeds of A\$53.9 million for the year ended December 31, 2003. As we discuss in Item 3D, Risk Factors a decrease in the US\$/A\$ exchange rate will decrease our US dollar

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denominated revenues in terms of Australian dollars to the extent that they are not hedged, but will also decrease Australian dollar funds required for repayment of our US dollar denominated borrowings and other liabilities. For a description of our loan facilities, refer to Item 11 Quantitative and Qualitative Disclosures About Market Risk Interest Rate Hedging .

The maturity of our debt profile is outlined in Note 29 to our Consolidated Financial Statements. The maturity of our interest rate swaps is outlined in Note 36b(i) to the Consolidated Financial Statements. The key funding principles inherent in our Treasury policies are:

BBB credit rating should be our target minimum rating, although this is not an absolute constraint.

We expect to continue to maintain conservative levels of debt over the longer term to ensure that our activities and growth are not debt constrained. Our long-term target is a gearing (debt/debt + equity) level of 25 to 35%.

Our aim is to source our debt from the most competitively priced source, balanced against the need to maintain a diversity of sources and a managed maturity portfolio.

Our debt tenor and currency should reflect asset life and currency exposure. We should retain a core amount of long-term debt (around 50% of total debt) with the balance in short-term and medium-term debt due to its lower cost and repayment flexibility.

Our Risk Management Committee is responsible for managing the fixed/floating interest rate mix and the currency of debt.

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We should utilize project finance where warranted by risk management considerations and permitted by finance covenants (country or project specific).

We should consider asset based financing only once we have assessed the acquisition decision positively on an all-equity (i.e. ungeared) basis. The decision thereafter of buy versus lease or mode of financing is then one of financing cost or risk management/transference.

Our cash and current investments net of bank overdrafts were A\$473.9 million at December 31, 2004 and A\$100.3 million at December 31, 2003. Our net debt was A\$431.2 million at December 31, 2004 and A\$1,252.9 million at December 31, 2003. The decrease in net debt was principally due to the reduction in Australian dollar terms of our US dollar denominated borrowings as a result of the weaker US dollar relative to the Australian dollar as at December 31, 2004 compared to December 31, 2003 and debt repayment due to strong cashflows.

Our available sources of liquidity were represented by cash, short-term investments and unused bank facilities at December 31, 2004 of A\$795.3 million, as compared to A\$506.3 million at December 31, 2003. We have designated the unused bank facilities as standby credit facilities for our Australian dollar promissory note program and therefore we have determined their use and availability in line with the outstandings under this program.

As our risk profile has improved, we consider the company to be overcapitalized. In February 2005, the directors recommended certain capital management initiatives including a 30 cent per share capital reduction (subject to shareholder approval) and a share buy-back of up to \$250 million. To facilitate the capital reduction, a class ruling was sought and obtained from the Australian Taxation Office by us on behalf of our shareholders. Under the class ruling, the capital return would not be treated as a dividend for Australian taxation purposes and would not be subject to Australian income tax in that respect. The capital return would be subject to Australian Capital Gains Tax legislation. The directors subsequently indicated that the implementation of these initiatives will not proceed as long as the company is subject to any live takeover bid. The directors also advised that the dividend reinvestment plan has been suspended for the duration of any bid for the company.

Implementing the capital management program, in full, together with forecast production and financial performance, would result in moving our gearing towards our target of 25% to 35%.

Capital expenditures in the three-year period ended December 31, 2004

Our capital expenditure (including capitalized exploration expenditure) was A\$443.7 million for the year ended December 31, 2004, A\$669.2 million for the year ended December 31, 2003 and A\$469.4 million for the year ended December 31, 2002. Our capital expenditure was allocated as follows:

Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
<hr/>	<hr/>	

	(A\$ million)		
Exploration	18.9	7.3	4.5
Mine development	171.6	141.8	133.9
New plant and equipment at existing operations	249.8	515.5	306.0
Acquisition of properties	3.4	4.1	22.6
Government facilities		0.5	2.4
	<hr/>	<hr/>	<hr/>
Total Capital Expenditure	443.7	669.2	469.4
	<hr/>	<hr/>	<hr/>

Commitments for Capital Expenditures

Our capital commitments on contracts for the purchase of assets comprising mine properties and development, property, plant and equipment were A\$92.8 million at December 31, 2004 and A\$44.5 million at December 31, 2003. These commitments for capital expenditure are in addition to the normal capital expenditure involved in mine development and maintenance at our existing mines.

We estimate our commitments for expenditure for exploration, evaluation and mining activities during the life of our current exploration and mining tenements and earning rights under farm-in and option entitlements as A\$69.8 million at December 31, 2004 and A\$76.8 million at December 31, 2003. These amounts are the maximum potential expenditure commitments for work expected to be beneficial to us and include payments to vendors in which we have earning rights. Australian mining laws generally require that certain levels of expenditure be incurred to maintain tenements in good standing. The commitments may be reduced by seeking exemption from individual commitments or by relinquishment of tenure.

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Our operating lease commitments relate to the Queensland Fertilizer Operations and comprise: the GATX sulphuric acid rail wagons, certain Townsville storage and conveying assets, the Phosphate Hill camp and the Mt Isa power generation turbine, all of which we have leased from Commonwealth Bank of Australia for a period of 10 years expiring in 2009, 2010, 2009 and 2006, respectively. We also have a lease with Caterpillar Finance relating to the Solar Turbines used for power generation at Phosphate Hill and lease various office facilities both in Australia and overseas.

Our other commitments consist of commitments for payments to suppliers of gas, gas conversion, shiploading, rail transport and sulphuric acid under long-term contracts existing at reporting date but not recognized as payable.

C. Research and Development, Patents and Licenses, etc

We have continued to consolidate and prioritize our research and development activities through a combination of internal development, external research, alliances, joint ventures and targeted venture capital activities. Company-wide effort is coordinated through a lead team of technical managers.

	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
		(A\$ million)	
Our project expenditures qualifying for Australian research and development tax concessions were:	69.0 ⁽¹⁾	61.6	55.7

⁽¹⁾ The 2004 figure is an estimate, as tax concession amounts are not finalized until later in the year.

These figures only apply to those expenditures which qualify for tax concessions.

D. Trend Information

Industry and market trends relevant to us are discussed as a whole and for each business segment in Item 5A Operating Results .

E. Off-balance Sheet Arrangements

We do not have other material off-balance sheet financing arrangements.

Table of Contents**OPERATING AND FINANCIAL REVIEW AND PROSPECTS****F. Tabular Disclosure of Contractual Obligations**

An analysis of our contractual and commercial commitments as at December 31, 2004 is set out in the table below.

Contractual Obligations	Amount of Payments Due by Period as at December 31, 2004				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(A\$ million)				
Short-term debt					
Non current payables	231.0		1.2		229.8
Long-term debt	905.1		1.0		904.1
Total on-balance sheet contractual obligations	1,136.1		2.2		1,133.9
Capital expenditure	92.8	92.8			
Exploration and mining titles	69.8	13.8	16.5	10.9	28.6
Total off-balance sheet obligations	162.6	106.6	16.5	10.9	28.6
	(A\$ million)				
Other Commercial Commitments	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Business undertaking commitments	81.8	8.9	11.8	13.2	47.9
Operating lease commitments	113.5	21.2	39.5	31.7	21.1
Other commitments	2,199.5	218.8	435.7	430.2	1,114.8
Total other commercial commitments	2,394.8	248.9	487.0	475.1	1,183.8

Table of Contents**DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management**

Our business is managed by a board of directors which, in accordance with our constitution, may have not fewer than three nor more than 12 members.

Our directors are classified as either executive or non-executive directors, with the former being those directors engaged in full-time employment with us. The members of the audit committee are: Adrienne E. Clarke, Graeme W. McGregor and David E. Meiklejohn. The members of the compensation committee are: Tommie C.-E. Bergman, Peter J. Knight, G. John Pizzey and Ian E. Webber.

As at December 31, 2004, our directors were as follows:

<u>Name</u>	<u>Position</u>	<u>Summary</u>	<u>Initially Elected or Appointed a Director</u>	<u>Age</u>	<u>Expiry of Current Term</u>
Executive Directors					
Andrew G. Michelmore	Chief Executive Officer	Chairman of the Jean Hailes Foundation for Womens Health, the ATSE Clunies Ross Foundation and the Ormond College Council. Operational experience with ICI Australia, CRA and Nabalco in senior project and general management roles, before joining WMC Limited in 1993. From January 2001 was Executive General Manager Business Strategy and Development for WMC Limited; appointed Chief Executive Officer of WMC Resources Limited from January 1, 2003.	August 2002	52	2007
Alan K. Dundas	Director	Senior operational and management roles with various companies in Australia and Canada including Nabalco, Curragh Qld Mining and Quintette Coal. Joined WMC Limited in 1994 and held roles of General Manager Kwinana Nickel Refinery and General Manager Nickel Operations. From January 2001, Executive General Manager Nickel and from December 2001, EGM Operations. Appointed Executive General Manager Nickel in June 2004.	March 2003	48	2006
Non-Executive Directors					
Tommie C.-E. Bergman ⁽¹⁾	Chairman	Former Chairman and Managing Director Australasia of Asea Brown Boveri Pty Ltd, a director of Smorgon Steel Group Limited, Chairman of Cochlear Ltd and a member of Caliburn Partnership's advisory board. Former director of Amcor Limited and Atlas Copco Australia Pty Ltd.	January 2001	59	2005

Table of Contents**DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

<u>Name</u>	<u>Position</u>	<u>Summary</u>	<u>Initially</u>	<u>Expiry of</u>
			<u>Director</u>	<u>Term</u>
Adrienne E. Clarke ⁽²⁾	Director	Director of Fisher and Paykel Healthcare Corporation Limited, Woolworths Limited, and Hexima Limited. She is a member of the Australian Academy of Sciences, member of the US National Academy of Sciences, Chair of CSIRO from 1991 to 1996, and has served as Lieutenant-Governor of Victoria, Victoria's Ambassador for Biotechnology and President of the International Society for Plant Molecular Biology.	July 1996	2005
Peter J. Knight ⁽¹⁾	Director	Former Chairman of Central Norseman Gold Corporation Limited and a non-executive director and former managing director of Clough Limited.	August 1997	2007
David E. Meiklejohn ⁽²⁾	Director	Chairman of PaperlinX Limited and director of Australian and New Zealand Banking Group Limited and Coca-Cola Amatil Limited. Former Chief Financial Officer and Executive Director of Amcor Limited and former director of SPC Ardmona Limited, GasNet Australia Group and OneSteel Limited. Chairman of WMC Resources Audit Committee.	April 2002	2005
Graeme W. McGregor ⁽²⁾	Director	Director of Foster's Group Limited, Santos Limited, Nufarm Limited and Goldman Sachs JB Were Managed Funds. Former director of finance for BHP Limited where he held financial and senior management roles.	December 2003	2006
G. John Pizzey ⁽¹⁾	Director	Director of Amcor Limited and Chairman of Range River Gold Limited, Chairman of ION Limited (in administration). Former executive vice president of Alcoa Inc., former chairman of Alcoa of Australia Limited, the International Aluminium Institute PLC and the London Metal Exchange Ltd.	December 2003	2006
Ian E. Webber ⁽¹⁾	Director	Chairman of Dadanco Pty Ltd and is a member of General Motors Australian Advisory Council. Former chairman of Mayne Nickless Limited and former Director of Santos Limited. Chairman of the WMC Resources Compensation Committee.	June 1997	2007

⁽¹⁾ Member of Compensation Committee.

⁽²⁾ Member of the Audit Committee.

Table of Contents**DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

In addition to the chief executive officer, the executive officers appointed by and reporting to the chief executive officer are responsible for the day to day running of the business. As at December 31, 2004, our executive officers were:

Name	Position in 2004	Appointed as Executive Officer
Bruce R. Brook	Executive General Manager Finance and Chief Financial Officer	March 2002
Alan K. Dundas	Executive General Manager Nickel	January 2001
Michael P.J. Nossal	Executive General Manager Business Strategy and Development	March 2003
Greg J. Travers	Executive General Manager Group Services	June 1996
Seamus G. French ⁽¹⁾	Executive General Manager Copper-Uranium	June 2004
Martin H. Foreman ⁽²⁾	Executive General Manager Fertilizers and Industrial Minerals.	November 2004

⁽¹⁾ Seamus G. French was appointed an Executive General Manager on June 9, 2004.

⁽²⁾ Martin H. Foreman was appointed an Executive General Manager on November 29, 2004.

The experience of our continuing management team, who, with the Chief Executive Officer and the EGM Nickel have responsibility for all operational and administrative functions of the business, is outlined below:

Executive Officer	Summary of Experience
Bruce R. Brook	Appointed as Executive General Manager Finance of WMC Limited in March 2002 and Chief Financial Officer in June 2002. Mr Brook was Deputy Chief Financial Officer at the Australian and New Zealand Banking Group Limited and has had substantial experience in the resources and finance sectors, having worked for Price Waterhouse; Gold Fields of South Africa, Pasmenco Limited, CRA Limited and Pacific Dunlop.
Michael P.J. Nossal	Appointed as Executive General Manager Business Strategy and Development in March 2003, is responsible for business development, corporate planning, exploration, technology and group projects. Prior to joining WMC he held senior management roles in the mining industry, including Normandy Mining Limited, Associate Director on the Resources Team of Macquarie Corporate Finance and Kenmare Resources Limited.
Greg J. Travers	Executive General Manager Group Services, is responsible for corporate affairs, community, environment, health and safety, human resource management, sustainable development, information systems, supply and various service centres. Experience in both operations and functional service areas, and has worked with Pratt Industries, Mount Newman Mining Company and BHP Limited. He joined WMC Limited in 1994 as Group Manager Training and Organisational Development. Mr Travers was a director of Australian Mines and Metals Association until May 2005 and was a director of the Institute of Public Affairs until November 2001.
Seamus G. French	Executive General Manager Copper-Uranium since June 2004, Mr French joined WMC in 1994. He has held several senior management roles within WMC including general manager of the Kwinana Nickel Refinery and general manager of nickel operations, as well as divisional planning, operations management, and business and strategic planning roles. Prior to joining WMC, Mr French held senior planning roles with Lion Nathan in Sydney and in technology development with Henkel KGaA in Germany.
Martin H. Foreman	Executive General Manager Fertilizer and Industrial Minerals since December 2004, Dr Foreman is responsible for WMC's Queensland Fertilizer Operations and is Chairman of the Hi-Fert joint venture distribution business and is responsible for developing the company's industrial minerals portfolio. Prior to

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joining WMC, Dr Foreman held senior roles in Australia and New Zealand for the Holcim Group, then becoming country chief executive officer in Sri Lanka and most recently in Vietnam.

Table of Contents**DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****B. Compensation**

For the year ended December 31, 2004, the aggregate amount of compensation paid and accrued to our directors and executive general managers was A\$14,050,519 (compared to A\$9,898,722 in 2003 and A\$21,582,481 in 2002). This amount includes retirement allowances of A\$479,347 accrued during the period January 1, 2004 to December 31, 2004. This amount also includes A\$462,690 (A\$132,924 in 2003) in pension benefits in our superannuation scheme for directors and members of administrative, supervisory or management bodies. There are no other contingent or deferred compensation arrangements accrued for our executives or directors. The remuneration of individual directors and executive general managers is presented in the tables below.

Non-executive director remuneration January to December 2004

	Director's fee A\$ ⁽¹⁾	Other A\$ ⁽²⁾	Total A\$
Tommie C.-E. Bergman	330,000	372,429	702,429
Adrienne E. Clarke	115,000	61,995	176,995
Peter J. Knight	110,000	55,378	165,378
Graeme W. McGregor	130,000	11,835	141,835
David E. Meiklejohn	120,000	10,935	130,935
John Pizzey	125,000	11,385	136,385
Ian E. Webber	110,000	49,935	159,935

(1) Includes director's and committee fees.

(2) Includes superannuation, executive indemnity insurance and retirement benefits accrued during the current year. Final payments will be subject to director's fee at the date of retirement and company superannuation contributions during the period of service. The total amount accrued to date is \$1,681,682. Tommie C. E. Bergman's increase is largely due to two years as chairman and an increase from a pro-rata accrual of 0.6 (three years) to 0.8 (four years). Graeme McGregor and John Pizzey are not eligible to receive the retirement benefit as they were only appointed after April 8, 2003, the date at which the benefit was ceased for new appointments to the board. David Meiklejohn became eligible for pro-rata benefits in May 2005.

Executive director remuneration and senior executive remuneration January to December 2004

	Fixed remuneration A\$ ⁽¹⁾	Other compensation A\$ ⁽²⁾	Total remuneration A\$
Executive director			
Andrew G. Michelmore, Chief Executive Officer	1,222,936	2,697,199	3,920,135

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Alan K. Dundas, Executive General Manager	Nickel	782,693	1,117,442	1,900,135
Executive general managers				
Bruce R. Brook	Finance	645,665	1,024,470	1,670,135
Greg J. Travers	Group Services	623,281	853,373	1,476,654
Michael P.J. Nossal	Business Strategy and Development	657,178	952,957	1,610,135
Seamus French	Copper-Uranium(3)	461,807	1,104,426	1,566,233
Martin Foreman	Fertilizer and Industrial Minerals(4)	51,263	241,937	293,200

-
- (1) Includes amounts accrued for annual leave and long service leave.
- (2) Includes short term incentive payments, executive indemnity insurance, personal financial planning advice, the value of shares issued under the executive share plan and relocation costs.
- (3) Seamus French was appointed as an Executive general manager, Copper-Uranium on June 9, 2004.
- (4) Martin Foreman was appointed as an Executive general manager, Fertilizer and Industrial Minerals on November 29, 2004.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Following a review of directors remuneration, the compensation committee approved the removal of the retirement benefit for new directors with an attendant increase in their annual basic fee to \$130,000.

Non-executive directors appointed prior to April 8, 2003 and with more than five years service remain entitled to retirement benefits equaling the total fees paid during the three years before retirement. Directors in this category with three to five years service receive pro-rata benefits. Non-executive directors under the age of 75 receive a superannuation guarantee contribution which is presently 9% of their fees.

Our full time Australian-based employees and expatriate employees (including executive directors and officers) and our subsidiaries are members of the WMC Superannuation Plan (formerly WMC Superannuation Fund). The WMC Superannuation Plan has three categories of membership:

The defined benefit category provides lump sum benefits based on period of service, age and final average salary;

the accumulation category offers a company contribution from 11.5% to 20% of basic annual salary to each member's account in the Plan; and

the Superannuation Guarantee Category is a compulsory accumulation category for all employees under hourly paid awards. We are required by law to make a minimum contribution for each employee in this category which is presently 9% of ordinary time earnings.

For further details of the WMC Superannuation Plan, refer to Note 40 of our Consolidated Financial Statements.

C. Board Practices

The board remains committed to protecting and enhancing shareholder value and conducting the company's business ethically and in accordance with the highest standards of corporate governance. It views this as a cornerstone in managing the business and a fundamental part of its responsibility to shareholders.

In this section of the report, we set out the key corporate governance principles and practices adopted by the board. In preparing this statement, we recognise that WMC operates, and is registered, in several countries and is listed on the Australian Stock Exchange (ASX) and on the New York Stock Exchange (NYSE). Accordingly, WMC has an obligation not only to set benchmark corporate governance practices, but also to ensure that it meets the requirements set down in the ASX and NYSE listing rules and securities laws in Australia and the United States of America. As different regulatory requirements and governance practices apply in each jurisdiction, we adapt our practices to reflect the highest standard across these jurisdictions.

The board is committed to supporting the *Principles of Good Corporate Governance and Best Practice Recommendations* published by the ASX Corporate Governance Council in March 2003. The board is also committed to early compliance with the requirements set down in the ninth

instalment of the Australian Government's *Corporate Law Economic Reform Program (CLERP 9)* which was enacted on 1 July 2004. Accordingly, throughout 2004 and up to the issuing of this annual report, WMC's governance practices have been consistent with the ASX best practice recommendations and have met most of the requirements set down in CLERP 9. While remuneration disclosure changes set down in CLERP 9 are not required to be disclosed by WMC until our 2005 annual report, we have chosen to adopt most of the changes early.

Role of the Board

The board's role is to provide leadership within a framework of prudent and effective controls, which enables risks to be assessed and managed. The board, working with senior management, is responsible to shareholders for WMC's overall business performance. The board's ultimate responsibility is to approve company goals and directions, strategic plans and performance targets. The board ensures that appropriate policies, procedures and systems are in place to manage risk, optimise business performance and maintain high standards of ethical behaviour and legal compliance.

The board has delegated the responsibility for WMC's operation and administration to the executive team led by the chief executive officer. The executive team is responsible for delivering the strategic direction and achieving the board's goals.

The board is responsible for strategic direction and control, and its functions, which are detailed in the *WMC Board Charter*, are available on the WMC website (www.wmc.com/about/governance/index.htm) These include:

providing strategic direction and approving business strategies and objectives;

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

approving policies for managing business risks, safety and occupational health, community and environmental matters;

monitoring our operational and financial position and performance;

identifying principal risks we face and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;

ensuring that our financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the board;

approving processes, procedures and systems to ensure that financial results are appropriately and accurately reported on a timely basis;

ensuring that shareholders and the financial market are informed of all material developments in relation to the company and our businesses;

appointing and where appropriate removing the chief executive officer, approving other key executive appointments and planning for executive succession;

overseeing and evaluating the performance of the chief executive officer and other senior executives; and

reviewing and approving executive remuneration.

Board Meetings

During 2004, WMC's board met 20 times. Usually, board meetings are held monthly (except January). However, meetings are convened outside the scheduled dates to consider issues of importance. The board convened special meetings on a number of occasions during the latter part of the year to consider matters relating to Xstrata plc's takeover bid. Occasionally, ad hoc board committee meetings are convened to address issues when it is not practical to organise a full board meeting.

The chairman and the chief executive officer meet regularly to discuss business and strategic issues and to agree on board agendas. The board also takes the opportunity each month to meet without the presence of management.

Access to Information

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Directors are entitled to access all information required to discharge their responsibilities. In addition to the board papers, directors receive a monthly report from the chief executive officer on the performance of the company's businesses and other significant issues. Senior executives also make presentations at each board meeting to assist directors in developing an in-depth knowledge of the company's operations and activities. Two board meetings are held in conjunction with visits to company operations each year to enhance directors' knowledge of the businesses and facilitate contact with key employees at operations.

Induction

When a director joins the board, the company secretary is responsible for ensuring that a comprehensive orientation induction is provided. Typically, this will include familiarisation with the company's core processes and internal control systems. New directors are encouraged to visit company operations to assist them to understand WMC's businesses and key drivers.

Independent Professional Advice

Directors may obtain independent professional advice at the company's expense, subject to prior consultation with the chairman, on matters arising in the course of their board and committee duties. At all times, directors have access to senior company managers and company documents.

Board Composition

WMC's board has nine directors. Seven are independent non-executive directors including the chairman, and there are two executive directors. The non-executive directors bring a diversity of business perspective and objectivity, which complement the hands-on expertise of executive directors. From time to time, the board's nominations committee reviews the board's composition to ensure there is an appropriate balance of power and authority between executive and non-executive directors and that, together, the directors have the skills and experience to properly direct WMC's activities.

The date of expiration of each director's current term of office is discussed in Part 6A of this annual report.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independence

Non-executive directors bring a variety of experience to the board and are all considered to be independent. In the board's view, an independent director is a director who:

is not a member of management;

is not a substantial shareholder of the company or an officer or a director of, or otherwise associated directly or indirectly with, a substantial shareholder of the company;

has not within the last three years been employed in an executive capacity by any company in the WMC group or been a director after ceasing to hold any such employment;

within the last three years has not been a principal or employee of a material professional adviser or a material consultant to any company in the WMC group;

is not a material supplier or customer of any company in the WMC group or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer;

has no material contractual relationship with any company in the WMC group other than as a director of the company; nor does the director receive any consulting, advisory or other compensation from any other company in the WMC group, directly or indirectly, other than approved director and committee fees;

does not hold any cross-directorships or have any significant links with other directors through involvement in other companies which would materially interfere with the director's objective, unfettered or independent judgement or ability to act in the best interests of the WMC group;

has not served on the board of the company for a period which could, or reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the WMC group;

within the last five years has not been employed as an officer of another company in which a current executive officer of the WMC group serves on the compensation committee of the board;

does not participate in any share-based incentive scheme or performance-related pay scheme of the WMC group;

satisfies the independence criteria specified in the US *Sarbanes-Oxley Act 2002* and the New York Stock Exchange Listing Rules; and

the board determines is independent in character and judgement.

Materiality

For the purposes of this standard, materiality will be based on the nature, circumstances and activities of a director in respect of the relationship or business transaction having regard to the above guidelines. Materiality will be assessed from the perspective of the relevant group company, the relevant director and from the perspective of the supplier, customer, consultant, adviser or other third party.

Materiality Thresholds

A director's relationship or business transaction will be regarded as material where the director:

is a shareholder of a company holding more than three percent of the group's voting stock or an officer of, or otherwise associated directly or indirectly with, a shareholder holding more than three percent of the group's voting stock;

is a principal or employee of a professional adviser to the group and its entities whose billings exceed three percent of the adviser's total revenues; or

is a significant supplier or customer of the WMC group or its entities, or an officer of, or otherwise associated directly or indirectly with, a significant supplier or customer;

A significant supplier is defined as one whose revenues from the group exceed three percent of the supplier's total revenue.

A significant customer is defined as one whose amounts payable to the group exceed three percent of the customer's total operating costs.

Procedure

The board considers the independence of directors prior to their appointment to the board, at the time of each formal performance assessment, and following receipt of information that may be perceived to impact on director independence. Directors are required to disclose relationships and business transactions that may be relevant in considering continuing independence as they occur.

The board is responsible for determining if a director is independent, even though he or she may not meet one or more of the above criteria or thresholds. If the board makes such a determination it will disclose the decision and its reasons in the annual report.

For full details on WMC's policy on independence, see the policies section on our website (www.wmc.com/about/governance/index.htm).

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Conflict of Interest

Directors are required to continually monitor and disclose any potential conflicts of interest. The *Corporations Act* requires directors to disclose any conflicts of interest and to generally abstain from participating in any discussion or voting on matters in which they have a material personal interest. A director who believes he or she may have a conflict of interest or material personal interest in a matter is required to disclose the matter in accordance with *Corporations Act* requirements.

For full details on WMC's policy on conflicts of interest, see the policies section on our website (www.wmc.com/about/governance/index.htm).

Re-election

In accordance with the company's constitution, non-executive directors are subject to re-election by rotation at least every three years and retire by agreement at the annual meeting following their 72nd birthday. There are no maximum terms for non-executive director appointments. The board believes that arbitrary limits on tenure may cause loss of experience and expertise that are important to the board's efficient working. Newly-appointed directors must seek re-election at the first general meeting of shareholders following their appointment.

Chairman

The roles of the chairman and the chief executive officer are separated and clearly defined. The chairman is responsible for leading the board, ensuring that it functions effectively, and communicating the board's views to stakeholders. The chairman monitors the board's performance and the mix of skills and effectiveness of individual contributions, and also guides and promotes the ongoing effectiveness and development of the board and individual directors. Our Chairman, Tommie Bergman, is an independent non-executive chairman who has held the position since May 2003, and has been a director since 2001.

Chief Executive Officer

The chief executive officer is selected by the board and is primarily responsible for running the business and implementing board strategy and policy. The chief executive officer is subject to annual performance reviews by the non-executive directors. Andrew Michelmores was appointed our Chief Executive Officer on 1 January 2003. Mr Michelmores joined us in 1993 and held senior management positions before being appointed to the board as chief executive officer-elect in August 2002.

Board Committees

The board scrutinises, in detail, important areas through three standing committees:

the audit committee;

the compensation committee; and

the nominations committee.

Committee members are selected for their skills, experience and ability to add value. These committees review matters on behalf of the board and make recommendations for consideration by the entire board.

Copies of the charters of each of these committees may be accessed from our website (www.wmc.com/about/governance/index.htm).

Audit

The audit committee consists of three independent non-executive directors – Adrienne Clarke, Graeme McGregor and its chair, David Meiklejohn – with two having substantial financial experience. The committee, which meets at least four times a year and assists the board in meeting its regulatory responsibilities, ensures that an effective system of financial reporting, internal control and risk management is in place. The committee provides direct communication between the external and internal auditors and the board, and assists the board in ensuring that the external audit is conducted thoroughly, objectively and cost-effectively. It also reviews the

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

internal audit annual work plan. The audit committee's terms of reference include an annual review of the external auditor's performance and the nature and extent of their non-audit services.

The chief executive officer and chief financial officer, together with the internal and external auditors, usually attend committee meetings except when the committee wishes to meet alone. The committee also has regular private meetings with the external and internal auditors and has access to professional advice from within and outside WMC.

Compensation

The compensation committee meets at least four times a year. It consists of four independent non-executive directors – Tommie Bergman, Peter Knight, John Pizzey and its chair, Ian Webber. The committee oversees company remuneration and compensation plans, and policies and practices including remuneration of non-executive directors, the chief executive officer and senior executives, and succession planning. It also reviews terms and conditions for employee incentive schemes, benefit plans and share plans. The committee considers remuneration strategy on behalf of the board, having regard to community and industry standards and, where possible, verifies its appropriateness using external information and advice to ensure that:

employee interests are aligned to corporate objectives;

the company can attract, develop and retain high-quality talent;

appropriate succession planning is in place for senior executive roles; and

the integrity of the company's reward program is maintained.

Nominations

The nominations committee meets at least three times a year. Established in April 2003, it consists of the full board meeting as the nominations committee – its chair is Tommie Bergman. The committee's role is to ensure the board is comprised of directors who are best able to discharge the board's legal and other responsibilities, meet the company's obligations to shareholders and do so to the highest standards of corporate governance. The nominations committee considers the board's size and composition, along with its effectiveness and that of its committees. It also considers director eligibility criteria.

Management Committees

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In addition to board committees, WMC has management committees that assist in meeting company objectives. They include:

an executive committee;

a risk management committee;

a corporate policy review committee;

a capital control committee;

an assurance council; and

a disclosure committee.

The executive committee is chaired by the chief executive officer and includes all the group's executive general managers – Alan Dundas, Bruce Brook, Greg Travers, Michael Nossal, Martin Foreman and Seamus French. The committee develops company strategy and policy, and guides the operation of company businesses in accordance with the company's strategies, policies and values.

The risk-management committee is chaired by the chief executive officer and includes senior management. It is responsible for implementing financial risk-management policy.

The corporate policy review committee includes the chief executive officer, the chief financial officer and the general manager legal and company secretary. The committee reviews and recommends appropriate corporate policies and procedures to the board.

The capital control committee is chaired by the chief financial officer and includes the executive committee, excluding the chief executive officer. It provides a control framework, governance and independent review of major projects and assists the chief executive officer in the fulfillment and execution of his capital responsibilities as well as providing a framework to ensure our personnel operate within their capital responsibilities.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The assurance council is chaired by the chief financial officer and includes the general manager legal and company secretary, as well as a representative from our operations, group functions, group internal audit and (by invitation) external audit. The council was formed with a mandate to oversee project progress and assurance requirements to ensure:

appropriate application of our formalised internal controls; and

changes in our business environment are considered and addressed at its quarterly meetings.

The disclosure committee includes the chief executive officer, chief financial officer and general manager legal and company secretary. The committee reviews all significant potential disclosures to ensure they meet the company's obligations under the ASX and NYSE listing rules and our continuous disclosure policy.

Review of Board Performance

The board has a formal process for reviewing its performance and that of its committees, individual directors and executive management. The board meets once a year to consider these issues.

Board Evaluation

Each year, board members complete questionnaires to assess the performance of the whole board, board committees, individual directors and the chairman. The board then meets as the nominations committee to discuss and evaluate board and committee performance.

Board performance is assessed against the board's role and responsibilities as set out in the *WMC Board Charter* and goals and objectives set at the beginning of the year. The evaluation includes:

board role and function;

management quality and continuity;

strategic direction for the company;

external relationships with shareholders and other stakeholders;

risk management and other compliance issues;

board composition and involvement; and

board meetings and operational effectiveness.

Individual Director Evaluation

Individual director evaluation may be based on:

participation in, and value of contribution to, meeting discussions;

independence, including any conflicts of interest;

knowledge of company operations and industry;

willingness to devote the necessary time including regular attendance at, and preparation for, meetings;

ethical awareness; and

personal relationships with board members and management.

The board may consider these evaluations when deciding whether to support a director's re-election.

Indemnities

The company has entered into deeds of access, indemnity and insurance with each director. These deeds provide access to company documentation, indemnification against liability in respect of conduct of the company's business and subsidiaries, and directors' and officers' liability insurance.

Company Secretary

The company secretary assists the board with advice on compliance, corporate governance and meeting procedure. All directors have access to the company secretary's advice and the services of the corporate secretariat. Peter Horton, General Manager Legal and Company Secretary, was

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appointed as company secretary by the board on 1 January 2000. Details of Mr Horton's qualifications and experience follow.

Peter Horton

BA LLB

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

General Manager Legal and Company Secretary

Peter Horton joined us in 1993. He manages all our legal matters. In addition to this, he was appointed company secretary in 2000. He is responsible for all legal and company secretarial matters which include developing and maintaining the information systems and corporate governance processes for the board to fulfil its role. Prior to joining us, he was principal solicitor for BHP Petroleum Pty Ltd.

Company Policies

The board has adopted policies in key areas of corporate activity including occupational health and safety, the environment, community, indigenous people, equal employment opportunity, risk management and internal controls, continuous disclosure, capital investment and employee trading in company securities.

Our policies are available on our website (www.wmc.com/about/policies.htm).

Reporting to Stakeholders

The board is committed to keeping shareholders and other stakeholders informed, in a timely manner, of material developments that affect the company. The company's disclosure policy is supported by a formal policy and comprehensive procedures on continuous and periodic disclosure to ensure compliance with local and overseas stock exchange and other regulatory obligations. The company's disclosure committee is responsible for ensuring that our disclosure obligations are met in a timely fashion.

A copy of the company's disclosure policy is available from our website (www.wmc.com/about/governance/index.htm).

All company announcements, presentations to analysts and other significant briefings are posted on the company's website after release to the Australian Stock Exchange. Copies are also made available electronically to shareholders who have elected to receive them by email. The company secretary is responsible for communications with the Australian Stock Exchange.

Ethical Standards

The *WMC Resources Code of Conduct* sets parameters for ethical behaviour and business practices for directors, employees and contractors. A code of conduct advisory committee regularly reviews and updates the code. The committee, comprising nine members from a cross-section of our operations and chaired by an executive general manager, is also available to any employee seeking guidance on ethical issues.

Whistle-blowing

We have formalised our approach to providing a forum for whistle-blowing. Through this facility, employees can telephone an independent third party with concerns they may have in regard to the company's compliance with legal obligations, or inappropriate conduct.

Share Trading

The company's share trading policy prohibits directors and employees from engaging in short-term trading of any WMC securities or buying or selling WMC shares if they possess unpublished price-sensitive information.

Under the policy, individual directors and senior management must not buy or sell WMC shares in the six to eight weeks between the end of the half or full financial year and the release of that period's results. In addition, directors and senior management must receive approval from the chairman, chief executive officer or company secretary before buying or selling company shares. Directors' shareholdings are shown on page 87 of this report.

Risk Management

Risk management is a key element of effective corporate governance. Recognising this, WMC has a risk-management policy and specific, comprehensive procedures for managing the company's financial, operational and project risks.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive general managers are responsible for risk management in their areas of accountability. The executive committee is responsible for establishing risk acceptance criteria and for managing critical business risks such as those associated with financial exposures and major projects. The board has overall responsibility for ensuring that management policies, procedures and controls are in place to manage the impact of significant business risks.

Directors oversee risk identification and management through the audit and executive committees.

Our risk-management policy ensures explicit and systematic identification, assessment, management and communication of all risks associated with our business and operations. The policy is based on the Australian Standard for risk management (AS4360:1999), and delineates mandatory processes and specific accountabilities across our business. Our risk- management program is reviewed against market practice.

Financial Risk Management

Audit

Our audit and assurance processes ensure effective risk management in critical areas. The board's audit committee identifies areas requiring audit. Audits are conducted by independent parties with results presented to the audit committee. We have a critical action-tracking system to ensure that any material deficiencies identified in audits are corrected.

Group Internal Audit

Internal audit provides independent assurance of the effective design and operation of WMC's risk and control framework. Internal audit operates under a charter from the board audit committee, giving unrestricted access to review all areas of our operations and corporate functions. International accounting firm KPMG provides contract internal audit services.

Group Internal Audit's role, as approved by the board audit committee, is to:

assess the design and operating effectiveness of controls governing key operational processes and business risks;

provide the board with an assessment independent of management as to the adequacy of WMC's internal operating and financial controls, systems and practices;

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assist the board in meeting its governance and regulatory responsibilities; and

provide services to management to enhance the control environment.

Significant risks and areas of non-compliance are reported to the board audit committee.

We are required to comply with United States of America corporate governance rules, including the *Sarbanes-Oxley Act 2002* and the New York Stock Exchange Listing Rules. WMC is implementing a program that will result in the company assessing and reporting in the 2006 Form 20-F (US Annual Report) on the effectiveness of internal controls over financial reporting.

External audit

PricewaterhouseCoopers is the company's external auditor. The board audit committee is responsible for developing procedures for selecting and appointing the external auditor, and for rotating external audit engagement partners. The external audit engagement partner and review partner are rotated every five years. During 2004, PricewaterhouseCoopers presented its credentials for reappointment and was confirmed by the board.

We are committed to audit independence. The audit committee reviews the independence of the external auditors annually. These reviews include confirmation from the auditors that, in their professional judgement, they are independent of the WMC Resources group.

To ensure that there is no potential conflict of interest in work undertaken by our external auditors, that firm may only provide services that are consistent with the role of the company's auditor.

The auditors can provide non-audit services, but cannot provide such services when they are, or are perceived to be, in conflict with audit independence. All non-audit services must be pre-approved by the audit committee. In certain circumstances, that authority is delegated to the audit committee's chairman.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

An analysis of fees for non-audit services paid to the external auditors during 2004 is provided in item 16C and in Note 44 to the Consolidated Financial Statements.

Assurance council

As part of our assurance process, the company has established an assurance council, chaired by the chief financial officer. Members of the council include the general manager legal and company secretary, and senior finance, operational management and internal audit representatives. A representative from our external auditors attends by invitation. The council assists management in meeting corporate governance requirements by helping to ensure there are effective internal systems and controls to support WMC's risk-management strategies and continuous disclosure policy.

At least once a year, the council reports on the effectiveness of these control processes and procedures.

Risk-management committee

Our risk-management committee is responsible for implementing policy on price-risk management, funding activities, credit management and treasury operating controls. The policies ensure we have access to sufficient low-cost funding to ensure liquidity and the ability to fund growth opportunities while maintaining a sustainable approach to financial risk management.

Our price-risk management recognises that while our exposures to prices are significant, we will only seek to hedge these exposures under certain circumstances. We may seek to hedge price exposures to ensure sufficient liquidity for the company or to support a specific project that has high costs or requires significant capital expenditure. Use of the cash-flow-at-risk model ensures our exposures to commodity prices, exchange rates and interest rates are quantified at all times.

Operational Risk Management

Operational risk management covers all risk associated with our operating sites. During 2003 and 2004, we deployed our integrated operational risk management program. This comprehensive, all-of-site approach identifies and assesses risks according to their potential impact on people, the environment, local communities and production.

The program delivers a detailed risk register for each operation. The register prioritises risks according to their potential impacts and identifies the critical controls over these risks. Site management is responsible for ensuring that controls covering critical risks are maintained diligently.

Project Risk Management

Project risk management targets risks associated with projects and acquisitions, and covers a broad range of issues including:

country risk where a project is proposed in a country other than Australia;

commodity (pricing and demand) risk for projects or acquisitions in new commodities or for projects that significantly increase our exposure in an existing commodity;

technology risk where new or innovative technologies are required; and

construction and contractor risk where we are dependent on contractors to deliver substantial elements of a project.

Our project risk-management program also covers the design and operation of new facilities to ensure that we build and commission facilities with an acceptable level of inherent, ongoing operational risk.

Chief executive officer and chief financial officer certification

The chief executive officer and chief financial officer have provided the board with written confirmation that:

the statement given to the board on the integrity of the company's financial statement is founded on a sound system of board management and internal compliance and control which implements the policies adopted by the board; and

the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects

Table of Contents**DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****D. Employees**

At December 31, 2004, we employed 3,066 people directly and hired 1,797 as contractors.

We are decentralized into divisional business or functional units where executive general managers and general managers exercise widely delegated authority and discretion within broad guidelines. Responsibility for employee relations resides with the operations with support and advice from the Human Resources Department.

Individual contracts of employment have been implemented across our operations. This move to individual contracts was effectively concluded during 1997, with the majority of employees now employed under the same form of contract.

Membership of trade unions is optional under Australian law. Industrial dispute over the past year has been minimal and confined to contractor organizations. None of our employees participated in any industrial dispute. We operate continuous shift work across many of our operations in Western Australia, South Australia and Queensland.

Local law and custom is observed as a minimum standard in determining wage and working conditions at our overseas operations. We have in place a Code of Conduct, the objective of which is to ensure fair and ethical practices within our organization, which must be observed by all directors, employees and contractors at all of our operations.

The distribution of our employees between business segments and geographically over the past three fiscal years is outlined below:

	Year ended December 31, 2004		Year ended December 31, 2003		Year ended December 31, 2002	
	Permanent		Permanent		Permanent	
	Staff	Contractors	Staff	Contractors	Staff	Contractors
Copper	1,185	567	1,095	628	960	366
Nickel	1,048	878	1,099	611	950	667
Industrial Minerals and Fertilizers	263	142	276	159	360	171
Exploration Division	46		42	23	46	
Corporate	524	210	541	225	581	270
Total	3,066	1,797	3,053	1,646	2,897	1,474
Australia	3,021	1,797	3,011	1,642	2,834	1,458
North America	29		28	2	42	9
South America	1		2	2	13	7
Asia	4		6		6	

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Europe	2		2		2	
South Africa	7		2			
Mozambique	2		2			
	3,066	1,797	3,053	1,646	2,897	1,474

E. Share Ownership

In connection with the demerger, we issued options to subscribe for our shares and stock appreciation plan rights replicating the previous holdings of employees in WMC Ltd.

Table of Contents**DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

The table set forth below shows the options we issued in connection with the demerger and the exercise price for each option. The table also shows options allocated subsequent to the demerger under the December 2002 Option Plan.

WMC Limited Option Plan	Expiry Date	WMC Resources Option Exercise Price (A\$)	No. of WMC Resources Options Issued under Option Scheme on 12/11/2002	No of WMC Resources Options Outstanding at 12/31/2004
1999 Option Plan	December 20, 2004	3.90	3,868,000	Nil
2000 Option Plan	December 18, 2005	3.48	6,007,050	1,041,100
2001 Option Plan	November 30, 2006	4.33	10,060,500	1,713,300
May 2002 Option Plan ⁽¹⁾	November 30, 2006	4.33	600,000	450,000
Dec 2002 Option Plan ⁽²⁾	December 23, 2007	4.34	8,618,800	3,010,462

⁽¹⁾ Options granted to executive directors of WMC Limited.

⁽²⁾ Options issued subsequent to the demerger.

On January 13, 2003, 322,800 employee options were issued at A\$4.34 under the 2002 Employee Option Plan, with an expiry date of December 23, 2007.

As at December 31, 2004, the aggregate number of these options held by our directors and executive general managers was 711,200. All our directors and executive general managers own shares or options in WMC Resources Ltd, but none own more than eight percent of any category.

The table set forth below shows the stock appreciation plan (SAP) rights we issued in connection with the demerger and the allotment price for each right. The table also shows SAP rights issued subsequent to the demerger under the December 2002 SAP.

WMC Limited SAP	Expiry Date	WMC Resources SAP Right Allotment Price (A\$)	Balance of WMC Resources SAP Rights Issued under SAP Proposal as at 12/11/2002	Balance of WMC Resources SAP Rights Issued under SAP Right Allotment at 12/31/2004
1997 SAP	December 22, 2002	2.27		
1998 SAP	December 21, 2003	2.26	59,500	
1999 SAP	December 20, 2004	3.90	183,400	1,000
2000 SAP	December 18, 2005	3.48	309,900	9,500
2001 SAP	November 30, 2006	4.33	481,300	36,800
June 2002 SAP	November 30, 2006	4.33	250,000	Nil

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August 2002 SAP	November 30, 2006	4.33	400,000	Nil
December 2002 SAP ⁽¹⁾	December 23, 2007	4.34	261,400	39,000

⁽¹⁾ SAP rights issued subsequent to the demerger.

WMC Resources Employee Share Scheme

Following the demerger, we established the WMC Resources Employee Share Scheme (WMC Resources ESS). The WMC Resources ESS provides a framework for the offer by our board of our shares, or rights to or in respect of WMC Resources shares (such as options), to our employees from time to time. The WMC Resources ESS operates in substantially the same manner as the WMC employee share scheme historically operated by WMC Limited.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Under the WMC Resources ESS, we have offered:

to certain of our senior executives shares in us under the WMC Resources Executive Share Plan, the terms of which were approved by the WMC Resources Board shortly before the demerger;

to certain employees in Australia options to acquire our shares, the terms and conditions of which were promulgated by the WMC Resources Board at the time of the relevant offers (WMC Resources Option Plan); and

to certain employees outside Australia SAP Rights, the terms and conditions of which were promulgated by the WMC Resources Board at the time of the relevant offers (WMC Resources SAP).

The WMC Resources Executive Share Plan, WMC Resources Option Plan and WMC Resources SAP (the WMC Resources Plans) have been designed to align the interests of our employees with those of our shareholders and are regarded as an integral component of our employee benefit and motivation strategies.

The total number of our shares, together with the total number of unexercised options over our shares, which may be issued pursuant to all WMC Resources Plans will not exceed 5% of the total number of our shares on issue from time to time.

Subject to the Listing Rules of the ASX, our directors will by resolution be able to revoke, add to, or vary all or any of the provisions of the WMC Resources Plans, or all or any of the rights or obligations of the participants or any of them, provided that the interests of the participants are not, in the opinion of our directors, materially prejudiced.

Impact of demerger on plans

In conjunction with the demerger, WMC Limited and WMC Resources Ltd entered into an employee benefits agreement. This agreement covered the treatment of WMC Limited common stock options issued to WMC Limited and WMC Resources employees. According to the agreement, each WMC Limited option granted to WMC Limited and WMC Resources employees prior to December 4, 2002, that was outstanding under the WMC Limited Employee Share Scheme as of the demerger date, was adjusted. This adjustment resulted in each individual who was a holder of a WMC Limited option receiving, immediately after the demerger date, an adjusted WMC Limited option and a WMC Resources option. As part of the demerger from WMC Limited, WMC Limited option holders were granted one option for Alumina Limited and one for WMC Resources Ltd. The aggregate exercise prices of the Alumina Limited option and the WMC Resources Ltd option is equal to the exercise price of the WMC Limited option prior to demerger. The Alumina Limited option and the WMC Resources Ltd option have the same lapse date as the WMC Limited option would have had if the demerger had not proceeded being the earlier of five years after the option was issued and 30 days after the WMC Limited option holder ceases to be employed by WMC Limited Group, WMC Resources Group or Alumina Group. The exercise price of a WMC Resources Ltd option was determined by reference to the pre-demerger exercise price of the WMC Limited option (which became an Alumina option) in respect of which the WMC Resources Ltd option was granted and the volume weighted average price of WMC Resources shares and Alumina Limited shares sold on the ASX over the first five days of trading on the ASX commencing on the listing date. The Stock Appreciation Plan was treated in the same manner as the Share Scheme as detailed above.

WMC Resources Executive Share Plan

Consistent with WMC Limited's announcement on August 13, 2002 to suspend future option allotments to its senior management under the WMC employee share scheme, we implemented a share purchase plan for senior staff, known as the WMC Resources Executive Share Plan, which replaced option allotments for this group.

The WMC Resources Executive Share Plan provides a level of reward for senior management based on our performance against a peer index of resources companies. Actual rewards will vary in accordance with the performance of the individual executive and our performance on a total shareholder return basis against the index.

All rewards for senior staff through this scheme are provided to participants in the form of our shares which will be purchased on-market on behalf of the participants (at no cost to the participants). Participants are not able to dispose of the shares acquired under the plan unless both prior to and after such a disposal, the participant holds shares whose value reflects a multiple of their salary (subject to certain other disposal restrictions). For the chief executive officer the multiple is 1.5 times salary, for executive general managers the multiple is 1.0 times salary and for general managers the multiple is 0.5 times salary.

Under the WMC Resources Executive Share Plan, the full value of any reward gained by senior management will be expensed and the value to the executive disclosed in accordance with our reporting obligations and practice on remuneration of executive staff.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The first acquisitions of our shares under the WMC Resource Executive Share Plan were made on December 23, 2002. In total, 1,158,303 shares were acquired for 27 senior staff, with an average acquisition price of \$A4.33 per share.

No shares were purchased by WMC Resources Ltd under this plan during 2003. Under the plan, 1,270,133 shares were purchased on behalf of 29 senior staff between 27 January and 2 February 2004 in respect of the 2003 year.

During 2005, 872,114 shares were purchased on behalf of 31 senior staff between January 5, 2005 and January 11, 2005 in respect of the 2004 year, with an acquisition price of A\$7.27 per share.

WMC Resources Option Plan

In December 2002, we made our first offer of WMC Resources Options to employees, other than our senior management, under the 2002 WMC Resources Option Plan. We made the first allotment of WMC Resources Options on December 23, 2002, and in a manner consistent with the past WMC Limited Option allotments. The 2002 WMC Resources Option Plan operates on substantially the same terms as the WMC Limited Option Plans, namely:

Eligible employees were invited to apply for the grant by us of WMC Resources Options, granted at an issue price of A\$0.01 per WMC Resources Option.

Each WMC Resources Option gives the holder the right to subscribe for one WMC Resources Share (subject to adjustment in accordance with the terms of the applicable WMC Resources Option Plan to reflect new issues by WMC Resources and capital reconstructions).

Subject to certain exceptions, the WMC Resources Options are not able to be exercised until after a period of 12 months from the date of allotment and will lapse on the fifth anniversary of the date of allotment.

Upon exercise of a WMC Resources Option, the holder will be obliged to pay the relevant exercise price, which was determined by reference to the weighted average sale price of our shares on the ASX on the trading day that the invitation to apply for the WMC Resources Options was made to employees.

An allotment of WMC Resources Options under the 2002 WMC Resources Option Plan was made on January 13, 2003 under which 322,800 WMC Resources Options were issued with an exercise price of A\$4.34 and an expiry date of December 23, 2007.

During 2002, WMC Resources discontinued the executive option plan for senior managers, and during 2003 discontinued option plans for employees generally. This decision reflects the board's concern to ensure full transparency in the value of employee rewards, and had regard for governance concerns in respect of option valuation and the diluting effect of options on shareholders. The new equity plans provide employees with company shares purchased on market.

WMC Resources Employee Share Schemes

In 2003 two new share plans were introduced for all employees other than for senior executives. The share plans replaced the WMC Option Plan which is no longer offered to employees.

The WMC Resources Staff Share Plan provides all Australian based permanent full time and permanent part time staff with up to A\$1000 worth of the company's shares which may be received on a tax free basis. Participants can only dispose of the shares acquired under the plan after they have held them for three years or left the company.

The other share plan, the WMC Resources Performance Share Plan was offered to all Australia based permanent full time and permanent part time staff in professional and managerial roles. Under this Plan participants could acquire company shares equal in value to a predetermined percentage of their base salary. Actual rewards under the Plan vary in accordance with the performance of the individual staff member and the company's relative performance on a total shareholder return basis against a peer index of resource companies. Participants can only dispose of the shares acquired under the plan after they have held them for ten years or left the company.

Shares provided to participants under both the Staff Share Plan and the Performance Share Plan are purchased on-market on behalf of participants (at no cost to participants). The first acquisitions of shares under the plans were made between January 27 and February 4, 2004, when 1,317,425 shares were purchased at a gross cost (pre-tax) of A\$6.9 million.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

In 2004, the board decided to extend the Performance Share Plan to all permanent Australian based employees (except senior executives) and not to provide the Staff Share Plan for 2004. All shares purchased for employees under the 2004 plan were purchased under the Performance Share Plan.

During 2005, acquisitions of shares under the Performance Share Plan with respect to the 2004 plan were made between January 5 and January 11, 2005 when 1,323,302 shares were purchased at a gross cost (pre-tax) of A\$9.6 million.

WMC Resources Stock Appreciation Plan

In December 2002, we made our first offer of WMC Resources SAP Rights to our employees located outside Australia under the 2002 WMC Resources SAP. We made the first allotment of WMC Resources SAP Rights on December 23, 2002, and in a manner consistent with the past WMC Limited SAP Right allotments, namely:

Eligible employees were invited to apply for the grant by us of WMC Resources SAP Rights.

The employees were not required to pay any amount for the grant of the WMC Resources SAP Rights, but each WMC Resources SAP Right has a notional allotment exercise price, equal to the weighted average sale price of our shares on the ASX on the trading day that the invitation to apply for the WMC Resources SAP Rights was made to the employee.

Subject to certain exceptions, the WMC Resources SAP Right will not be able to be redeemed until after a period of 12 months from the date of allotment and will lapse on the fifth anniversary of the date of allotment.

Upon redemption of a WMC Resources SAP Right before its expiry by the holder, the holder will be entitled to a payment equal to the difference between the closing price of our shares on the ASX on the trading day immediately before redemption, and the notional allotment price (assuming the former amount is higher).

During 2003, WMC Resources decided to discontinue the issuing of SAP Rights previously offered to its employees located outside Australia and therefore no SAP Rights were issued during 2003.

Table of Contents**MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. Major Shareholders**

Our issued capital is currently constituted by one class of registrable voting securities being ordinary shares.

As at April 30, 2005, we had on issue 1,175,261,244 fully paid ordinary shares, and 3,099,450 options over our ordinary shares. The share options were issued pursuant to the WMC Resources Employee Scheme and carry no voting rights.

The following table sets forth, as at April 30, 2005, information in respect of:

- (i) any person who is known to us to be the registered owner of more than 5% of any class of our voting securities; and
- (ii) the total amount of any class of its voting securities owned by our Directors and Executive General Managers as a group.

<u>Title of class</u>	<u>Identity of person or group</u>	<u>Amount owned⁽¹⁾</u>	<u>% of class</u>
Fully paid ordinary shares in WMC Resources Ltd	National Nominees Limited	201,541,722	17.15
	Westpac Custodian Nominees Ltd	200,943,989	17.10
	Citicorp Nominees Pty Ltd	151,265,940	12.87
	J. P. Morgan Nominees Australia Ltd	105,371,952	8.97
	ANZ Nominees Limited	96,428,034	8.20
Fully paid ordinary shares	Directors and Executive General Managers of WMC Resources Ltd as a group	1,803,989	0.15
Employee Share Options ⁽²⁾	Directors and Executive General Managers of WMC Resources Ltd as a group	711,200	22.95

⁽¹⁾ Includes WMC Resources Ltd's ADSs.

⁽²⁾ Each share option is the right to acquire one ordinary share

The nominee companies listed in the previous table hold these fully paid ordinary shares on behalf of numerous beneficial owners. The history of significant changes since listing date is outlined below:

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<u>Beneficial Owner</u>	<u>Date</u>	<u>Number of Shares</u>	<u>% Shareholding</u>
Barclays Global Investors Australia Limited	04/14/2005	60,099,483	5.13%
	03/25/2005	N/A	less than 5%
	03/22/2005	59,294,317	5.05%
UBS Nominees Pty Ltd	03/01/2005	105,704,777	9.02%
	02/14/2005	91,349,632	7.79%
	11/08/2004	67,128,209	5.75%
Deutsche Bank AG	03/10/2005	87,519,352	7.47%
	02/11/2005	74,993,721	6.40%
	01/21/2005	58,755,008	5.01%
Credit Suisse First Boston Australia (Holdings) Limited	03/14/2005	N/A	less than 5%
	03/04/2005	59,974,564	5.12%
The Capital Group Companies International, Inc.	02/07/2005	N/A	less than 5%
	02/04/2005	66,412,396	5.67%

Table of Contents**MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

	01/28/2005	81,069,710	6.92%
	11/23/2004	95,286,891	8.17%
	09/17/2004	112,265,380	9.70%
	06/11/2004	125,218,695	10.82%
	05/27/2004	140,805,051	12.17%
	05/21/2004	154,468,951	13.35%
	06/13/2003	163,426,180	14.48%
	04/16/2003	151,566,621	13.43%
	02/17/2003	139,717,091	12.38%
	12/19/2002	126,179,432	11.34%

Voting Rights

All fully paid shareholders, including our major shareholders, have the same voting rights.

Change in Control

Except as described in Item 4A in respect of the BHP Billiton takeover offer, there are no arrangements, known to us, the operation of which may at a subsequent date result in a change in control of us.

BHP Billiton have received acceptances to their takeover offer from the holders of 41,536,727 WMC Resources Ltd shares representing 3.53% of the total WMC Resources Ltd shares outstanding as at April 30, 2005. It should be noted that the BHP Billiton takeover offer was conditional as at April 30, 2005.

B. Related Party Transactions*Loans to directors*

During the year ended December 31, 2002, a loan of A\$93,050 was advanced to Jens Balkau (and repaid in full during the year), a director of one of our controlled entities. All outstanding loans (A\$93,375) were repaid or forgiven (A\$3,643) during the year, resulting in no outstanding loans to WMC Resources Ltd directors at December 31, 2002.

The loan referred to above was made prior to the demerger in connection with the Employee Share Purchase Plan, to enable the director to acquire shares of WMC Limited. The loan was interest free with repayments due in December 2002 and November 2003, although these were all repaid prior to the demerger.

During the 2003 and 2004 fiscal years, there were no loans made to directors and no outstanding loans at the end of the year.

Shareholding transactions of directors

Our directors are also shareholders of ours and, as such, they may purchase or sell our shares.

Where our directors have engaged in these transactions they have done so on a normal commercial basis, on conditions no more favourable than those available to other shareholders.

Some of our directors who were employees of the WMC Limited group prior to the demerger, were eligible to participate in the WMC Employee Share Scheme, and were issued options, priced at market value. These transactions were conducted on a commercial basis on conditions no more beneficial than those available to other eligible employees. At the time of demerger, these options were converted into WMC Resources options (see Item 6E. Share Ownership). As this is our second year of listing, comparatives for WMC Limited prior to the demerger have been provided.

Table of Contents**MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

	2004	2003	2002
	Number of WMC Resources Ltd shares		Number of WMC Limited shares
The aggregate number of shares acquired by the directors of the parent entity or their director related entities as a result of the WMC Limited demerger was:	N/A	N/A	808,317
The aggregate number of shares acquired by directors of the parent entity or their director related entities other than as a result of the demerger was:			
- purchases by director	5,000	50,000	
- acquisitions through the senior executive share plan			138,640
- allotments made under the executive share plan	300,001		
- options exercised and shares purchased on expiry of option plan	70,000		
- other transactions ⁽¹⁾	4,047		
The aggregate number of options allocated to directors of the parent entity or their director-related entities as a result of the WMC Limited demerger was:			1,725,000
The aggregate number of shares and options disposed of by directors of the parent entity or their director related entities was:			
- fully paid shares			
- options (options exercised and shares sold)		50,000	300,000
Details of shares and share options held by directors of the parent entity or their director related entities at period end are as follows:			
- fully paid shares	758,012	378,310	946,957
- options for ordinary shares	412,000	482,000	1,425,000

⁽¹⁾ During 2004, Mr Pizzey acquired an indirect interest in 4,047 WMC Resources Ltd share as a result of a consolidation of his family's superannuation fund assets.

All other transactions relating to shares and options of WMC Limited prior to the demerger, including the payment and receipt of dividends and allotment of shares under the dividend reinvestment plan, were on the same basis as similar transactions with other shareholders.

Other transactions of directors and director related entities

A number of our directors are also directors of other public companies which may have transactions with us. These directors do not believe that they have the capacity to control or significantly influence the financial or operating policies of either of those companies or us in their dealings with one another. We therefore do not consider those companies to be director related entities.

During the year ended December 31, 2002, Hugh M. Morgan received a payment of A\$890,906 from a related party to WMC Limited, Alcoa Inc., relating to his participation in the Alcoa Inc. Directors' Deferred Fee Plan. The benefit became payable following his retirement as a director of that entity.

In addition, Hughmore Securities Pty Ltd, an entity associated with Hugh M. Morgan, our chief executive officer until December 31, 2002, purchased fertilizer totalling A\$14,199. All of the purchases were made on an arm's length basis from an entity we controlled.

Legal/Financial service fees

A number of directors of our controlled entities are associated with legal and financial service suppliers which have provided services to us during the financial year, on an arm's length basis. The total of those services amounts to A\$467,583 for the year ended December 31, 2004. For the years ended December 31, 2003 and 2002, the amounts were: A\$1,413,459 and A\$1,511,590 respectively. The legal and financial services suppliers referred to above which provided services to us in the fiscal year ended December 31, 2004 were: Sampson & West, Trident Trust Company, Welborn Sullivan Meck & Tooley P.C., Stikeman Elliott (Toronto), Larrain Y Associates, Marsh Management Services Singapore Pte Ltd, Daniel DaSilva and Margarida Castel-Branco.

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MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

C. Interests of Experts and Counsel

Not applicable.

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FINANCIAL INFORMATION

ITEM 8. FINANCIAL INFORMATION

A. Financial Statements

Our consolidated financial statements are included as Item 18.

Legal Proceedings

At the date of this Annual Report, we are a party to no pending legal proceedings nor are we aware of any reasonably likely to be commenced against us, other than:

those mentioned below; or

ordinary routine litigation or other legal proceedings incidental to our business, particularly arising out of contract mining and construction activities to which we or any of our subsidiaries is a party or of which any of our or their property is subject.

Native Title in Australia

Native title describes the rights and interests of Aboriginal and Torres Strait Islander people in land and waters according to their traditional laws and customs as recognized under Australian Law.

Native title law has evolved through judicial decisions and the enactment of legislation. The first significant High Court decision on the subject of native title was *Mabo v Queensland (No 2)* (1992) 175 CLR 1 (the Mabo decision) in 1992, in which the Court recognized the concept of native title and said that Aboriginal and Torres Strait Islander people who have maintained a continuing connection with their land according to their tradition and customs may hold native title. Proving a continuing connection usually involves showing that tradition and customs have been passed down through generations of Aboriginal or Torres Strait Islander people to the present day. The native title rights and interests (if any) of a particular group will depend on the traditional laws and customs of those people. Recent decisions have indicated that native title may change over time.

The Mabo decision recognized that native title could be extinguished prior to the enactment of the Racial Discrimination Act 1975 (October 31, 1975) by government legislation or inconsistent executive action. In response to the Mabo decision, the Commonwealth Government enacted the Native Title Act, 1993 (NTA) which validated acts done and granted by it prior to January 1, 1994 (past acts) and allowed the States and Territories to enact their own validation legislation. Subsequent amendments to the NTA in 1998 (in association with complimentary State legislation) have put beyond reasonable doubt that WMC has valid title to its material interests. The NTA also created the National Native Title Tribunal, responsible for mediation of native title claims and the administration of the various procedures under the NTA governing native title claims. The NTA also specifies the conditions to be satisfied and the procedures to be followed in order for acts done after January 1, 1994 (future acts) to be valid with respect to native title.

The current operations of our Olympic Dam operations are on freehold title which the High Court held in *Fejo v Northern Territory* (1998) 195 CLR 96. *Fejo* permanently extinguishes native title, although expansions of our operation may attract the future act requirements of the NTA if they extend to areas outside the freehold tenure.

Native title may exist in areas where it has not been extinguished (removed). Although a determination of native title does not invalidate another's validly granted or validated rights, the High Court decision in the *Wik Peoples v Queensland* (1996) 187 CLR 1. *Wik* case, made it clear that native title may co-exist with other forms of tenure where that tenure is not exclusive, provided the native title rights are not incompatible with the exercise of the other rights. The decision was confirmed in *Western Australia v Ward* (2000) 99 FCR 316. *Ward*. Pastoral leases in WA are leases of Crown Land under the Land Act 1933 (WA) held for pastoral and grazing purposes.

Where native title rights are inconsistent with the terms of a pastoral lease the native title rights must yield to rights of the pastoral lessee. The *Wik* decision provided some clarity about the impact of native title on Queensland pastoral leases which are relevant to the our Queensland Fertilizer Operations. While the current leases on which the Queensland Fertilizer Operations are conducted are secure, any future expansions onto adjacent non-freehold land is likely to attract the future act processes of the NTA.

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FINANCIAL INFORMATION

When it handed down its decision in *Ward*, the High Court held, among other things, that there could be partial extinguishment of native title rights and that WA mining and petroleum legislation extinguishes all native title rights that may have existed over minerals and petroleum. The High Court also held that a mining lease under the relevant Western Australian legislation extinguished any native title right to control access to land, or to be asked permission to use, or have access to, land but does not necessarily extinguish all native title rights. Particularly it does not extinguish those native title rights that are consistent with the rights granted to a pastoral or mining leaseholder. This decision, which provides some clarity about the impact of native title on pastoral leases and mining leases in Western Australia and the Northern Territory, is significant to us because our nickel operations are in Western Australia.

However the High Court decisions also leave many issues to be decided on a case by case basis. As a result, it is difficult at this stage for us to make a final assessment as to whether and to the extent our existing assets or operations will be materially affected until court determinations are made.

There are current claimant applications for native title determination in the Federal Court over areas of land and waters that impact the majority of our operations. The majority of our operations or related infrastructure fall within one or more of these applications. We are monitoring these applications closely. These operations include the Olympic Dam copper/uranium businesses in South Australia, the Phosphate Hill fertilizer operation in Queensland and the Western Australian nickel operations.

The High Court and Federal Court decisions and the NTA described above may have provided some conceptual guidance on the issue of native title and we believe that under these decisions and legislation our economic interests in existing mining leases and tenements will be upheld if challenged. However, our existing assets and operations could be affected by any native title claim that is ultimately determined in a manner that is contrary to our interests.

Other Financial Information

Export Sales

A significant proportion of our sales are to markets outside of Australia as shown in the revenue analysis below:

Australia 18%

Europe 28%

Japan 14%

Taiwan 3%

North America 8%

Other 29%

Dividends

Our board determines whether there will be a payment of dividends or implementation of other capital management initiatives after taking into consideration a number of factors, including our financial results, strategic objectives, ongoing capital expenditure requirements, general business conditions, taxation considerations (including the level of franking credits available), and any contractual, legal or regulatory restrictions on our ability to pay dividends, and any other factors our board may consider relevant. Any dividends we pay are paid in Australian dollars or pounds sterling (in relation to United Kingdom registered holders in respect of the dividends paid on September 22, 2004 and March 11, 2005).

We paid an unfranked interim dividend of seventeen cents per share, in respect of the 2004 financial year, on September 22, 2004. Since year end the directors declared an unfranked final dividend of 20 cents per share which was paid on March 11, 2005. For the years ending December 31, 2005 and beyond, our board determined a target range for dividend payments of between 40 to 60 per cent of profit after tax, after taking into account various factors, including those outlined above.

We will not be in a position to pay franked dividends (which are dividends effectively paid out of profits which have borne Australian corporate tax) until our eligible carried-forward tax losses are utilized and we pay Australian tax on our profits. The Australian Federal Government's tax consolidation regime, amongst other things, is expected to affect the rate at which our carried-forward tax losses may be utilized, as described below. Under the consolidation regime, we elected to consolidate our wholly owned Australian corporate group entities with effect from January 1, 2004 resulting in us and our wholly owned subsidiaries being treated as one single income tax entity from that date.

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The consolidation rules are likely to reduce the rate at which carried-forward tax losses incurred prior to the date of consolidation may be utilized after consolidation. Despite this, our profits earned after consolidating the group may remain sheltered to some extent by the utilization of tax losses from pre-consolidation years when combined with any current year tax incurred by us.

The extent to which our profits will be sheltered by tax losses and, therefore, the extent to which we will be able to pay franked dividends will ultimately depend on our profitability. Based on current estimates, we will not pay income tax until the year commencing January 1, 2006. Accordingly, we anticipate that until then we will not have sufficient franking credits available to pay franked dividends to our shareholders.

Financing and Corporate Items

Net financing and corporate expenses for the year ended December 31, 2004 totalled A\$68.5 million compared to A\$69.4 million for the year ended December 31, 2003. The principal components were:

	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
	A\$ million	A\$ million	A\$ million
Loss on revaluation of foreign currency assets & liabilities		2.5	14.9
Interest (received)/(receivable)	(20.4)	(22.0)	(103.5)
Interest paid/payable	43.3	68.3	152.2
Corporate expenditure	45.6	20.6	131.6

Net interest charged to profit was A\$22.9 million for the year ended December 31, 2004 compared to a charge of A\$46.3 million for the year ended December 31, 2003, reflecting the reduced level of debt held. Corporate expenditure was A\$45.6 million compared to A\$20.6 million for the year ended December 31, 2003 primarily due to the takeover defense costs incurred in 2004.

B. Significant Changes

No significant changes have occurred since the date of our audited Consolidated Financial Statements.

Table of Contents**THE OFFER AND LISTING****ITEM 9. THE OFFER AND LISTING****A. Offer and Listing Details****Market Prices**

The following table sets forth, for the periods indicated, the highest and lowest closing sale prices of our fully paid ordinary shares based upon information provided by the ASX and the highest and lowest bid prices for our American Depository Shares (ADSs) based on information provided by the NYSE. In the United States, ADSs evidenced by American Depository Receipts (ADRs) represent our fully paid ordinary shares. Each ADR represents four of our fully paid ordinary shares.

Period		Ordinary Shares		American Depository Shares	
		A\$ High	A\$ Low	US\$ High	US\$ Low
Month ended April 30, 2005		8.13	7.86	25.38	23.70
Month ended March 31, 2005		8.02	7.42	26.50	23.00
Month ended February 28, 2005		7.80	7.20	24.84	22.20
Month ended January 31, 2005		7.32	7.15	22.60	21.55
Year ended December 31, 2004	Full Year	7.39	4.34	23.35	11.94
	First Quarter	5.98	4.81	18.66	13.80
	Second Quarter	5.26	4.34	16.02	11.94
	Third Quarter	5.38	4.80	15.70	13.03
	Fourth Quarter	7.39	4.91	23.35	14.53
Year ended December 31, 2003	Full Year	5.63	3.28	17.14	8.45
	First Quarter	4.41	3.59	10.20	8.45
	Second Quarter	4.13	3.40	10.90	8.75
	Third Quarter	4.66	3.28	12.79	9.05
	Fourth Quarter	5.63	4.32	17.14	11.95
Year ended December 31, 2002 ⁽¹⁾	Full Year	4.36	3.80	9.90	8.25

The closing price of our fully paid ordinary shares on December 31, 2004 was A\$7.22 and on April 30, 2005 was A\$7.92. The closing price of our ADRs on December 31, 2004 was US\$22.59 and on April 30, 2005 was US\$24.92.

B. Plan of Distribution

Not applicable.

C. Markets

Ordinary Shares

All of our fully paid ordinary shares are listed on the ASX which presently constitutes the principal trading market for our ordinary shares. The ASX is a nationally operated stock exchange with trading being carried out on automatic computer trading systems (SEATS). Our fully paid ordinary shares are also listed on the New York Stock Exchange (NYSE) (traded as American Depositary Receipts (ADRs)).

American Depositary Shares

In the United States, American Depositary Shares (ADRs) evidenced by ADRs represent our fully paid ordinary shares. Each ADR represents four of our fully paid ordinary shares. The ADRs are issued pursuant to a Deposit Agreement, dated December 3, 2002, between us and The Bank of New York, as Depositary. On December 4, 2002, trading of our ADSs commenced on the NYSE under the symbol WMC .

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THE OFFER AND LISTING

As at December 31, 2004, 491,224 of our fully paid ordinary shares were registered in the name of 254 residents of the United States and represented approximately 0.04% of the total number of our fully paid ordinary shares issued and outstanding. As at December 31, 2004, 5,681,971 of our ADSs were outstanding (representing 22,727,884 of our fully paid ordinary shares) and were registered in the name of 313 residents of the United States and represented approximately 1.94% of the total number of our fully paid ordinary shares issued and outstanding.

As at April 30, 2005, 407,910 of our fully paid ordinary shares were registered in the name of 225 residents of the United States and represented approximately 0.03% of the total number of our fully paid ordinary shares issued and outstanding. As at April 30, 2005, 5,408,620 of our ADSs were outstanding (representing 21,634,480 of our fully paid ordinary shares) and were registered in the name of 307 residents of the United States and represented approximately 1.84% of the total number of our fully paid ordinary shares issued and outstanding.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

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ADDITIONAL INFORMATION

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable

B. Constitution

Our corporate organization and conduct is governed by our constitution (the Constitution). Set forth below is a summary of the provisions of the principal terms of the Constitution.

Company Objects and Purposes

We are taken to be registered as a public company limited by shares under the Corporations Act 2001 of the Commonwealth of Australia (the Corporations Act) and are registered with Australian Business Number 76 004 184 598.

The Constitution was adopted on October 17, 2002. The Constitution does not specify our objects and purposes. Rather, under section 124 of the Corporations Act, we have the legal capacity and powers of an individual person.

Directors Powers and Qualifications

- (a) No director is permitted to vote or be counted in the quorum as a director in respect of any contract or arrangement in which the director has a personal material interest. Subject to the Corporations Act, this prohibition can be relaxed or suspended by an ordinary resolution passed in general meeting (rule 85(b)).
- (b) Directors remuneration is to be determined by them from time to time and in such proportions and manner as they determine, provided that the aggregate remuneration paid to directors in any year must not exceed the amount approved by shareholders in general meeting (rule 82).
- (c) In addition, every director is entitled to be paid all reasonable travelling, accommodation and other expenses incurred in attending board meetings and if any director is called upon to perform extra services or provide special professional skill for any purpose of ours, the director may be paid travelling outlays and such additional sum by way of remuneration fixed by the directors (rule 83).
- (d) Directors may, from time to time, at their discretion raise or borrow any sum or sums of money for our purposes with or without security (rule 47).

- (e) The Constitution does not contain any age limit requirement on the retirement of directors.
- (f) A director does not need to own shares in us as a qualification for office (rule 80).
- (g) At each Annual General Meeting one third of the directors (or the nearest number to one third) retire from the office and are subject to re-election. In any event, a director, other than the managing director, shall retire from office at the conclusion of the third Annual General Meeting after the general meeting at which he or she was elected or re-elected.

Rights and Restrictions Attaching to Each Class of Shares

- (a) We have only one class of shares, the ordinary class. The rights attached to ordinary shares include the right to dividends in the event that the directors declare them. Directors may determine that a dividend is payable, fix the amount, the date at which the entitlement accrues, date for payment and the method of payment.
- (b) Dividends, which have not been claimed for one year after having been declared, may be invested or otherwise made use of by the directors for our benefit until claimed or disposed of according to law (rule 125).
- (c) The voting right attached to ordinary shares is the right to vote in person, by representative, attorney or proxy in general meeting.
- (d) On a show of hands each shareholder (regardless of the number of shares held) has one vote. On a poll each shareholder may exercise one vote for each fully paid ordinary share held. In respect of partly paid shares, the shareholder has a vote equivalent to

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ADDITIONAL INFORMATION

the proportion which the amount paid up bears to the total issue price of the share at the date the poll is taken.

- (e) For the purposes of determining voting entitlements at a general meeting, shares will be taken to be held by those persons recorded in the register of members at the time and date determined by the directors under Corporations Regulations 7.11.37 and 7.11.38.
- (f) Dividends are only payable out of our profits (rule 114).
- (g) In the event of a winding up, ordinary shares rank equally in the division of any surplus.
- (h) Shareholders cannot redeem ordinary shares.
- (i) The holders of fully paid ordinary shares have no further liability to us in respect of those shares. The holders of partly paid shares are liable to us once a call is made for the payment of the unpaid amount.
- (j) There is no provision in the Constitution which discriminates against an existing or prospective shareholder as a result of that shareholder owning a substantial number of shares unless such ownership leads to a partial takeover offer (see heading Partial Takeover Approval below).
- (k) To vary or cancel the rights attached to ordinary shares, a special resolution approving the variation or cancellation must be passed at a special meeting of the holders of ordinary shares, or by consent in writing signed by the holders of a least three-fourths of the issued ordinary shares within two calendar months from the date of such special meeting (rule 11).

General Meetings of WMC Resources

The Board may convene our general meetings to be held at such times and places and in the manner determined by the Board (rule 52). No shareholder or director may convene a general meeting unless entitled to do so under the Corporations Act.

Subject to the Corporations Act and the ASX Listing Rules, notices of a general meetings convened by the Board may be given in the form and in the manner determined by the Board (rule 54).

At least 28 days notice must be given of a general meeting (section 249HA of the Corporations Act).

All shareholders may attend general meetings in person, or be represented by the attendance of a representative, attorney or by proxy (who need not be shareholders of ours in their own right).

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The quorum for a general meeting is three members present in person, by proxy or attorney or by representative (rule 57). If within 15 minutes of the time appointed for holding the meeting a quorum is not present, the meeting, if convened by requisition, is dissolved, but in all other cases stands adjourned to the same day in the next week at the same time and place (rule 58). If at the adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the meeting is dissolved.

Limitations on the Right to Own Securities

Our Constitution does not impose limitations on the right to own securities except those provisions relating to minimum holdings (known as an Unmarketable Parcel, as described below).

Unmarketable Parcel Rationalization Scheme

The Constitution contains a scheme whereby we can sell the shares of members who hold a parcel of our shares of less than A\$500 value (an Unmarketable Parcel). The scheme sets out notice requirements that we must comply with prior to selling any shares and also includes the right of members (who hold an Unmarketable Parcel) to exempt their holdings from the scheme. The scheme can only be invoked once in any 12-month period with respect to any particular member.

Other Takeover Limitations

The rights of non-resident or foreign shareholders to hold or exercise voting rights on our securities are subject to the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*. The Treasurer of the Australian Federal Government has the power to prohibit the

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ADDITIONAL INFORMATION

acquisition of a controlling interest in any Australian company by a foreign person or foreign persons, if the Treasurer is of the opinion that the acquisition would be contrary to the national interest. For this purpose, a shareholding of 15% or more held by a single foreign person or 40% or more held by two or more foreign persons is deemed to constitute a controlling interest.

Section 50 of the *Trade Practices Act 1974 (Cth)* prohibits an acquisition of shares that would have the effect, or be likely to have the effect, of substantially lessening competition in a substantial market for goods or services, unless the acquisition is authorized by the Australian Competition and Consumer Commission.

Partial Takeover Approval

In the event that there is an offer made under a proportional takeover bid (within the meaning given to that expression by Chapter 6 of the Corporations Act) to acquire our shares, the registration of a transfer giving effect to a contract resulting from the acceptance of the bid, is prohibited unless and until a resolution to approve the proportional takeover bid is passed in accordance with rule 139 of our Constitution. This resolution is to be voted on at a meeting convened and conducted by us, of the persons entitled to vote on the resolution. The resolution is taken to have been passed if the proportion that the number of votes in favor of the resolution bears to the total number of votes on the resolution is greater than one-half. The provisions with respect to Partial Takeover Approval (rule 139) cease to have effect on the third anniversary of the date of their adoption or last renewal.

Disclosure of Share Ownership

The Constitution does not prescribe an ownership threshold above which shareholders must disclose their holding to us. However, Part 6C.1 of the Corporations Act imposes disclosure requirements on persons who acquire or cease to hold a substantial holding (see section 9 of the Corporations Act) in us. The disclosure must be given to us and the ASX within the prescribed time.

Changes in Share Capital

We may, by resolution passed in general meeting from time to time, alter our share capital in one or more of the ways provided for, and in the manner prescribed by, the Corporations Act (rule 44).

Subject to the Constitution, we may reduce our share capital (rule 46) or buy back shares (rule 141) in accordance with the Corporations Act.

C. Material Contracts

Indenture (Roxby Downs (Indenture Ratification) Act of 1982)

For a description of the Indenture, see page 30.

Deed of Undertaking with BHP Billiton Ltd

As part of the proposed takeover of WMC Resources Ltd by BHP Billiton Ltd, we have entered into an undertaking with the following conditions:

BHP Billiton acquiring, during or at the end of the Offer Period, a relevant interest in at least 90% of the WMC Resources Shares on issue;

BHP Billiton receiving all regulatory approvals required for its Offer or the completion of any transaction contemplated by the Bidder's Statement, including ACCC clearance, necessary Australian Treasurer's approval, European Commission approval and United States anti-trust clearances;

no decision or order being made, no application being made, and no action or investigation being instituted or threatened in connection with BHP Billiton's Offer, by a Public Authority (as that term is defined in the BHP Billiton Bidder's Statement), which restrains, prohibits or impedes (or threatens to do so), or otherwise materially adversely impacts on, the making of BHP Billiton's Offer or the completion of any transaction contemplated by the Bidder's Statement, or the rights of BHP Billiton in respect of WMC Resources and the WMC Resources Shares to be acquired under BHP Billiton's Offer or requires the divestiture by BHP Billiton of any WMC Resources Shares or assets of WMC Resources or the BHP Billiton Group;

no prescribed occurrences (as described in section 5.1(h) of BHP Billiton's Bidder's Statement) occurring between the Announcement Date and the end of the Offer Period;

no acquisitions (or offers to make such acquisitions) being undertaken, agreed or announced by WMC from the Announcement Date to the end of the Offer Period for an amount in aggregate greater than A\$300 million, and no agreements or other

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arrangements which would require expenditure or foregoing of revenue of an amount greater than A\$50 million being entered into or announced by WMC, other than in the ordinary course of its business;

no disposals (or offers to make such disposals) being undertaken, agreed or announced by WMC in respect of Olympic Dam, WMC's nickel operations or the Corridor Sands project, and there being no entry into (or offer to enter into) any joint venture, asset or profit sharing arrangement, partnership or merger of businesses (including through a dual listed companies structure) or of corporate entities in respect of Olympic Dam, WMC's nickel operations or the Corridor Sands project;

no person having any right to acquire or require the disposal of, or require WMC to dispose of, any material asset of WMC, or to terminate or vary the terms of any material agreement with WMC, as a result of the acquisition of WMC Shares by BHP Billiton;

no event (such as a change in the 30 day moving average spot price for any commodity on any market, as expressed in Australian dollars) occurring that (alone or together with other events) has, or could be reasonably expected to have, a material adverse effect on the assets, liabilities, financial or trading position, profitability, production or prospects of WMC, and no such matter that occurred before the Announcement Date becoming public after the Announcement Date (where the occurrence was not previously apparent from publicly available information); and

no decline occurring in the S&P/ASX 200 index below 3,500 on any trading day during the period from and including the Announcement Date to the end of the Offer Period.

Demerger Deed

(a) Nature of contract

In connection with the demerger, we and Alumina Limited entered into the Demerger Deed. The Demerger Deed deals with transitional and miscellaneous commercial and legal issues arising in connection with our legal and economic separation from Alumina Limited.

(b) Key terms

(i) Fundamental demerger principle

The fundamental principle of our separation from Alumina Limited is that, following the demerger, we have the entire economic benefit, risk and liabilities of all of our businesses, companies and assets as if we had owned and operated those businesses, companies and assets at all times. Alumina Limited continues to have the entire economic benefit, risk and liabilities of its companies and assets following the demerger.

(ii) Acknowledgement

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Consistent with the fundamental demerger principle outlined above, we and Alumina Limited acknowledged in the Deed that once the demerger was complete, we would not have any rights against Alumina Limited, and Alumina Limited would not have any rights against us, except in specified circumstances. Neither we nor Alumina Limited has any right to make a claim for loss or damage arising directly or indirectly in relation to the demerger, our internal restructure and the operation our businesses prior to the demerger, unless expressly permitted by the Demerger Deed or any other document or agreement between the parties (such as the Transitional Services Agreement or other ongoing commercial arrangements).

(iii) Business restructure

Alumina Limited's non-AWAC business and companies have been substantially restructured pursuant to a series of separate restructure agreements prior to the demerger so that an identifiable corporate group has come into existence comprising the companies that constitute our assets and our businesses. The Demerger Deed makes provision for:

the approach to be adopted by the parties to the restructure of WMC's non-AWAC businesses and companies prior to the demerger;

the practical, economic and legal effect of our separation from Alumina Limited;

the mechanism under which we and Alumina Limited can transfer to the other group any asset or contract which a group member owns or holds after the demerger date but which at the demerger date was most directly used in the other group's business, or was incorrectly transferred as part of the restructure of WMC Limited's non-AWAC businesses; and

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if any asset or share transfers required to establish our group were not completed prior to the date of execution of the Demerger Deed, the principles in accordance with which the parties are to conduct their arrangements pending each transfer, so as to ensure that, to the extent possible, each transferee gets the benefit and all risks of the asset or company being transferred as from the accounting effective date;

(iv) Accounting separation

The Demerger Deed confirms that, for accounting purposes, Alumina Limited and WMC Resources will be treated as being demerged as from November 30, 2002, or on such other date as may be agreed between us and Alumina Limited, with the intention that it be the date of the closest month end preceding the effective date of the demerger;

(v) Access to records

Records held by each of us and Alumina Limited at the effective date of the demerger that relate to the other are to be maintained. Each of us and Alumina Limited must allow the other to access those records and must notify the other prior to any destruction of those records so that they can be copied or retrieved;

(vi) Financial and tax assistance

We and Alumina Limited will assist each other in relation to future and past financial and tax matters and each will allow the other access to financial and other records in connection with the preparation of tax returns or tax audits by the Australian Taxation Office of either us or Alumina Limited;

(vii) Employees and superannuation

The Demerger Deed addresses matters relating to the transfer of certain of our employees to Alumina Limited. Alumina Limited is obliged to indemnify us against all costs and expenses (including claims) relating to the transfer. We and Alumina Limited are each obliged to indemnify the other against all costs and expenses (including claims) relating to any redundancy, retrenchment or termination of a former Alumina Limited employee or employee of ours (as applicable);

In accordance with the fundamental demerger principle, each of WMC Resources and Alumina Limited are required to meet all costs relating to the provision of retirement savings or retirement income benefits and other related benefits for our employees. The Demerger Deed also requires Alumina Limited to assume responsibility for the superannuation arrangements of those employees transferring to it from us;

(viii) Use of intellectual property

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The Demerger Deed sets out the general principles that determine ownership of intellectual property by us and Alumina Limited (other than trade marks and business names). The Demerger Deed also sets out the restrictions on the use of jointly-owned intellectual property;

Under the Demerger Deed, Alumina Limited is required as soon as practicable, and in any event within one month, after the demerger date to cease the use of the WMC name (and derivatives) and the WMC logo and to arrange for the change of Alumina Limited group company names including the WMC name (or derivatives);

(ix) Litigation management

We and Alumina Limited will assist each other in relation to the management of current and new litigation matters involving us (other than in respect of litigation between us and Alumina Limited). Each of us and Alumina Limited indemnifies the other in respect of liability or loss suffered in connection with a claim where that liability relates to the business of the other; and

(x) Insurance

We are to provide our own group business insurance and insurance for our directors and officers from the effective date of the demerger. However, we and our directors and officers will have access to the existing directors and officers insurance policy maintained by Alumina Limited for the remaining life of that policy in respect of matters which occurred on or before the effective date of the demerger.

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WMC Resources Loan Facility

(a) Nature of contract

In October 2004, WMC Resources put in place the Loan Facility (the "Loan Facility") through its wholly owned subsidiary, WMC Finance Limited, for WMC Resources group's ongoing corporate purposes. The facility is a US\$250 million syndicated dual-currency revolving cash advance facility arranged by Commonwealth Bank of Australia.

(b) Key terms

(i) Components

The WMC Resources Loan Facility consists of a US\$250 million syndicated dual-currency revolving facility with a two year term plus an option to extend at the discretion of the lenders, for a further 364 days.

(ii) Guarantors

The Loan Facility is guaranteed by WMC Resources and WMC (Olympic Dam Corporation) Pty Ltd.

(iii) Pricing

The pricing of the Loan Facility is generally consistent with that which a BBB rated entity might obtain for a facility of this size and nature.

(iv) Undertakings

The Loan Facility contains undertakings given by us and our subsidiaries that are customary for a facility of this nature including negative pledges and guarantees provided by us and our guaranteeing subsidiary.

(v) Events of default

The Loan Facility contains events of default and review events that are customary for a facility of this nature.

Global Bond Indenture

(a) Nature of contract

In 2003, WMC Finance (USA) Limited, a finance subsidiary of WMC (WMC Finance), issued US\$700,000,000 in bonds (the Global Bonds), guaranteed by us and two of our subsidiaries, WMC (Olympic Dam Corporation) Pty Ltd and WMC Fertilizers Pty Ltd. The Global Bonds were issued under an indenture (the Bond Indenture) between WMC Finance, as issuer, WMC Resources, and the two subsidiaries mentioned above as guarantors and The Bank of New York, as trustee. The Global Bonds were registered under the Securities Act and issued in exchange for bonds of WMC Finance sold previously in private placements.

(b) Key terms

(i) Components

The Global Bonds were issued under the Bond Indenture in two series. One is the US\$500,000,000 5.125% Guaranteed Notes due 2013. The other is the US\$200,000 6.250% Guaranteed Notes due 2033.

(ii) Guarantors

Notes of WMC Finance issued under the Bond Indenture are guaranteed by WMC (Olympic Dam Corporation) Pty Ltd, WMC Fertilizers Pty Ltd and us.

(iii) Ranking

The Global Bonds and the respective guarantees of WMC Resources and our guaranteeing subsidiaries each rank equally in right of payment will all other unsecured and unsubordinated indebtedness of WMC Finance, us and our guaranteeing subsidiaries.

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(iv) Undertakings

The Bond Indenture contains undertakings given by us and our subsidiaries that are customary for a facility of this nature, including negative pledges, limitations on the incurrence of liens and limitations on sale and leaseback transactions and guarantees provided by us and our guaranteeing subsidiaries.

(v) Events of default

The Bond Indenture contains events of default and review events that are customary for an indenture of this nature.

D. Exchange Controls

The Australian Banking (Foreign Exchange) Regulations and other Australian legislation and regulations control the import and export of capital and remittance of payments involving non-residents of Australia. We are not restricted from receiving funds into or transferring funds from Australia to the credit of non-residents of Australia but in certain cases we are required to:

- (i) withhold Australian taxes;
- (ii) obtain the Reserve Bank's authority -

to place any sum in Australia to the credit of, or make any payment in Australia to, by order of or on behalf of:

certain entities related to the Federal Republic of Yugoslavia (in limited circumstances) and 81 named individuals associated with the former Milosevic regime;

certain ministers and senior officials of the Government of Zimbabwe;

the Taliban or any undertaking owned or controlled, directly or indirectly, by the Taliban or specific associated individuals, entities, agencies associated with the Taliban, Osama bin Laden, al-Qaeda or other terrorists or their sponsors; or

to sell or purchase foreign currency or take or send from Australia any Australian currency where that transaction relates to:

property, securities or funds belonging either directly or indirectly to certain entities related to the Federal Republic of Yugoslavia (in limited circumstances) and 81 named individuals associated with the former Milosevic regime;

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property, securities or funds in Australia owned or controlled, directly or indirectly, by or otherwise relating to payments to certain ministers and senior officials of the Government of Zimbabwe; or

property, securities or funds owned or controlled directly or indirectly by, or otherwise relating to payments to, or for the benefit of, the Taliban, or any undertaking owned or controlled, directly or indirectly, by the Taliban or specific associated individuals, entities, agencies associated with the Taliban, Osama bin Laden, al-Qaeda or other terrorists or their sponsors; and

(iii) Lodge a report of the transaction details.

There are no limitations, under the laws of Australia, on the right of non-residents to acquire, hold or vote our ordinary shares, except for the Foreign Acquisitions and Takeovers Act 1975 (Cth) (the Act), section 606 of the Corporations Act 2001 (Cth) (the Corporations Act), the charter of the United Nations Act 1945 (Cth) and the Charter of the United Nations (Terrorism and Dealings with Assets) Regulations 2002(Cth). The Act controls the rights of non-residents to hold 15% or more of the total voting powers as outstanding shares of an Australian company, but it does not affect the rights attaching to shares that are held or acquired in accordance with its provisions.

Under the Act, any acquisition or issue of shares (including the acquisition of an option to acquire shares) which would increase or alter beyond 15% in the case of any single foreign interest, or 40% in the case of more than one foreign interest, the level of foreign ownership in a corporation that carries on an Australian business is subject to review and approval by the Treasurer of the Commonwealth of Australia.

The Act permits the Treasurer to deny or refuse proposals where such proposals would be contrary to the Australian national interest.

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Section 606 of the Corporations Act provides that, subject to certain exceptions, a person must not acquire a relevant interest in shares in a company if, as a result, someone's voting power in the company increases to more than 20%, or increases from a starting point that is above 20% and below 90%. Section 606 also prohibits a person acquiring a legal or equitable interest in shares if, because of the acquisition, another person acquires a relevant interest in shares and someone's voting power increases to more than 20%, or increases from a starting point that is above 20% and below 90%. Section 608 of the Corporations Act provides that a person has a relevant interest in shares if that person holds the shares, or has power or control over the voting rights attaching to them or their disposal, whether directly or indirectly.

Transactions involving assets (which would include ordinary shares) owned or controlled by persons or entities listed under the Charter of the United Nations Act 1945 (Cth) or the Charter of the United Nations (Terrorism and Dealings with Assets) Regulations 2002 (Cth) require ministerial approval. The Charter of the United Nations Act 1945 (Cth) and the Charter of the United Nations (Terrorism and Dealings with Assets) Regulations 2002 (Cth) currently applies to the Kurdistan People's Congress, the People's Congress of Kurdistan, the Kongra-Gel, other persons listed in the Commonwealth of Australia Gazette, the Taliban, Osama bin Laden, a member of the Al-Qaida organization, and any person named on the United Nations list maintained pursuant to United Nations Resolution 1390 (2002) by the Committee of the United Nations Security Council established pursuant to United Nations Resolution 1267 (1999).

The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the applicable legislation and to our Constitution. A copy of our current Constitution has been previously filed with the SEC as Exhibit 1 to our registration statement on Form 20-F, filed on December 2, 2002 (File No. 1-31554).

E. Taxation

The following is a summary of the principal Australian and United States federal income tax consequences to United States holders (as defined below) of the ownership of ADSs or Ordinary Shares and is based on the laws in force as at the date of this Annual Report. Holders are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership and disposition of ADSs or Ordinary Shares in their particular circumstances. This discussion relies in part on representations by the Depositary in the Deposit Agreement and related documents.

Commonwealth of Australia Taxation

Dividends

With effect from July 1, 2002, Australia introduced a new dividend imputation system relating to company tax.

Broadly, the new dividend imputation system rewrites the old dividend system. It is intended to produce a similar tax outcome as the old system with some noted differences. The dividend imputation system of company tax relieves double taxation on dividends paid by Australian resident corporations. Under this system, companies are required to identify dividends paid as either franked or unfranked dividends. Franked dividends are those paid out of profits which have borne Australian corporate tax (i.e., to which franking credits have been allocated) while unfranked dividends are paid out of untaxed profits. The Australian corporate tax rate is 30%. Franked dividends paid to non-residents are exempt from

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withholding tax but unfranked (or partly franked) dividends are subject to withholding tax, generally at 15% on the unfranked amount. Notices are provided to shareholders which specify the amount (if any) of dividend withholding tax deducted.

The current Australian tax rules require taxpayers to hold shares at risk for certain periods before obtaining the benefit of the dividend imputation system. The minimum period for holding ordinary shares at risk is currently 45 days (and in some circumstances 90 days), but the Australian Government is considering a proposal to reduce the minimum period. Failure to satisfy these requirements may result in the deduction of Australian withholding tax from dividends paid to non-residents of Australia. There is an exemption from these rules for defined small transactions.

The tax rules classify interests which satisfy a financial arrangements test as either debt or equity. An interest that is classified as equity will be frankable, whereas an interest that is classified as debt will not be frankable. ADSs and Ordinary Shares are likely to be classified as equity on the basis that the return is contingent on our performance or at our discretion.

Prior to July 1, 2003, under the provisions of the old Convention between the Government of the United States of America and the Government of Australia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the Old Treaty), the Australian tax withheld on unfranked dividends paid by us to which a resident of the United States is beneficially entitled is limited to 15%. However, where the recipient's shareholding is effectively connected with a permanent

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establishment in Australia or a fixed base in Australia from which independent personal services are carried out, the recipient will generally be subject to ordinary income tax for dividends received under the Australian tax rules. From July 1, 2003, under the new treaty the withholding tax rate is 15% for holders of at least 10% of the shares in a company and 0% for corporate holders of 80% or more of the shares in a company (subject to satisfying some requirements). In all other cases (apart from permanent establishments) the 15% rate limit will continue to apply.

Capital Gains Tax

A United States citizen who is resident in Australia, or a United States corporation that is resident in Australia (by reason of carrying on business in Australia and being managed or controlled in Australia or having its voting power controlled by shareholders who are residents of Australia) holding ADSs or ordinary shares as capital assets, may be liable for Australian capital gains tax (CGT) on the disposal of our ADSs or ordinary shares.

Under current Australian law, no income or other tax is payable on any profit on disposal of the ADSs or ordinary shares held by persons who are residents of the United States within the meaning of the Treaty except:

- (a) if the person (together with associates, if any) owns or owned ADSs and/or ordinary shares at any time during the period of five years preceding the disposal, representing 10% or more of our issued share capital (excluding share capital carrying no right to participate beyond a specified amount in distribution of profits or capital). However, in these circumstances there may be relief from Australian tax for residents of the United States under the Treaty; or
- (b) if the ADSs or ordinary shares have been used by the person in carrying on a trade or business wholly or partly at or through a permanent establishment in Australia.

Different rules will apply to persons and corporations which are not residents of the United States.

In calculating the amount of a capital gain that may be subject to Australian CGT, special rules apply to individuals, trusts, certain superannuation funds and shareholders of certain listed investment companies. For ADSs or ordinary shares acquired after September 21, 1999 and held for at least 12 months, individuals and trusts will pay tax on half (two thirds of the gain for certain superannuation funds) of the gain calculated in nominal terms after allowing for any offsetting capital losses which are applied against the whole nominal gain. For ADSs or ordinary shares acquired before that time and held for at least 12 months, individuals, trusts and certain superannuation funds may choose between paying CGT on half of the gain (or two-thirds of the gain for certain superannuation funds), or paying CGT on all of the gain with the gain being calculated on the basis of the cost of the ADSs or shares being indexed for inflation up to September 30, 1999. Indexation is available to all tax payers and is not limited to individuals and trusts like the 50% discount discussed above. For all types of taxpayers, the legislation freezes the indexation (for inflation) of the cost of ADSs and Ordinary Shares as at September 30, 1999, and abolishes such indexation for ADSs and ordinary shares acquired after September 21, 1999.

Australia does not impose gift, estate or inheritance taxes in relation to gifts of shares or upon the death of a shareholder.

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Neither the issue or transfer of an ADS or our ordinary shares or the payment of a dividend will give rise to a liability to goods and services tax in Australia.

Australian Stamp Duty

No Australian stamp duty will be payable on the issue or transfer of an ADS or the transfer of our ordinary shares.

United States Federal Income Tax Consequences

The following discussion is a summary of the material United States federal income tax consequences of owning ordinary shares or ADSs. The discussion below, except where specifically noted, does not address the effects of any state, local or non-United States tax laws. In addition, it applies to you only if you hold your ordinary shares or ADSs as a capital asset, and does not address the tax consequences that may be relevant to you in light of your particular circumstances. Moreover, it does not apply to you if you are not a U.S. person, as defined below, or if you are subject to special treatment under the United States federal income tax laws, including if you are:

a dealer in securities or currencies;

a trader in securities if you elect to use a mark-to-market method of accounting for your securities holdings;

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a financial institution;

an insurance company;

a tax-exempt organization;

a person liable for alternative minimum tax;

a person that holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction;

a person that actually or constructively owns 10% or more of the voting stock of WMC Resources; or

a person whose functional currency is not the United States dollar.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as the Convention Between the Government of the United States of America and the Government of Australia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the Treaty). These laws are subject to change, possibly on a retroactive basis.

You are a United States person if you are:

a citizen or resident of the United States;

a domestic corporation;

an estate, the income of which is subject to United States federal income taxation regardless of its source; or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the ordinary shares represented by those ADRs. Exchanges of ordinary shares for ADRs, and ADRs for ordinary shares, generally will not be subject to United States federal income tax.

Distributions

Subject to the passive foreign investment company rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements.

Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income.

You must include any Australian tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Australian dollar payments made, determined at the spot Australian dollar/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

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Subject to certain limitations, the Australian tax withheld in accordance with the Treaty and paid over to Australia will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate.

To the extent a refund of the tax withheld is available to you under Australian law, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability.

Dividends will be income from sources outside the United States. Dividends paid in taxable years beginning before January 1, 2007 generally will be passive or financial services income, and dividends paid in taxable years beginning after December 31, 2006 will, depending on your circumstances, be passive or general income which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

Dispositions

Subject to the passive foreign investment company rules discussed below, any gain or loss you realize on the sale, exchange or other taxable disposition of ordinary shares or ADSs will be subject to United States federal income taxation as a capital gain or loss in an amount equal to the difference between the US dollar value of the amount that you realize on that sale, exchange or other disposition and your adjusted tax basis, determined in US dollars, in the ordinary shares or ADSs surrendered. Capital gain of a noncorporate U.S. holder that is recognized before January 1, 2009 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Your ability to deduct capital losses is subject to limitations.

Passive Foreign Investment Company Rules

We believe ordinary shares or ADSs will not be treated as stock of a passive foreign investment company, or PFIC, for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. Moreover, the application of the PFIC rules to a corporation such as us that is primarily engaged in the active business of mining and processing metals is not entirely clear.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs or ordinary shares:

at least 75% of our gross income for the taxable year is passive income; or

at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

any gain you realize on the sale or other disposition of your ordinary shares or ADSs; and

any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the ordinary shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the ordinary shares or ADSs).

Under these rules:

the gain or excess distribution will be allocated ratably over your holding period for the ordinary shares or ADSs;

the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income;

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the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year; and

the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If you own ordinary shares or ADSs in a PFIC that are treated as marketable stock, you may also make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your ordinary shares or ADSs at the end of the taxable year over your adjusted basis in your ordinary shares or ADSs. These amounts of ordinary income will not be eligible for the favourable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your ordinary shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the ordinary shares or ADSs will be adjusted to reflect any such income or loss amounts. In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs, even if we are not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your shares or ADSs, you will be treated as having a new holding period in your shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own ordinary shares or ADSs during any year that we are a PFIC with respect to you, you must file Internal Revenue Service Form 8621.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

It is possible to read and copy documents referred to in this Annual Report on Form 20-F that have been filed with the Securities and Exchange Commission (SEC) at the SEC 's public reference room located at 450 Fifth Street, NW, Washington DC 20549. Please telephone the SEC at 1-800-SEC-0330 or access the SEC website (www.sec.gov) for further information.

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All controlled entities are wholly owned by us, unless otherwise indicated. Our significant subsidiaries are described in Item 4C Key Information Organizational Structure . The following is a list of all entities controlled by us at December 31, 2004:

Controlled Entities	Notes	Place of Incorporation
Agnew Mining Company Pty. Ltd.	b	Australia
Carson Hill Gold Mining Corporation	c,h	USA
Corridor Sands Limitada	d,h	Mozambique
Great Boulder Mines Pty Ltd	b	Australia
Hi-Fert Distributors Pty. Ltd.	b	Australia
Hi-Fert Pty. Ltd.	f	Australia
JMM Sub, Inc	c,h	USA
Mineracao Jenipapo S.A. (owned 100%)	c,h	Brazil
Mineracao Wesminas Limitada (owned 100%)	c,h	Brazil
Olympic Dam Marketing Pty. Ltd.	b	Australia
Q.S. Mineracao Ltda (owned 100%)	c,h	Brazil
Three Springs Talc Pty. Limited	b	Australia
Wesminco Oil Pty. Ltd.	d	Australia
Western Hog Ranch Company	c,g	USA
Western Mining Corporation Pty Ltd	b	Australia
Western Mining Mongolia XXX	c,h	Mongolia
Western Venture Inc.	c,g	USA
Westmin Talc (U.K.) Limited	d,g	UK
Westmin Talc Pty Ltd	b,l	Australia
Westminer Insurance Pte. Ltd.	h	Singapore
WMC (Argentina) Inc.	c,h,	USA
WMC (China) Pty Limited	b,h	Australia
WMC (Kunming) Pty Limited	b,h	Australia
WMC (Liberia) Limited	h	Hong Kong
WMC (Mineral Sands) Limited	h	Jersey
WMC (Olympic Dam Corporation) Pty. Ltd.	a	Australia
WMC (Olympic Dam Operations) Pty. Ltd.	b,l	Australia
WMC (Overseas) Pty. Limited	b	Australia
WMC (Peru) Inc.	c,h	USA
WMC (Uzbekistan) Ltd.	c,h,j	Jersey
WMC (Yunnan) Pty Limited	b,h	Australia
WMC (Zarmitan) Ltd.	c,h,j	Jersey
WMC Automation Pty Ltd	b	Australia
WMC Chile S.A.	h,j	Chile
WMC Corporate Services Inc.	c,h	USA
WMC Exploration Chile S.A.	h,k	Chile
WMC Exploration Inc.	c,h	USA
WMC Fertilizers Pty Ltd	a	Australia
WMC Finance (USA) Limited	d	Australia

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Controlled Entities	Notes	Place of Incorporation
WMC Finance Limited	d	Australia
WMC Holdings Pty. Ltd.	b	Australia
WMC Innovation Pty. Ltd.	b	Australia
WMC Kazakstan Ltd.	c,h	Jersey
WMC Mineracao Limitada (owned 100%)	g	Brazil
WMC Petroleum (Malaysia) Snd. Bhd.(in liquidation)	c,h,j	Malaysia
WMC Resources (China) Pty Ltd	b,k	Australia
WMC Resources Exploration Pty. Ltd.	b	Australia
WMC Resources International Pty. Ltd.	a	Australia
WMC Resources International (RSA) Pty. Ltd	d,h	Australia
WMC Resources Marketing Limited	h	Canada
WMR Resources Marketing Pty Ltd	b,e	Australia
WMC Resources Marketing (UK) Limited	d,h	UK
WMC Securities Pty Ltd	b	Australia
WMC Services Pty. Limited	b,l	Australia
WMC Xinjiang Mineral Industry Services Company	c,h	China
Yakabindie Nickel Pty. Limited	b,l	Australia
Yeelirrie Development Company Pty. Ltd.	b	Australia
Yeelirrie Management Services Pty. Ltd.	b	Australia
141 Union Company	c,h	USA

This controlled entity:

- (a) is a party to a deed of cross guarantee and has been granted relief from the necessity to prepare accounts pursuant to the Australian Securities and Investments Commission (ASIC) Class Order 98/1418.
- (b) is a small proprietary corporation, not required to prepare financial reports
- (c) has not prepared audited accounts. Either it is non-operating or audited accounts are not required in its country of incorporation.
- (d) have prepared audited financial accounts.
- (e) changed its name from Western Exploration Pty Ltd to WMC Resources Marketing Pty Ltd on August 2, 2004.
- (f) ceased to be a controlled entity (WMC's interest went from 100 per cent to 33 percent effective 1 December, 2004).
- (g) is translated as a self-sustaining entity.
- (h) is translated as an integrated entity.

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- (i) ceased to be part of the economic entity during 2003.
- (j) ceased to be part of the economic entity during 2004.
- (k) became part of the economic entity during 2004.
- (l) is a party to a deed of cross guarantee, however being a small proprietary company has not sought relief from the necessity to prepare accounts pursuant to ASIC Class Order 98/1418.
- (m) Yakabindie Nickel Pty Limited, a company incorporating a lease and exploration work on the Yakabindie nickel project near Mount Keith, was acquired by the purchase method on January 25, 2001. Its purchase consideration was A\$40 million, A\$25 million of which was paid at the time of the acquisition with the remaining A\$15 million due upon gaining approval to mine the property. The results of its operations since 25 January, 2001 have been incorporated into WMC Resources. There is no goodwill arising on acquisition. No pro forma revenue has been disclosed as it is immaterial. It was converted from a public company to a proprietary company on 8 February 2002.
- (n) WMC Resources has a 40% ownership in Agnew Pastoral Company Pty. Ltd. and Weebo Pastoral Company Pty. Ltd. which are accounted for as incorporated partnerships.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative Information about Market Risk

Price Risk Management Policy

Our Price Risk Management policy provides the framework for the management of price exposures, including commodity price, foreign exchange and interest rate exposures and is established by our Board. The policy details our approach to managing price exposures and delineates hedging limits and delegated management authorities. Management of exposures is delegated to the Risk Management Committee within parameters set by our Board. The Risk Management Committee is chaired by the chief executive officer and comprises the chief financial officer and several senior executives. The Risk Management Committee is responsible for strategic hedging decisions and ensuring that these are implemented.

Our Treasury group acts under the authorization of the Risk Management Committee in implementing strategic hedging decisions. In addition, our Treasury group is authorized to manage hedges held against underlying financial or commodity exposures arising from our business operations. The Risk Management Committee members receive a monthly hedge position report as well as a detailed risk management report prior to the Committee's monthly meetings.

Due to changes to the scale, diversity and competitiveness of our operations, we revised our Risk Management Policy during 1999 to limit hedging activity to securing acceptable returns for new projects, to avoid financial distress and to enable large capital exposure programs. Previously existing hedging contracts will remain in place, but we will not replace or renew them. During 2003 and early 2004, WMC closed out all gold hedges maturing between 2004 and 2010 and all foreign currency hedges maturing between 2005 and 2008.

We bring to account hedging gains or losses, together with the cost of contracts when the designated sale occurs. We enter into Price Risk Management transactions with domestic and international banks and financial institutions which the Board of Directors has approved.

Commodity Hedging Policy

Commodity price risk relates to our exposure to changes in the commodity prices. Our revenue streams are significantly derived from the sale of commodity production and the amount of revenue will fluctuate with the moving commodity prices. Consistent with the Price Risk Management policy, we may seek to reduce our exposure to commodity price movements by entering into commodity hedging contracts for a proportion of our production. When looked at in isolation, hedging transactions could result in costs to us if:

- (a) the commodity price at the date of maturity of the hedge contract is greater than the hedged price (either due to the requirement to expend cash to financially settle hedge contracts, or via the receipt of a hedge contract price lower than the prevailing spot price at contract maturity); or

(b) a counterparty were to default and the commodity price at the date of default is less than the hedged price.

In the case of (a), the hedging loss will be offset by a higher revenue stream from the higher commodity price relative to the prevailing prices at the date of conception of the hedge, although the net revenue we would receive would be less than we would otherwise have received had the hedge transaction not been in place.

Table of Contents**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

A table showing the movement in the average quarterly selling price of nickel, gold, fertilizer and copper over the last five years is set out below.

AVERAGE QUARTERLY PRICES

Financial	Nickel London Metal Exchange	Gold London Gold Market	Fertilizer US Gulf Price	Copper London Metal Exchange
Year Ended	US\$/lb	US\$/oz	US\$/tonne	US\$/lb
December 31, 2000				
First Quarter				
Second Quarter	4.29	291	148	0.81
Third Quarter	4.26	280	145	0.79
Fourth Quarter	3.75	277	164	0.85
	3.38	269	158	0.84
December 31, 2001				
First Quarter				
Second Quarter	2.97	259	162	0.79
Third Quarter	3.04	268	142	0.75
Fourth Quarter	2.51	276	138	0.67
	2.29	279	147	0.64
December 31, 2002				
First Quarter				
Second Quarter	2.80	291	152	0.70
Third Quarter	3.15	313	157	0.73
Fourth Quarter	3.11	314	168	0.69
	3.22	323	153	0.70
December 31, 2003				
First Quarter				
Second Quarter	3.77	352	169	0.75
Third Quarter	3.79	348	181	0.74
Fourth Quarter	4.24	363	180	0.79
	5.57	392	184	0.93
December 31, 2004				
First Quarter	6.68	408	215	1.23
Second Quarter	5.67	393	216	1.26
	6.32	401	226	1.29

Third Quarter	6.34	434	233	1.39
Fourth Quarter				

Currency Hedging Policy

Foreign currency risk relates to our exposure to changes in exchange rates. Our revenue streams are significantly derived from the sale of our commodity production in US dollars and the amount of Australian dollar revenue we will receive fluctuates with the moving A\$/US\$ exchange rate. Consistent with approved Board policy, we may seek to reduce our exposure to exchange rate movements by entering into foreign exchange hedging contracts for a proportion of our outstanding receivables with a view to reducing the effects of adverse currency rate fluctuations. When looked at in isolation, hedging transactions relating to the conversion of US dollar receivables to Australian dollars, could result in losses if:

- (a) the A\$ weakens against the US\$ between contract inception and maturity; or
- (b) a counterparty were to default and the A\$ has strengthened against the US\$ between contract inception and maturity.

In the case of (a), the hedging loss will be offset by a higher Australian dollar revenue stream from the lower A\$/US\$ exchange rate, although the net revenue we would receive would be less than we would otherwise have received had the hedge transaction not been in place.

Table of Contents**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*****Summary Hedging Results***

Hedging results for 2004, 2003 and 2002 were:

A\$ million profit / (loss)

Hedging Results	Year ended December 31,		
	2004	2003	2002
Currency A\$/US\$	133.6	70.2	(108.2)
Gold	13.2	1.9	(5.1)
Total	146.8	72.1	(113.3)

These gains and losses have been allocated to the revenue and profits of individual business units.

The following information is provided in compliance with US Financial Reporting Release No. 48. We have elected to disclose information in the Tabular Presentation set down in s305(a)(I)(i).

Commodity Hedging***(A) Trading Purposes***

Nil.

(B) Non-trading (Hedging Purposes)

As at December 31, 2004:

(1) Gold

We had no contracts hedging gold production from Olympic Dam as at December 31, 2004. For comparative purposes, as at December 31, 2003 we hedged 44,600 ounces at an average gold price of A\$573 per ounce with maturities extending to 2005. The fair value of these contracts was a loss of A\$1.3 million.

These gold contracts provided us with the option to either physically or financially settle. We had no floating interest rate or gold lease rate exposure.

As these contracts are entered into for the purpose of hedging future production, we defer any unrealized gains and losses on the contracts, together with the cost of the contracts, until the underlying production occurs.

The fair value was based on the mark to market of the maturing forward contracts. This is the difference between the future expected market price as at December 31, 2003 and the original contract rate. The future expected market price was based on the forward price calculated on the spot rate and the gold contango (difference between US interest rates and the gold lease rate discounted using a zero coupon interest rate curve).

Currency Hedging

(A) Trading Purposes

Nil

Table of Contents**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****(B) Non-trading (Hedging Purposes)**

We had no currency hedges in place as at December 31, 2004. For comparative purposes, as at December 31, 2003 we had US\$300.9 million hedged at an average rate of US\$0.6665 at maturities extending to December 31, 2004 using a combination of forward contracts and options as detailed in the table below:

Maturity	Forward sale of US\$			Bought Put Options			Written Call Options		
	Amount	Rate A	Fair value	Amount	Strike rate	Fair value	Amount	Strike rate	Fair value
	US\$m	\$/US\$	A\$m	US\$m	A\$/US\$	A\$m	US\$m	A\$/US\$	A\$m
2004	228.4	0.6753	25.7	72.5	0.6402	14.4	20.0	0.6772	(0.2)

The fair value was based on the mark to market of the forward and option contracts. This was based on the difference between the future expected price as at December 31, 2003 and the original contract rate. The future expected price was based on the forward price calculated on the spot exchange rate and the differential between the US and Australian interest rate curves discounted using the zero coupon interest rate curve.

(C) Translation Hedges (Hedging Purposes)

Translation Hedges are used to minimize the volatility arising from the revaluation of foreign currency assets and liabilities (principally US\$ denominated debt). A translation hedge consists of offsetting forward exchange contracts.

WMC has a series of forward exchange contracts whereby the company has purchased US\$ and sold A\$ and perfectly offset these contracts by selling US\$ and purchasing A\$. Gains and losses on the revaluation of the US\$ debt are offset by gains and losses on the purchased US\$ forward exchange contract. Gains and losses on the sold US\$ contract are deferred and released over time as future US\$ revenue is received.

Interest Rate Hedging

Interest rate risk refers to our exposure to movements in interest rates. We are primarily exposed to interest rate risk on our outstanding interest bearing liabilities. As interest rates fluctuate, the amount of interest payable on debt balances where the interest rate is not fixed will also fluctuate. Interest rate swaps allow us to manage our interest rate risk.

In May 2003 we issued, through our wholly owned subsidiary WMC Finance (USA) Limited, a total of US\$700 million worth of global bonds to provide ongoing liquidity. The bonds were sold in the United States. They effectively refinance a US\$500 million 364-day facility, which was

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put in place to bridge the period between the repurchase of US\$776.3 million worth of Yankee bonds on December 10, 2002 and the current global bond issue.

The Global Bond issue was made up of two components:

a US\$500 million issue at 5.125% which matures on May 15, 2013.

a US\$200 million issue at 6.25% which matures on May 15, 2033.

Table of Contents**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***Interest rate risk*

As at December 31, 2004 we had the following debt:

		Maturing in:					
		2010					
		2005	2006	2007	2008	2009	onwards
		-----	-----	-----	-----	-----	-----
A\$m equivalent of US\$ debt (fixed)							
Global Bonds	- face value						899.3
	- fair value						878.3
Yankee Bonds	- face value						
			1.0				4.8
	- fair value		1.0				5.6
Total	- face value						
			1.0				904.1
	- fair value		1.0				883.9

Included in the debt noted above is the following fixed US\$ debt which was swapped to floating. The terms of the interest rate swaps are provided below.

		Maturing in:					
		2010					
		2005	2006	2007	2008	2009	onwards
		-----	-----	-----	-----	-----	-----
US\$ Debt							500m

Subsequent to the above swap, we entered into the following swap which re-fixed the US\$ debt from floating. The terms of the interest rate swaps are provided below.

		Maturing in:					
		2010					
		2005	2006	2007	2008	2009	onwards
		-----	-----	-----	-----	-----	-----
							onwards

US\$ Debt	500m
-----------	------

We are exposed to interest rate risk on our outstanding interest bearing liabilities and investments. Interest rate swaps allow us to manage our interest rate risk.

Table of Contents**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As at December 31, 2003 we had the following debt:

		Maturing in:					
		2009					
		2004	2005	2006	2007	2008	onwards
A\$m debt (floating)							
Bank loans	- face value						
	- fair value	212.0	200.3				
A\$m equivalent of US\$ debt (fixed)							
Global Bonds	- face value						934.8
	- fair value						884.8
Yankee Bonds	- face value						
	- fair value			1.0			5.1
	- fair value			1.1			5.8
Total	- face value						939.9
	- fair value	212.0	200.3	1.0			890.6

Included in the debt noted above is the following fixed US\$ debt which was swapped to floating. The terms of the interest rate swaps are provided below:

		Maturing in:					
		2009					
		2004	2005	2006	2007	2008	onwards
US\$ Debt							500m

Subsequent to the above swap, we entered into the following swap which re-fixed the US\$ debt from floating. The terms of the interest rate swaps are provided below:

Maturing in:

	2004	2005	2006	2007	2008	2009 onwards
US\$ Debt		500m				

We are exposed to interest rate risk on our outstanding interest bearing liabilities and investments. Interest rate swaps allow us to manage our interest rate risk.

Interest rate swaps

As at December 31, 2004 the fair value of interest rate swaps was A\$11.3 million. The terms of the interest rate swaps are provided below:

Notional US\$ principal	Interest swapped	Interest rate			Fair value
		Fixed	Float ⁽¹⁾	Maturity	A\$m
500	Fixed for floating	5.125	3.255	15/05/2013	(3.1)
500	Floating for fixed	1.734	3.255	15/11/2005	14.4
1,000					

⁽¹⁾ This is the floating rate applicable to the swap at balance date and is set using the 6 months US\$ LIBOR floating base rate plus a margin.

Table of Contents**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As at December 31, 2003, the fair value of these interest rate swaps was A\$7.4 million.

Notional US\$ principal	Interest swapped	Interest rate			Fair value
		Fixed	Float ⁽¹⁾	Maturity	A\$m
US\$m					
500	Fixed for floating	5.125	1.585	15/05/2013	(10.5)
500	Floating for fixed	1.735	1.585	15/11/2005	17.9
1,000					

⁽¹⁾ This is the floating rate applicable to the swap at balance date and is set using the 6 months US\$ LIBOR floating base rate plus a margin.

Accounting for Derivatives and Hedging Activities

We formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to (1) specific assets and liabilities on the balance sheet or (2) specific firm commitments or forecasted transactions. We also formally assess (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When we determine that a derivative is not (or has ceased to be) highly effective as a hedge, we discontinue hedge accounting prospectively, as discussed below.

We discontinue hedge accounting prospectively when (1) we determine that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) it is probable that the forecasted transaction will not occur; (3) a hedged firm commitment no longer meets the definition of a firm commitment; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

Fair-Value Hedges

We use interest rate swaps to convert a portion of our non prepayable fixed-rate debt into floating-rate debt. Under the interest rate swap contracts, we agree with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts, which is calculated based on an agreed-upon notional amount.

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For USGAAP, for the year ending December 31, 2004 we recognized a net loss after tax of A\$2.4 million, representing the change in time value on floating-for-fixed rate swaps excluded from the assessment of hedge effectiveness. The total of this adjustment on a pre-tax basis is A\$3.5 million.

Cash Flow Hedges

Over 90% of sales are denominated in or linked to US\$. From time to time we enter into foreign-exchange options and forward-exchange contracts as hedges of anticipated sales denominated in foreign currencies. These contracts are entered into to protect ourselves against the risk that the eventual dollar-net-cash inflows resulting from these sales will be adversely affected by changes in exchange rates.

As at December 31, 2004 we recognized a net gain after tax of A\$2.8 million, for the ineffective portion of certain options designated as cash flow hedges.

The treatment of gains and losses on revaluation of foreign currency debt (which is not treated as a hedge for accounting purposes under US GAAP) in addition to the amortization of a portion of deferred losses from OCI, resulted in a net loss after tax of A\$26.1 million.

The total of the adjustments referred to in the preceding two paragraphs on a pre-tax basis was A\$33.3 million.

Table of Contents**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of December 31, 2004, we reclassified A\$24.8 million of deferred net losses on derivative instruments accumulated in other comprehensive income as earnings during the next twelve months.

We take subsequent gains and losses on cash flow hedges to other comprehensive income and reclassify to profit and loss in the same period we recognize the hedged transaction. We continue to take gains and losses on fair value hedges to profit and loss in subsequent periods, as offsetting gains and losses on hedged liabilities. In both cases, these gains and losses are not recognized under Australian GAAP until the hedged transaction is recognized.

FAS 133 requires that any component of the gain or loss which is deemed to be ineffective be taken to the Income Statement immediately. For Australian GAAP any ineffectiveness is recognized over the term of the derivative.

Carrying amounts and estimated fair values of financial instruments

The carrying amounts and estimated fair values of our group's financial instruments are as follows:

	A\$m			
	Fair value as at		Fair value as at	
	Carrying amount as at December 31, 2004	December 31, 2004	Carrying amount as at December 31, 2003	December 31, 2003
Recognized in the Balance Sheet				
<i>Financial Assets</i>				
Cash assets	473.9	473.9	100.3	100.3
Current other financial assets	13.8	13.8	13.1	13.1
Current receivables	282.9	282.4	450.4	447.5
Non-current receivables	250.3	114.8	277.3	142.1
Non-current investments accounted for using the equity method	43.7	43.7		
Non-current other financial assets	4.2	4.2	21.3	21.3
<i>Financial Liabilities</i>				
Current payables	458.3	457.7	432.2	437.7
Short-term interest bearing liabilities			212.0	212.0
Other current liabilities	9.7	9.7	9.3	9.3
Non-current payables	231.0	95.5	379.2	245.0
Long-term interest bearing liabilities	905.1	884.9	1,141.2	1,092.0
Other non-current liabilities	3.9	3.9	4.1	4.1
<i>Financial Instruments</i>				
Hedging contracts:				

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- forward/swaps			(74.6)	(84.0)
- options			4.2	4.2
- interest rate swaps		11.3		7.4
		<u>11.3</u>	<u>(70.4)</u>	<u>(72.4)</u>

We used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate a value.

Cash assets and current other financial assets

The carrying amount approximates fair value because of the short maturity of these instruments.

Non-current other financial assets

We carry the other investments at cost. We valued shares quoted on a prescribed stock exchange at the quoted market value at balance date.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Debtors and creditors

We have calculated the fair value of debtors and creditors relating to hedging contracts on a mark-to-market basis using forward prices. Other current debtors and creditors mainly represent financial obligations we incurred in exchange for goods and services provided and received by us in the normal course of our operations, net of provisions for doubtful debts. Due to the short term nature of these financial obligations, we estimate their carrying values to equal their fair values.

Short- and long-term debt

We consider the carrying value of short-term debt and bank overdrafts to approximate the fair value due to the short maturity of the debt. Long-term debt comprises of bank loans and Yankee Bonds issues. We consider the carrying value of the long-term debt to approximate the fair value, with the exception of the Global Bond issue and the Yankee Bond issue, the fair value of which we have determined on a mark-to-market basis.

Foreign currency and commodity hedging contracts

The fair value we disclose represents commodity and foreign currency hedging contracts on a mark-to-market basis using forward rates and prices.

Other Disclosures

Further disclosures relating to financial instruments are included in Notes 28 and 35 to our Consolidated Financial Statements.

Contribution of Hedging to results for 2004 year

Commodity hedging contributed a gain of A\$13.2 million to our operating results. The total currency gain for the year ended December 31, 2004 was A\$133.6 million. The currency gains were attributable to forward contracts, implemented in prior periods and maturing in 2004, at an average rate above the HSRA rate for the period.

Contribution of Hedging to results for 2003 year

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Commodity hedging contributed a gain of A\$1.9 million to our operating results. The total currency gain for the year ended December 31, 2003 was A\$70.2 million. The currency gains were attributable to forward contracts, implemented in prior periods and maturing in the year ended December 31, 2003, at an average rate above the HSRA rate for the period.

Contribution of Hedging to results for 2002 year

Commodity hedging contributed a loss of A\$5.1 million to our operating results. The total currency loss for the year ended December 31, 2002 was A\$108.2 million. The currency losses were attributable to forward contracts, implemented in prior periods and maturing in the year ended December 31, 2002, at an average rate above the HSRA rate for the period.

Contribution of Hedging to results for 2001 year

Commodity hedging contributed a gain of A\$66.1 million to our operating results. The total currency loss for the 12 months ended December 31, 2001 was A\$328.1 million. The currency losses were attributable to forward contracts, implemented in prior periods and maturing in 2001, at an average rate above the HSRA rate for the period.

Contribution of Hedging to results for 2000 year

Commodity hedging contributed a loss of A\$14.9 million to our operating results. The total currency loss for the 12 months ended December 31, 2000 was A\$253.0 million. This was due to forward contracts implemented in prior periods and maturing in 2000, at an average rate above the HSRA rate for the period.

Qualitative Information About Market Risk

We have included Qualitative information on price risk management, and commodity and currency hedging in the discussion above in Item 11

Quantitative Information on Price Risk Management . We discuss qualitative information on treasury management and exchange rate and interest rate risk in Item 5B Operating and Financial Review and Prospects Liquidity and Capital Resources .

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Evaluation of Disclosure Controls and Procedures

For its fiscal year 2004, our management performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that the material financial and non-financial information required to be disclosed in Form 20-F and filed with the U.S. Securities and Exchange Commission is recorded, processed, summarized and reported in a timely manner. The evaluation was performed under the supervision of, and was reviewed by, our Chief Executive Officer and our Chief Financial Officer. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of the possible controls and procedures. Based on the foregoing, our management, including Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2004.

B. Internal Controls

In connection with the preparation of our annual report, we have identified the following internal control weaknesses which prompted us to make changes in our internal controls over financial reporting during the year ended 31 December 2004.

In 2004 we identified that we lacked effective controls for the year ended December 31 in respect of:

the timely reconciliation of Mt Keith's ore reserves model to actual 2003 production. This required a re-estimation of Mt Keith reserves which was finalized in the second half of 2004. The reserves re-estimation resulted in an approximately 2% (after production depletion) reduction in ore tonnage and a 7% reduction in nickel grade. The error did not affect US GAAP income in 2003. As a result of this weakness, we have implemented more frequent reconciliations of our model for Mt Keith's ore reserves to actual production.

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the review of supplemental information for the 2003 year reported in the Form 20-F (Statement of Financial Position in the Condensed Consolidated Information). While the 2003 WMC Resources Group total was correctly stated, we identified that, the Guarantor subsidiaries' current payables and equity balances were misstated by A\$1,271.4 million with a corresponding error in the eliminations and reclassifications column. We have adopted a number of measures to minimize the risk of such an error reoccurring in the future including performing additional detailed reviews and the reconciliation of year-on-year equity movements.

the identification of certain deferred income tax assets and liabilities. The restatement to US GAAP income and total US GAAP liabilities in 2003 was A\$46.8 million. The restatement is described more fully in Note 47 to our Consolidated Financial Statements. During 2004, we changed our procedures to include additional detailed reviews and verification of balances.

the prior period US GAAP reconciling item for the fair value adjustment relating to capitalized interest. The lack of effective controls resulted in an understatement of total US GAAP equity and total US GAAP assets in 2002 by A\$59.7 million. The error did not affect US GAAP net income in 2002. The restatement is described more fully in Note 47 to our Consolidated Financial Statements.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board has determined that Mr David Meiklejohn and Mr Graeme McGregor are audit committee financial experts and are independent as defined in the listing rules of the New York Stock Exchange. Although the board of directors has determined that Mr Meiklejohn and Mr McGregor have the requisite attributes defined under the rules of the Securities and Exchange Commission, their responsibilities are the same as those of the other audit committee members. Mr Meiklejohn and Mr McGregor are not auditors or accountants of WMC Resources, do not perform field work with respect to WMC Resources Ltd and are not full-time employees

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of WMC Resources Ltd. The SEC has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an expert for any purpose as a result of being identified as an audit committee financial expert. The audit committee is responsible for oversight of management in the preparation of our financial statements and financial disclosures. The audit committee relies on the information provided by management and the independent auditors. The audit committee does not have the duty to plan or conduct audits or determine that our financial statements and disclosures are complete and accurate. Our audit committee charter provides that these are the responsibility of management and the independent auditors.

ITEM 16B. CODE OF ETHICS

See Item 6C Board Practices Ethical Standards for a description of our Code of Conduct. This Code of Conduct is available from our website at www.wmc.com. This link is an inactive textual link for reference only.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

	Year Ended December 31, 2004	Year Ended December, 2003
A\$ thousand		
(a) Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:		
Auditors of parent entity PricewaterhouseCoopers		
- parent entity	1,577	1,403
- controlled entities	30	27
	<u>1,607</u>	<u>1,430</u>
Other member firms of PricewaterhouseCoopers International	159	126
	<u>1,766</u>	<u>1,556</u>
(b) Remuneration for audit-related services		
Annual report on US Form 20-F		
- prior year	195	378
- current year	474	302
Form 144A Bond Issue offering document		533
	<u>669</u>	<u>1,213</u>
(c) Remuneration for tax services		
Australian tax services	634	460
Overseas tax services	117	487
	<u>751</u>	<u>947</u>
(d) Remuneration for other services		
Investigating accountant s report and related services	1,038	

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Project reviews and sustainability report services	336	488
Other assurance services	114	133
	<u>1,488</u>	<u>621</u>
Total	<u>4,674</u>	<u>4,337</u>

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Audit Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filing engagements for those fiscal years are approximately \$1,766,000 and \$1,556,000, respectively.

Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services provided by the principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees are approximately \$669,000 and \$1,213,000, respectively. The nature of services comprising the fees disclosed under the category are audit services in respect of the company's US lodgments on Form 20-F and in 2003, audit services related to US filings pursuant to the company's US based global bond issue.

Tax Fees

The aggregate fees billed in each of the last two fiscal years for taxation related services provided by the principal accountant were approximately \$751,000 and \$947,000, respectively. The nature of services comprising the fees disclosed under the category are permitted tax services in relation to corporate compliance in our various tax jurisdictions. In 2004, fees included services in respect of the company's preparation and compliance requirements for entry into the Australia tax consolidation regime.

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported under Audit Fees, Audit-Related Fees and Tax Fees are approximately \$1,488,000 and \$621,000, respectively. The nature of services comprising the fees disclosed under the category largely includes assurance services in respect of the principal accountant's Investigating Accountant's Report included in the company's Target's Statements in response to takeover activity during 2004. Other services also include assurance reviews of the company's externally published sustainability report, project controls and other external reporting requiring independent attestation.

Pre-Approval Policy

The following pre-approval policy was adopted with effect from May 2003;

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1. The Audit Committee must pre-approve all audit, review, and attest services and all other permissible non-audit services to be rendered by the external audit firm.
2. Approval must be granted prior to PricewaterhouseCoopers being engaged to render a service.
3. The Chairman of the Audit Committee is authorized to pre-approve services to be provided by our external auditors, on behalf of the Audit Committee, where:

the fees for those services falls below \$250,000;

the services fall under one of the following categories:

audit and review services;

accounting and reporting research and consultations;

services related to regulatory filings;

due diligence reviews;

taxation services;

fraud and forensic investigations;

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risk management and internal control services;

project assurance services;

the services do not result in:

the auditor auditing their own work;

the auditor assuming a management function within us, or

the auditor acting as an advocate for us.

4. All assurance services greater than \$250,000 must be subjected to competitive tender with requirement for CFO, CEO and Audit Committee Chairman approval of inclusion of PricewaterhouseCoopers in tender list. An isolated exception to this policy was the pre-approval by the Audit Committee Chairman with respect to the work performed by PricewaterhouseCoopers on the Target's Statement, whereby due to the extremely limited timeframe required, no competitive tender was held. The Chairman's pre-approval was subsequently approved by the full Board Audit Committee prior to the commencement of the engagement.
5. All services provided by our external auditors with fees greater than \$250,000, or which are not within the categories detailed above, must be pre-approved by a majority of the Audit Committee.
6. All services undertaken by PricewaterhouseCoopers to be reported to the Audit Committee at each meeting.
7. Restricted Services to be documented and all services monitored. The General Manager Finance to review all work undertaken and to immediately advise the CFO and Chairman of the Audit Committee if it is noted that PricewaterhouseCoopers has performed any restricted service. The CFO and Chairman of the Audit Committee to immediately discuss with the Engagement Partner.

All services other than audit, review or attest services have been pre-approved in accordance with the pre-approval policy noted above. Accordingly, our Audit Committee approved Nil% of services described in categories (b) through (d) above pursuant to paragraph (c)(7)(i)(C) of Regulation S-X Rule 2-01.

ITEM 16D. EXEMPTION FROM LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY WMC RESOURCES AND AFFILIATED PURCHASERS

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As discussed in Item 6 (WMC Resources Executive Share Plan and WMC Resources Employee Share Schemes), we purchased shares on behalf of staff. Details of issuer purchases of equity securities for fiscal 2004 were:

Month	Total Number of Shares Purchased	Average Price Paid per share A\$	Dollar Value of Shares Acquired A\$ million
January, 2004	2,587,558	5.22	13.5

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PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable, as we comply with Item 18.

ITEM 18. FINANCIAL STATEMENTS

Financial Statements and Financial Statement Schedules

Consolidated Financial Statements as of and for the year ended December 31, 2004.

The attached financial statements and financial statement schedules, pages F-1 to F-105 with a full index on page F-3, together with the Reports of Independent Accountants thereon, are filed as part of this annual report.

<u>Report of Independent Accountants</u>	F-1
<u>Consolidated Statements of Financial Performance</u>	F-3
<u>Consolidated Statements of Financial Position</u>	F-4
<u>Consolidated Statements of Cash Flows</u>	F-5
<u>Consolidated Statements of Changes in Equity</u>	F-6
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ITEM 19. EXHIBITS

Exhibit 1 Constitution of WMC Resources, dated October 17, 2002 (incorporated by reference into our registration statement on Form 20-F filed on December 2, 2002).

Exhibit 4 Material contracts

- A. Roxby Downs (Indenture Ratification) Act of 1982, came into operation on June 21, 1982 (incorporated by reference into our registration statement on Form 20-F filed on December 2, 2002).
- B. Deed of Undertaking WMC Resources Ltd and BHP Billiton Ltd dated March 8, 2005 (incorporated by reference into our Form 6-K filed on March 11, 2005).
- C. Demerger Deed between WMC Resources and Alumina Limited (formerly WMC Limited), dated March 5, 2003 (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002).
- D. US \$ Bond Indenture dated May 8, 2003 (incorporated by reference to our registration statement on Form F-4 filed on June 19, 2003).
- E. Letter of Offer and Contract of Employment between WMC Limited and Bruce R. Brook, dated January 18, 2002 (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002).
- F. Letter of Offer and Contract of Employment between WMC Limited and Andrew G. Michelmore, dated August 19, 2002 (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002).
- G. Letter of Offer and Contract of Employment between WMC Resources Ltd and Michael P.J. Nossal, dated March 4, 2003 (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003).
- H. Letter of Offer and Contract of Employment between WMC Resources Ltd and Seamus G. French, dated June 9, 2004.
- I. Letter of Offer and Contract of Employment between WMC Resources Ltd and Martin H. Foreman, dated July 28, 2004.
- J. WMC Resources Executive Share Plan, dated November 28, 2002 (incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002).
- K. Subscription Agreement (Term Loan Facility) dated October 2004.

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- L. Amendment to Contract of Employment between WMC Resources Ltd and Andrew G. Michelmore, dated November 30, 2004.
- M. Amendment to Contract of Employment between WMC Resources Ltd and Bruce R. Brook, dated November 30, 2004.
- N. Amendment to Contract of Employment between WMC Resources Ltd and Alan K Dundas, dated November 30, 2004.
- O. Amendment to Contract of Employment between WMC Resources Ltd and Greg J. Travers, dated November 30, 2004.
- P. Amendment to Contract of Employment between WMC Resources Ltd and Michael P.J. Nossal, dated November 30, 2004.
- Q. Amendment to Contract of Employment between WMC Resources Ltd and Seamus G. French, dated November 30, 2004.
- R. Amendment to Contract of Employment between WMC Resources Ltd and Martin H. Foreman, dated November 30, 2004.

Exhibit 8 Significant Subsidiaries

Exhibit 12 Certifications pursuant to Rule 15d-14a under the US Securities Exchange Act of 1934

Exhibit 13 Certification pursuant to Rule 15d-14b under the US Securities Exchange Act of 1934

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Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

WMC RESOURCES LTD

/s/ Bruce R. Brook

Name: Bruce R. Brook

Title: Chief Financial Officer

Date: May 23, 2005

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WMC RESOURCES LTD

(Australian Business Number 76 004 184 598)

AND CONTROLLED ENTITIES

U.S. FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED

31 DECEMBER 2004

Prepared in accordance

with Australian generally accepted

accounting principles (Australian GAAP)

except where noted

Amounts are stated in Australian dollars (A\$) except where noted

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

WMC Resources Ltd

We have audited the accompanying consolidated statements of financial position of WMC Resources Ltd and its controlled entities as of 31 December 2004 and 2003, and the related consolidated statements of financial performance, consolidated statements of cash flows and consolidated statements of changes in shareholder's equity for each of the three years in the period ended 31 December 2004, which have been prepared on the basis of accounting principles generally accepted in Australia. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Australia and the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WMC Resources Ltd and its controlled entities at 31 December 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2004 in conformity with accounting principles generally accepted in Australia.

Accounting principles generally accepted in Australia vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effects of such differences is presented in Note 47, as restated, to the consolidated financial statements.

PricewaterhouseCoopers

Melbourne, Australia

May, 2005

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WMC RESOURCES LTD AND CONTROLLED ENTITIES

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WMC RESOURCES LTD AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

		Year to	Year to	Year to
		31 Dec	31 Dec	31 Dec
		2004	2003	2002
	Notes	A\$m	A\$m	A\$m
Continuing operations:				
Net sales revenue	2	3,828.4	3,001.3	2,487.2
Cost of goods sold		(2,481.2)	(2,247.6)	(2,000.0)
Selling and distribution expenses		(86.0)	(81.2)	(81.5)
General and administrative expenses		(202.5)	(214.4)	(202.9)
General and administrative expenses - significant items	4	(23.9)	(8.4)	(51.2)
Exploration and evaluation expenses		(27.3)	(24.2)	(37.0)
Share of net loss of associate	43	(0.3)		
Other expenses		(118.3)	(106.8)	(149.0)
Other expenses - significant items	4	(13.2)	(48.5)	(99.7)
Other income		61.0	35.2	41.8
Other income - significant items	4	114.4		209.9
Profit before interest and income tax		1,051.1	305.4	117.6
Interest expense	3(b)	(43.3)	(64.0)	(152.2)
Profit/(loss) before income taxes		1,007.8	241.4	(34.6)
Income tax (expense)/credit	5(a)	319.1	(2.3)	19.9
Net profit/(loss) from continuing operations		1,326.9	239.1	(14.7)
Discontinued operations:				
Net sales revenue	2			(1.4)
Net expenses			(3.8)	(2.7)
Income tax credit/(expense)	5(a)			1.3
Profit on Meliadine transaction	4		10.3	
Profit on sale of right to gold royalty	4			15.4
Profit on sale of Central Norseman Gold Corporation Limited	4			25.1
Net profit from discontinued operations			6.5	37.7
Consolidated operations:				
Net sales revenue	2	3,828.4	3,001.3	2,485.8
Cost of goods sold		(2,481.2)	(2,247.6)	(2,000.0)
Selling and distribution expenses		(86.0)	(81.2)	(81.5)
General and administrative expenses		(202.5)	(214.4)	(206.0)
General and administrative expenses - significant items	4	(23.9)	(8.4)	(51.2)

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Exploration and evaluation expenses		(27.3)	(28.0)	(37.2)
Share of net loss of associate	43	(0.3)		
Other expenses		(118.3)	(106.8)	(148.6)
Other expenses - significant items	4	(13.2)	(62.0)	(137.6)
Other income		61.0	35.2	42.0
Other income - significant items	4	114.4	23.8	288.3
		<u> </u>	<u> </u>	<u> </u>
Profit before interest and income tax		1,051.1	311.9	154.0
Interest expense	3(b)	(43.3)	(64.0)	(152.2)
		<u> </u>	<u> </u>	<u> </u>
Profit before income taxes		1,007.8	247.9	1.8
Income tax (expense)/credit	5(a)	319.1	(2.3)	21.2
		<u> </u>	<u> </u>	<u> </u>
Net profit attributable to members of WMC Resources Ltd		1,326.9	245.6	23.0
		<u> </u>	<u> </u>	<u> </u>
Transfer of revaluation reserve to retained earnings			(24.5)	
Net exchange differences recognized directly in equity		(0.5)	(3.7)	3.1
Net transfers to retained earnings		(2.5)	31.4	
		<u> </u>	<u> </u>	<u> </u>
Total changes in equity other than those resulting from transactions with owners as owners		1,323.9	248.8	26.1
		<u> </u>	<u> </u>	<u> </u>
Net earnings per share attributable to members of WMC Resources Ltd (Australian cents per share)				
Australian GAAP (basic)	6	114.5	21.7	2.1
Australian GAAP (diluted)	6	114.3	21.7	2.2

The accompanying notes form part of these consolidated financial statements.

Table of Contents**WMC RESOURCES LTD AND CONTROLLED ENTITIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at 31 December	As at 31 December
		2004	2003
	Notes	A\$m	A\$m
CURRENT ASSETS			
Cash assets	9	473.9	100.3
Receivables	10	282.9	450.4
Other financial assets	11	13.8	13.1
Inventories	12	517.6	545.8
Other	13	66.2	68.1
Total current assets		1,354.4	1,177.7
NON-CURRENT ASSETS			
Receivables	14	250.3	277.3
Investment in associate	15	43.7	
Other financial assets	16	4.2	21.3
Inventories	17	80.4	71.2
Exploration and evaluation	18	80.5	68.5
Property, plant and equipment	19	4,461.4	4,520.5
Acquired mineral rights	20	1,331.0	1,354.8
Deferred tax assets	21	532.7	46.0
Other	22	24.5	22.9
Total non-current assets		6,808.7	6,382.5
TOTAL ASSETS		8,163.1	7,560.2
CURRENT LIABILITIES			
Payables	23	458.3	432.2
Interest bearing liabilities	24		212.0
Current tax liabilities	25	1.7	1.3
Provisions	26	74.5	67.7
Other	27	145.0	184.4
Total current liabilities		679.5	897.6
NON-CURRENT LIABILITIES			
Payables	28	231.0	379.2
Interest bearing liabilities	29	905.1	1,141.2
Deferred tax liabilities	30	549.7	382.0
Provisions	31	125.8	121.8

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Other	32	562.9	688.7
Total non-current liabilities		2,374.5	2,712.9
TOTAL LIABILITIES		3,054.0	3,610.5
NET ASSETS		5,109.1	3,949.7
EQUITY			
Contributed equity	33	3,849.3	3,747.7
Reserves	34	2.0	2.5
Retained profits	34(c)	1,257.8	199.5
TOTAL EQUITY		5,109.1	3,949.7
Contingent liabilities	38		
Commitments for expenditure	39		

The accompanying notes form part of these consolidated financial statements.

Table of Contents**WMC RESOURCES LTD AND CONTROLLED ENTITIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year to 31 Dec 2004	Year to 31 Dec 2003	Year to 31 Dec 2002
Notes	A\$m	A\$m	A\$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	3,692.4	2,987.3	2,455.4
Payments to suppliers and employees	(2,361.7)	(2,251.8)	(2,043.4)
Receipts/(payments) on settlement of hedge contracts	42.1	(13.9)	29.2
Receipts on early close out of legacy foreign exchange contracts		18.6	
Receipts on early close out of commodity hedge contracts		2.7	
Interest and other items of a similar nature received	20.3	20.3	29.5
Borrowing costs	(45.4)	(71.1)	(151.3)
Proceeds from interest rate swap close out			71.2
Income taxes paid	(0.3)	(2.9)	(3.2)
Proceeds from insurance claims (business interruption)	101.5	10.5	35.0
Payments for:			
- exploration (grassroots)	(18.0)	(20.7)	(19.7)
- exploration (additional, supporting existing operations)	(8.5)	(3.5)	(3.7)
Net cash provided by operating activities	35(a) 1,422.4	675.5	399.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	(424.8)	(661.9)	(464.9)
Demerger costs paid		(45.2)	(21.7)
Proceeds from sale of Central Norseman Gold Corporation Limited			25.7
Proceeds from dilution of Hi-Fert Pty Ltd	67.5		
Proceeds from sale of non-current assets	40.1	22.6	67.6
Proceeds from insurance claims (material damage)	0.6	12.0	27.3
Payments for gold hedge close out			(34.4)
Proceeds from short term investments			2.6
Payments for research and development	(0.4)	(0.1)	(0.4)
Payments for evaluation expenditure	(13.6)	(7.3)	(4.5)
Payments for Cliffs nickel option	(5.3)		
Investment in associate	(10.0)		
Net cash used in investing activities	(345.9)	(679.9)	(402.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deemed equity contribution	<i>1(a)</i>		12.4
Proceeds from borrowings		1,086.5	2,307.9
Repayments of borrowings	(425.7)	(1,032.6)	(2,754.3)
Proceeds from issues of shares	47.8	54.8	600.0
Payment on close-out of interest rate hedge		(38.5)	
Payment on settlement of legacy gold asset related hedge contracts	<i>35(b)</i>	(116.8)	(40.6)
Global bond issues costs paid		(9.9)	

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Redemption costs on Yankee Bonds				(150.2)
Dividends paid	8(a)	(206.4)		
Net cash provided by/(used in) financing activities		(701.1)	27.3	(24.8)
Net increase/ (decrease) in cash held		375.4	22.9	(28.5)
Cash at the beginning of the financial year		100.3	90.5	123.9
Effects of exchange rate changes on opening foreign currency cash balances		(1.8)	(13.1)	(4.9)
Cash at the end of the financial year	9	473.9	100.3	90.5

The accompanying notes form part of these consolidated financial statements.

Table of Contents**WMC RESOURCES LTD AND CONTROLLED ENTITIES****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital A\$m	Asset revaluation reserve A\$m	Foreign currency translation reserve A\$m	Retained profits A\$m	Total equity A\$m
Year ended 31 December 2004					
Balance at the beginning of the financial year	3,747.7		2.5	199.5	3,949.7
Net income				1,326.9	1,326.9
Shares issued on conversion of options	41.9				41.9
Shares issued from dividend reinvestment plan	59.7				59.7
Dividends paid				(266.1)	(266.1)
Foreign currency adjustments			(3.0)		(3.0)
Reserve transfers			2.5	(2.5)	
Balance at the end of the financial year	3,849.3		2.0	1,257.8	5,109.1

	Share capital A\$m	Asset revaluation reserve A\$m	Foreign currency translation reserve A\$m	Retained profits A\$m	Total equity A\$m
Year ended 31 December 2003					
Balance at the beginning of the financial year	3,653.4	24.5	6.2	(77.5)	3,606.6
Net income				245.6	245.6
Shares issued on conversion of options	60.6				60.6
Shares issued for final contractual payment for the acquisition of Corridor Sands	33.7				33.7
Foreign currency adjustments			3.2		3.2
Reserve transfers		(24.5)	(6.9)	31.4	
Balance at the end of the financial year	3,747.7		2.5	199.5	3,949.7

	Share capital A\$m	Asset revaluation reserve A\$m	Foreign currency translation reserve A\$m	Retained profits A\$m	Carve-out equity A\$m	Total equity A\$m
Year ended 31 December 2002						
Balance at the beginning of the financial year					3,220.3	3,220.3
Net income to 30 November 2002				(32.1)		(32.1)
Foreign currency adjustments				(3.1)		(3.1)
Deemed equity contribution					12.4	12.4

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Balance at 30 November 2002				3,197.5	3,197.5
Net adjustments resulting from demerger related transactions	3,653.4	24.5	(132.6)	(3,197.5)	347.8
Net income 1 December to 31 December 2002			55.1		55.1
Foreign currency adjustments			6.2		6.2
Balance at the end of the financial year	3,653.4	24.5	6.2	(77.5)	3,606.6

The accompanying notes form part of these consolidated financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BACKGROUND AND BASIS OF ACCOUNTING

Background

WMC Resources Ltd and its controlled entities (WMC Resources) are principally engaged in the discovery, development, production, processing, and marketing of minerals and metals. WMC Resources produces nickel, copper, phosphate fertilizers, uranium oxide, gold and other minor by-products.

On 11 December 2002, WMC Limited, the former parent entity of WMC Resources, consummated the separation of WMC Limited's interest in Alcoa's World Alumina and Chemicals business (AWAC), from its other mineral businesses which now comprise WMC Resources (the demerger).

Prior to effecting the demerger, through a series of transactions internal to the WMC Limited Group, WMC Resources Ltd acquired WMC Limited's shares in the legal entities which held the copper-uranium and fertilizer businesses, WMC Finance Limited, WMC Finance (USA) Limited as well as WMC Limited's exploration and development interests other than those relating to AWAC. Under generally accepted accounting principles in Australia (Australian GAAP), all of these acquisitions were accounted for at fair value in return for shares in WMC Resources Ltd. Under US GAAP, the internal transactions were accounted for at book value. To consummate the demerger, WMC Limited effected a capital reduction and dividend to its shareholders in an amount equivalent to the value of WMC Resources Ltd after the internal transfers were completed. The entitlement of WMC Limited's shareholders to the capital reduction and dividend was ultimately satisfied in the demerger through the distribution to WMC Limited's shareholders of shares in WMC Resources Ltd on a one-for-one basis.

Basis of Preparation

The accompanying consolidated financial statements have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements. These standards and reporting requirements form part of Australian GAAP. A reconciliation of the major differences between these principles and those generally accepted in the United States of America (US GAAP) is included as Notes 47 and 48.

The financial report is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Basis of Accounting 2003 & 2004 Fiscal Years

The financial statements for the years ended 31 December 2004 and 31 December 2003 reflect the financial performance of the operations of the WMC Resources Ltd group for the respective full years as, on a statutory basis, WMC Resources Ltd controlled the copper-uranium, fertilizer and finance activities for the full 2004 and 2003 fiscal years.

Basis of Accounting - 2002 Fiscal Year

The demerger was given accounting effect on 30 November, 2002. Accordingly, the financial position, results of operations and cash flows of the demerged WMC Resources Ltd at and for the one month ended 31 December, 2002 represent the consolidated operations of WMC Resources Ltd and its subsidiaries. The transfers of the businesses to WMC Resources Ltd (via the internal transactions referred to in the background paragraph above) were effected at fair value in accordance with Australian GAAP with effect on 30 November, 2002. The resulting adjustment directly impacts shareholders' equity reflecting the internal nature of the transaction.

For the first eleven months of fiscal year 2002, the financial statements have been prepared on a carve-out basis and include the financial position, results of operations and cash flows of WMC Resources Ltd's incumbent nickel business and of the copper-uranium and fertilizer businesses that were transferred to WMC Resources Ltd from WMC Limited in the demerger. These financial statements have been principally prepared from historical accounting records of the WMC Limited Group and present substantially all of the operations of the businesses as if WMC Resources Ltd had been a separate economic entity inclusive of all of these businesses for all periods presented of 2002.

Changes to equity in the period presented arise from net income or loss, other comprehensive income and other deemed contributions/distributions with WMC Limited. Deemed equity contributions/distributions represent the dividends received from AWAC, dividends paid and other capital transactions of WMC Limited, net of cash retained by WMC Limited.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) BACKGROUND AND BASIS OF ACCOUNTING (continued)

WMC Resources Ltd uses a centralized approach to cash management and the financing of its operations through WMC Finance Limited. As determined in the demerger proposal, WMC Resources Ltd acquired WMC Finance Limited and WMC Finance (USA) Limited. Therefore the balance sheet includes all of the debt and the income statement includes the interest expense previously reported by the WMC Limited Group, as the debt was used exclusively to fund WMC Resources Ltd's projects.

WMC Resources Ltd participated in WMC Limited's centralized risk management function. As part of this activity, derivative financial instruments were utilized to manage risks generally associated with commodity, currency and interest rate market volatility. WMC Limited did not hold or issue derivative financial instruments for trading purposes. The balance sheet of WMC Resources Ltd reflects the associated asset and liability positions resulting from this activity because WMC Resources Ltd assumed WMC Limited's derivative financial instruments through its acquisition of WMC Finance Limited. The derivative financial instruments referred to were used exclusively to manage WMC Resources Ltd's risks in the period presented. The statement of operations and statement of cash flows reflect the related gains and losses arising from these instruments.

General corporate overhead related to corporate headquarters and common support divisions has been included in these results based on amounts incurred by WMC Limited less an amount that was solely applicable to the remaining businesses of WMC Limited. Management believes these assumptions are reasonable. Subsequent to the demerger, WMC Resources Ltd has performed these functions using its own resources or purchased services and is responsible for the costs and expenses associated with the management of a public corporation.

WMC Resources Ltd's financial statements include the costs experienced by the WMC Limited pension and post-retirement benefit plans for those employees and retirees for whom WMC Resources Ltd has assumed responsibility.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial report is prepared on a consolidated entity basis for WMC Resources Ltd (parent entity) and the entities it controls (controlled entities). Australian GAAP defines entity widely, including any legal, administrative or fiduciary arrangement. All material entities in the consolidated entity are companies. The economic entity consisting of WMC Resources Ltd and its controlled entities is referred to in the financial report as the group. In preparing the financial statements, the effects of all transactions between entities within the group are eliminated in full, including unrealized profits and losses on transactions with associates accounted for on an equity basis.

The allocation of profits, reserves and capital to outside equity interests is disclosed separately without any adjustments being made, except where the allocation of the outside equity share of losses would exceed the outside equity interest in capital and other reserves. In this case, the excess is borne by the parent entity shareholders until it is considered likely that the outside equity interest will make good the losses.

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

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Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this, the consolidated entity's share of the post-acquisition profits or losses of associates is recognized in the consolidated statement of financial performance and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

Accordingly, the investment in Hi-Fert Pty Ltd is equity accounted from 1 December 2004. Prior to this Hi-Fert Pty Ltd was a controlled entity and was accounted for as part of the consolidated group.

Interests in companies which the group does not control or exercise significant influence over are included in the accounts as investments, initially recorded at cost. Dividends are taken into profits of the investing entity when received.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) INCOME TAX

The liability method of tax effect accounting is used, whereby the income tax expense for the year is matched with the accounting profit after allowance for permanent differences. The income tax effect of significant permanent differences on the tax expense for the year is set out in Note 5. Income tax on cumulative timing differences is set aside to the deferred income tax liability or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realization. The future income tax benefit relating to timing differences is not carried forward as an asset unless its realization is assured beyond any reasonable doubt.

During 2004, WMC Resources Ltd (as head entity) and its wholly owned Australian controlled entities formed a tax consolidated group effective 1 January 2004. The Australian Taxation Office have been informed of the adoption of the tax consolidation system. On this basis WMC Resources Ltd has adopted UIG 52 (Income Tax Accounting under the Tax Consolidation System). Refer to Note 5 for further disclosure.

(d) DIVIDENDS

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the year but not distributed at balance date.

(e) FOREIGN CURRENCY TRANSLATION

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. The subsequent payment or receipt of funds relating to that transaction is translated at the rate applicable on the date of payment or receipt. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognized in determining the profit or loss for the year, except as stated below for differences arising on foreign currency borrowings included in borrowing costs. The accounting for forward foreign exchange contracts is in accordance with Note 1(f).

Controlled foreign entities

Where a foreign controlled entity is self-sustaining its assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while its revenues and expenses are translated at actual or an average of rates ruling during the reporting period. Exchange differences arising on translation are taken to the foreign currency translation reserve. Upon disposal of a self-sustaining foreign operation the

balance of the foreign currency translation reserve relating to the operation is transferred to retained profits.

The exchange gains and losses arising on those foreign currency borrowings (net of gains and losses on any related specific hedge contracts) that are designated as hedges of investments in self-sustaining controlled foreign entities are offset in the foreign currency translation reserve against the exchange gains and losses arising on the translation of the net assets of those entities. These circumstances represent an effective natural hedge.

For integrated foreign controlled entities, monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary assets and liabilities and equity items including revenue and expenses are translated using historic rates of exchange. Exchange differences arising on translation are recorded as revenue or expense by the group.

(f) DERIVATIVE FINANCIAL INSTRUMENTS

The group uses derivative financial instruments to specifically hedge natural exposures to commodity prices, exchange rates and interest rates. The instruments used include spot, forward, swap and option contracts.

For currency contracts hedging firmly committed sales, operating purchases or capital purchases, premiums or discounts on entering into forward currency hedging contracts, together with the subsequent exchange gains or losses resulting from those transactions, are deferred in other assets or other liabilities until the underlying transaction takes place. When the underlying transaction takes place, gains, losses, premiums and discounts for the hedge contract are included in the cost of the applicable asset, or taken to profit and loss as part of sales revenue or costs.

For contracts hedging exposure to commodity prices, unrealized or realized gains and losses and premiums are deferred in other assets or other liabilities until the underlying transaction takes place. When the underlying transaction takes place, gains, losses and premiums for the hedge contract are taken to profit and loss as part of sales revenue or costs.

For contracts hedging the interest rate component of debt instruments, gains and losses are recognized as adjustments to interest expense when the underlying transaction occurs.

Table of Contents**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(f) DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

All contracts are designated as hedges of underlying transactions in the group's deal-recording systems. They are reviewed regularly to ensure that they are still effective as hedges. If a contract ceases to qualify as an effective hedge of an underlying transaction then all premiums, discounts, gains and losses relating to the hedge contract are immediately recognized in profit and loss. Any subsequent gains and losses that might occur due to market movements between the time the contract ceases to be an effective hedge and the time that it is closed out would be recognized in profit and loss as they occur. If a contract that is designated as a hedge of an underlying transaction is closed out, but the underlying transaction still exists, then recognition of any gains and losses on the contract is deferred until the underlying transaction occurs.

(g) REVENUE RECOGNITION

Sales revenue is measured at the fair value of the consideration received, and is recognized when each of the following conditions are met:

- (i) Persuasive evidence of an arrangement exists, which is usually in the form of a contractual arrangement.
- (ii) Title in the product has transferred to the buyer, which in most cases occurs when the product passes the ship's rail, at the port of loading.
- (iii) The seller's price to the buyer is fixed or determinable. In the case of certain products sold by the company, including nickel-concentrate, nickel-matte and a portion of copper cathode, revenue is recognized on a provisional basis at the time of title transfer, based on prevailing market prices and contained payable metal, and is subject to final adjustment at the end of periods ranging from 30 to 90 days in most cases, for movements in market prices to the end of those periods. Revenue initially recognized is equal to the contained quantity of payable metal, measured at the forward price. At each subsequent period end date prior to final settlement, revenue is remeasured based on the prevailing forward price. Revenue is considered determinable at the recognition point, due to the existence of an actively traded and widely quoted market on the London Metal Exchange for the relevant metals. Market prices are the only aspect of recognized revenue subject to material change at the time of recognition. Final sales prices are determined based on payable contained metal and the market price at the relevant quotation point stipulated in each contract that is generally on or around the end of the settlement period.
- (iv) Collectability is reasonably assured.

(h) RECEIVABLES

All trade debtors are recognized as the amounts receivable upon settlement. Collectability of trade debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision is raised when some doubt exists about collection.

(i) INVENTORIES

Stores

Stores represent consumable supplies and maintenance spares and are valued at weighted average cost. Provision is made for obsolescence where items relate to units of property that are no longer used or the items themselves have been superseded.

Trading stocks and work in progress

Trading stocks represent all products that are in the form in which they are expected to be sold by the relevant business.

Work in progress, including ore stocks, consists of stocks on which further processing is required by, or on behalf of, the relevant business to convert them to trading stocks.

Work in progress, classified as non-current, relates to costs associated with ore on heap leach pads, or in broken ore stockpiles not expected to be processed into final product and realized through sale within twelve months from the balance sheet date.

Broken ore that is above a predetermined cut-off grade is stockpiled for future processing. The processing of this ore is contemplated within each current mine plan and is dependent on commodity prices and the life of the mine. Broken ore below the cut-off grade is also stockpiled, however the costs associated with this ore are expensed as incurred, as its future processing is uncertain. Costs associated with ongoing waste removal are treated in accordance with the accounting policy relating to mine properties and mine development.

Trading stocks and work in progress are valued at the lower of cost and net realizable value. Cost approximates weighted average cost and includes direct costs and an appropriate portion of fixed and variable direct overhead expenditure, including depreciation and amortization. Net realizable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Recoverable amounts of non-current assets are assessed based on undiscounted future net cashflows expected to be generated from the assets. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The values of assets are reviewed on an ongoing basis and, where the carrying amount exceeds recoverable amount, the carrying amounts of non-current assets are written down to the lower of their recoverable amount or market value. The decrement in the carrying amount is recognized as an expense in the statement of financial performance in the reporting period in which the write-down occurs.

(k) ACQUISITION OF ASSETS

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition the value of the instruments is the market price as at the acquisition date, or where no market price is available, an estimate of fair value is used. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

(l) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditures are written off as incurred, except when such costs are expected to be recouped through successful development and exploitation, or sale, of an area of interest. In addition, exploration assets recognized on acquisition of an entity are carried forward provided that exploration and/or evaluation activities in the area have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

The expenditure carried forward when recovery is expected represents an accumulation of direct net exploration and evaluation costs incurred by, or on behalf of, the group and applicable indirect costs, in relation to separate areas of interest for which rights of tenure are current.

If it is established subsequently that economically recoverable reserves exist in a particular area of interest, resulting in the decision to develop a commercial mining operation, then in that year the accumulated expenditure attributable to that area, to the extent that it does not exceed the recoverable amount for the area concerned, will be transferred to mine development. As such it will be subsequently amortized against production from that area.

Any excess of accumulated expenditure over recoverable amounts will be written off to the statement of financial performance.

(m) GOVERNMENT FACILITIES

These assets represent contributions towards the cost of power, water, road, railway and town service facilities owned by government or local authorities. These assets are amortized over the life of the related mining projects.

(n) MINE PROPERTIES AND MINE DEVELOPMENT

These assets represent the capital cost incurred on areas of interest for which it has been established, to the satisfaction of the directors, that economically recoverable reserves exist.

Costs accumulated in respect of each area of interest represent direct and applicable indirect expenditure incurred by, or on behalf of, the relevant entity. Indirect expenditure principally consists of charges for depreciation of equipment used in development activities. The costs of successful exploration and evaluation and access and capital development are classified as mine development.

Capital development for open pit mines includes both the initial pre-production removal of overburden and ongoing post-production waste removal (see below for further detail on post-production waste removal). Capital development on underground mines includes expenditure on shaft sinking, declines, development and access drives and ventilation shafts. Utilities and facilities such as water, power and rail transport (where the company is required to contribute to the capital cost but does not have title to the asset), pre-production administration and other costs for mineral properties are classified as mine properties. Amortization of these costs is provided separately for each mineral reserve or mine from the commencement of commercial production as follows:

- (i) Mine properties amortization is calculated on a straight line basis over the estimated remaining life of those mines or the life of the specific asset, whichever is shorter; and

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) MINE PROPERTIES AND MINE DEVELOPMENT (continued)

- (ii) Mine development amortization is calculated on a units-of-production basis over the estimated recoverable reserves included in the current mine plan. In order to calculate the amortization, the total costs of development, including net costs incurred to date and estimated future waste removal costs are totaled and divided by the total proven and probable reserves included in the current mine plan. Annual depletion is calculated based on the units of production during the period multiplied by the per unit cost.

Mine lives are based on the period of time over which the reserves are planned to be extracted, generally between five years and a maximum of thirty years.

Post-production waste removal

All costs of post-production waste removal (stripping) from open pit mines are accumulated, and deferred on the statement of financial position as part of the total of mine properties and mine development. These costs include the costs of drilling, blasting, loading and haulage of waste rock from the open pit to the waste pile. The costs are predominantly in the nature of payments to mining, blasting and other contracting companies or costs of internal labor and materials used in the process.

These costs are amortized on a units-of-production basis, in accordance with the amortization policy set out for mine development at (ii) above. Based on the current mine plans, the deferred stripping asset would be expected to be extinguished during 2023 for Mt Keith and was fully extinguished in 2004 for the Harmony mine at Leinster.

Amortization of post-production waste removal costs is included in cost of goods sold in the statement of financial performance. Cash spent on waste removal is included in cash flows from investing activities in the cash flow statement.

As waste removal activities are an integral part of the mining operation, the deferred stripping asset is grouped with the other assets at the mine site or other level which represents the lowest level of separately identifiable cash flows in order to assess recoverable amount (refer to Note 1(j) for accounting policy on recoverable amount of non-current assets).

(o) CAPITALIZATION OF BORROWING COSTS

For qualifying assets under construction, which are normally major projects and where development or construction necessarily requires a substantial period of time, borrowing costs directly attributable to the funds invested in the project are included as a capital cost during the period until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. To the extent that additional funds have been borrowed for the purpose of, and are associated with, the project, the interest rate used is that applicable to those funds. The interest rate for any funds utilized in excess of specific borrowings is the weighted average rate for all other borrowings. Capitalized borrowing costs are amortized (from the commencement of commercial production) over a period not exceeding the economic life of the projects, subject to a maximum of thirty years.

(p) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

The cost of each item of property, plant and equipment is written off on a straight line basis over its expected useful life to the group, in the establishment of which, due regard is given to the life of the related area of interest. None of the lives exceed 30 years. Freehold land is not depreciated.

Assets that are depreciated or amortized on a basis other than life of the related area of interest typically have the following expected useful lives:

Plant and machinery		5-30 years*
Motor vehicles and heavy mobile equipment	- underground	4 years
	- surface	5 years
Office furniture		8 years
Computers and other office equipment		5 years

* *Dependent on the expected useful life of the item of plant and equipment and/or the life of the related operation.*

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT (continued)

Certain major items of plant have significant components that suffer substantial wear and tear. These components are depreciated at an accelerated rate as they are overhauled and replaced on a cycle that exceeds one year but is significantly shorter than the life of the remaining plant of which they form a part. On overhaul, any remaining cost of the component is written off and the replacement is capitalized and depreciated over the effective life of the replacement.

Repair and maintenance expenditures are charged to operations. Major improvements and replacements that increase productive capacity or extend the useful life of an asset are capitalized in the respective asset class.

(q) LEASED NON-CURRENT ASSETS

The company has operating lease agreements under which the lessor effectively retains substantially all risks and benefits of ownership. Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

The cost of improvements to or on leasehold properties is amortized over the unexpired period of the lease or five years, whichever is the shorter.

(r) ACQUIRED MINERAL RIGHTS

When a mining entity or operation is acquired, the amount of the purchase consideration must equal its fair value. The excess of the cost of acquisition of the mining entity or operation over the fair value of its other identifiable net assets acquired, is brought to account as acquired mineral rights. Acquired mineral rights are amortized from the commencement of commercial production on a straight line basis over the period during which the benefits are expected to arise.

(s) EXPENDITURE CARRIED FORWARD

(i) Research and development expenditure

Research and development expenditure is charged against profit and loss as incurred, except that when a regular evaluation of projects concludes that an individual project is expected beyond any reasonable doubt to recover its costs from subsequent use or disposal, the costs of the project for that and subsequent reporting periods are capitalized. Such deferred capital is amortized over the reporting periods that are expected to benefit from the project. In establishing this economic life, due regard is given to the economic life of the related area of interest or, if this is not relevant, a maximum life of five years is applied.

(ii) Capitalization of internal use software

The group capitalizes the cost of external consultants and the business software acquired or developed for internal use (purchase of third party software e.g. SAP) where the project success is regarded as probable. The costs are amortized over the estimated useful life of the software. Capitalized software is assessed for impairment in accordance with the accounting policy Note 1(j) recoverable amount of non-current assets.

(t) TRADE AND OTHER CREDITORS

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within thirty days of recognition.

(u) EMPLOYEE ENTITLEMENTS

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

Liabilities for wages and salaries and annual leave are recognized in respect of employees' services up to that date, and are measured as the amounts expected to be paid when the liabilities are settled.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) EMPLOYEE ENTITLEMENTS (continued)

(ii) Long service leave

Long service leave is an additional form of compensated leave to which Australian employees become entitled after a qualifying period of generally ten years of continuous service. It accrues to them at the rate of 1.3 weeks leave per year of service.

The liability for long service leave expected to be settled within 12 months of the reporting date is recognized in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognized 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. Consideration is given to expected future wages 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) Superannuation

The group does not account for excesses or shortfalls of the superannuation fund or plan assets over accrued membership benefits. Contributions to these funds made by the consolidated entity are recognized as operating costs. Further details are provided in Note 40.

(iv) Share plans

The company has employee share plans for senior management and all staff. The plans provide rewards based on company and individual performance. All rewards through the plans are currently satisfied by on-market purchase of WMC Resources Ltd shares. Access to shares is subject to certain restrictions. Details in respect of the share plans are set out in Note 33(b). The estimated cost of purchasing the shares to meet the 2004 plan entitlements has been accrued against 2004 profit.

(vi) Employee Benefit on-costs

Employee benefit on-costs, including payroll tax, are recognized and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognized as liabilities.

(v) REHABILITATION EXPENDITURE

Where practicable, rehabilitation is performed progressively and charged to costs as a part of normal operating activity. In addition, an assessment is made at each operation, of the undiscounted cost at balance date of any future rehabilitation work that will be incurred as a result of currently existing circumstances, and a provision is accumulated for this expenditure. This provision is charged on a proportionate basis to production over the life of the operation or activity concerned, or where the applicable life concerned exceeds 30 years, on a proportionate basis

to production on a 30 year basis. The estimated cost of rehabilitation is re-assessed on a regular basis. Rehabilitation costs include reclamation costs, dismantling and removal costs, removal of foundations and roads, the clean up of polluted materials, revegetation of areas affected by operations, and monitoring of sites. Any changes in estimates are dealt with on a prospective basis. The time when it will be appropriate to commence significant rehabilitation work varies at different operations, from the next financial year to dates well in excess of 20 years time. Over that time there is a strong possibility that the obligations for, and methods and costs of performing the rehabilitation work might alter. The estimates therefore are subject to change. Further details are provided in Note 38(a)(iii).

(w) PROVISIONS

Provisions are recognised where there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Lease commitments

The present value of future payments for surplus leased space under non-cancellable operating leases which are not onerous contracts is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the consolidated entity. The net future lease payments are discounted using the interest rates implicit in the leases. Each lease payment is allocated between the liability and finance charges.

Liabilities for surplus leased space under non-cancellable leases which are onerous contracts are recognised when premises are leased under non-cancellable operating leases and the unavoidable costs of meeting the contractual obligations exceed the general market cost of similar leased premises.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) PROVISIONS (continued)

(ii) Workers compensation

Provision is made for amounts payable in relation to outstanding workers compensation claims when it is probable that an outflow of economic benefits will be required to settle the obligation. Amounts provided are reviewed regularly by actuaries or insurers in light of the claims outstanding.

(x) INTEREST-BEARING LIABILITIES

Loans are carried at their principal amounts that represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(y) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members 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.

(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.

(iii) Unaudited proforma earnings per share for 2002

To consummate the demerger, WMC Limited effected a capital reduction and dividend to its shareholders in an amount equivalent to the value of WMC Resources after the internal transfers were completed. The entitlement of WMC Limited's shareholders to the capital reduction and dividend was ultimately satisfied in the demerger through the distribution to WMC Limited's shareholders of shares in WMC Resources on a pro rata basis such that existing WMC Limited shareholders received one share in WMC Resources for every WMC Limited share owned. Therefore, the unaudited pro forma basic net earnings per share for the year ended 31 December 2002, has been computed by dividing net earnings for the period then ended by the weighted average number of WMC Limited shares outstanding for the year then ended. The unaudited pro forma diluted earnings per share for the year ended 31 December 2002, takes into effect the potential ordinary shares from the conversion of partly paid shares and options as disclosed in Note 6.

(z) CURRENT ASSETS AND CURRENT LIABILITIES

For the purposes of balance sheet classification, assets and liabilities are categorized as current if they are expected to be realized in cash, sold or consumed, or liquidated, as the case may be, within WMC Resources' normal operating cycle, which does not exceed one year for any activity.

(aa) ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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 hundred thousand dollars.

(bb) SHIPPING AND HANDLING COSTS

Shipping and handling costs in respect of purchases are recorded in cost of goods sold, and in respect of product dispatched, recorded in selling and distribution costs in the statement of financial performance.

(cc) DISCONTINUED OPERATIONS

An operation is treated as a discontinued operation if the operation is a component of the group whose activities represent a separate major line of the business and the measurement date of a disposal is prior to the end of the reporting period. The measurement date of a disposal is the date on which the management having authority to approve the action commits itself to a formal plan to dispose of a segment of the business, whether by sale or abandonment. During the financial years included in this financial report the following operations were disposed of:

Table of Contents**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(cc) DISCONTINUED OPERATIONS (continued)****Gold business unit**

In the first quarter of 2001, the company decided to focus on its core portfolio of large low cost business in nickel, copper-uranium and fertilizer businesses. As a result, the company began a strategic evaluation of its options for the gold business. The plan was finalized on 19 September 2001 when a final decision was made to sell the gold business unit in its entirety.

The Group disposed of the majority of its gold operations in 2001. The sale of a further operation was completed in January 2002, and the exit from the remaining gold assets occurred during 2003. The assets not sold at 31 December 2001 were included as discontinued operations at 31 December 2001 because management had approved a formal plan to dispose of the segment prior to year end.

During 2003, the operating subsidiary that held the remaining gold assets merged with a Canadian mining junior, resulting in the recognition of a net profit of A\$10.3 million. These remaining assets had a carrying value of A\$14.2 million at 31 December 2002 and the result for period up until the merger was a loss of A\$3.8 million (2002: A\$4.2 million loss).

The operation sold in 2002 had a carrying value of A\$17.9 million at 31 December 2001. Its result for the year ended 31 December 2002 was a loss of A\$1.5 million.

The company's right to a royalty from the 2001 sale of operations, was sold in June 2002 for a profit of A\$15.4 million. There were no remaining assets and liabilities relating to discontinued operations of the gold business unit at 31 December, 2003.

The remaining assets and liabilities relating to discontinued operations of the gold business unit for 2002 and 2001 are listed below. Upon the completion of the sale of the remaining assets during 2003, WMC Resources has fully exited the gold mining business. There were no discontinued operations in 2004.

	2002	2001
	A\$m	A\$m
	—	—
Current Assets	0.2	99.1
Non-Current Assets	14.5	25.8
	—	—
Total Assets	14.7	124.9
	—	—
Current Liabilities	1.1	48.3
Non-Current Liabilities		10.0

Total Liabilities	<u>1.1</u>	<u>58.3</u>
Net Assets	<u>13.6</u>	<u>66.6</u>

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	Year to 31 Dec 2004	Year to 31 Dec 2003	Year to 31 Dec 2002	
	Notes	A\$m	A\$m	A\$m
Sales revenue from core operating activities:				
Sale of goods from continuing operations		3,828.4	3,001.3	2,487.2
Sale of goods from discontinued operations				(1.4)
Net sales revenue		3,828.4	3,001.3	2,485.8
Other income:				
Interest received/receivable	3(b)	20.4	17.6	27.6
Profit on disposal of non-current assets-continuing operations		6.5	2.3	
Insurance proceeds received / receivable				5.3
Other income		38.1	0.6	0.5
Total other income from continuing operations		65.0	20.5	33.4
Other income from discontinued operations				
Profit on sale of non-current assets - discontinued operations			10.3	40.5
Total other income		65.0	30.8	73.9
SUBTOTAL NET REVENUES		3,893.4	3,032.1	2,559.7
Proceeds from sale of non-current assets		45.1	37.2	101.0
Proceeds received from early termination of interest rate swaps	4			75.9
Insurance proceeds shown as significant item	4	71.8	3.6	120.0
Less profit on disposal of non-current assets		(6.5)	(12.6)	(40.5)
OPERATING REVENUE - AUSTRALIAN GAAP		4,003.8	3,060.3	2,816.1
(i) Net sales revenue includes:				
Currency hedging gains/(losses)		133.6	70.2	(108.2)
Commodity hedging gains/(losses)		13.2	1.9	(5.1)
		146.8	72.1	(113.3)

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Profit from ordinary activities before income tax includes the following specific expenses:

This note does not include all costs.

		Year to	Year to	Year to
		31 Dec	31 Dec	31 Dec
		2004	2003	2002
	Notes	A\$m	A\$m	A\$m
Amortization and depreciation	3(a)	464.8	508.3	511.7
Borrowing costs	3(b)	43.3	64.0	152.2
Bad debts written off/provided for		2.1	1.6	0.1
Write down/(reversal) of inventories to net realizable value		(1.9)	(3.0)	3.3
Stock written off		31.9	19.5	33.6
Exploration expenditure written off:				
- grassroots		18.0	20.7	19.7
- supporting existing operations		8.5	3.5	3.7
- evaluation		0.8	3.8	13.8
Government royalties on sales or production		80.4	56.3	53.1
Provision for:				
- employee entitlements		29.7	24.8	16.5
- rehabilitation		14.4	15.8	15.5
- rehabilitation (non-production)		0.4		4.0
- diminution in value of investments		0.6	2.0	(0.6)
- obsolescence of stores		6.9	5.8	6.1
Research and development written off		0.4	0.5	0.6
Foreign exchange loss			2.5	14.9
Share plan costs		15.9	13.5	5.8
Idle capacity costs		29.0	109.1	99.6
Operating lease rentals		25.5	24.6	9.8
Prepaid mining costs written off		13.6		
Other		9.2	0.5	1.7

(a) Amortization and depreciation

Amortization:				
- government facilities		1.5	1.3	1.6
- mine properties and mine development		128.1	184.8	138.9
- acquired mineral rights		25.4	25.4	2.2
- goodwill/intangibles		0.7	5.7	14.8
- research and development		0.2	0.1	0.5
Depreciation:				
- plant and equipment		288.4	269.9	327.9
- land and buildings		20.5	21.1	25.8

Total amortization and depreciation charged to profit		464.8	508.3	511.7
(b) Borrowing costs				
Interest and finance charges paid/payable		45.8	73.1	155.7
Capitalized to qualifying assets		(2.5)	(9.1)	(3.5)
Interest charged to income		43.3	64.0	152.2
Interest received/receivable				
- continuing operation	2	(20.4)	(17.6)	(27.6)
- discontinued operations				
Interest credited to income		(20.4)	(17.6)	(27.6)
Proceeds received from early termination of interest rate swaps	4			(75.9)
Net charge to income		22.9	46.4	48.7

Table of Contents**4. SIGNIFICANT ITEMS**

Profit from ordinary activities after income tax, includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity due to their size or nature:

	Year to 31 Dec 2004 A\$m	Year to 31 Dec 2003 A\$m	Year to 31 Dec 2002 A\$m
Continuing operations:			
Proceeds received from early termination of interest rate swaps			75.9
Costs associated with the fire at Olympic Dam solvent extraction plant ⁽¹⁾		(48.5)	(97.7)
Amount receivable from insurance claims in relation to the fire at the Olympic Dam solvent extraction plant ⁽²⁾	71.8		120.0
Demerger costs - advisors fees and other costs			(51.2)
Profit on disposal of Long/Victor nickel mines at Kambalda			12.0
Profit on disposal of Lanfranchi tenements and investment in Comaplex Minerals Corp ⁽⁵⁾	29.4		
Corporate restructure costs	(23.9)	(8.4)	
Total continuing operations	77.3	(56.9)	59.0
Discontinued operations:			
Profit on Meliadine transaction		10.3	
Profit on sale of Central Norseman Gold Corporation Limited			25.1
Profit on sale of right to gold royalty			15.4
Total discontinued operations		10.3	40.5
Total significant items before income tax	77.3	(46.6)	99.5
Income tax (charges)/credits on:			
Write off of assets and costs associated with the fire at Olympic Dam solvent extraction plant ⁽¹⁾		14.5	29.3
Tax benefit not previously brought to account ⁽³⁾	360.2	39.2	
Tax benefit on corporate restructure costs	7.2	2.6	
Tax benefit on formation of consolidated group ⁽⁴⁾	169.2		
Income tax benefit on demerger costs			15.4
Income tax expense on disposal of Long/Victor mines			(2.6)
Income tax expense on insurance proceeds ⁽²⁾	(21.5)		(36.0)
Proceeds received from early termination of Interest Rate Swaps			(22.8)
Income tax (charge)/credit on above significant items:			
- continuing operations	515.1	56.3	(16.7)
- discontinued operations			
Significant items after tax	592.4	9.7	82.8

- (1) In October 2001 the copper-uranium business unit suffered a fire at the Olympic Dam facility which caused considerable damage to the copper and uranium solvent extraction circuits in the processing plant. The damaged plant required rebuilding; the carrying value of the impaired assets (A\$52.3 million) was written off and a further A\$19.5 million was charged in relation to costs associated with lower production of copper and uranium. The entire 2002, 2003 and 2004 charges related to costs associated with lower production. The solvent extraction facilities are now complete and have ramped up to full capacity during the year ended 31 December 2004.
- (2) With respect to the Olympic Dam fire that occurred in 2001, an amount of A\$120 million was recognized in relation to the claim in 2002. A further A\$82 million was received in cash in 2003. All outstanding claims in relation to the fire and the heat exchanger incident have now been settled, with all insurance proceeds received in 2004. These claims have been closed and no further monies are outstanding. During the year a further amount was recognized as insurance receivable in relation to the Kalgoorlie Nickel Smelter acid plant.
- (3) Strong taxable income in 2003 and continued strong profitability in 2004 increased the certainty of recovery of off balance sheet tax balances, comprised predominantly of Australian tax losses. As a result, the tax benefit of A\$319.1 million for the year ended 31 December 2004 includes a tax accounting benefit of A\$360.2 million (2003: A\$39.2 million) arising from the recognition of Australian revenue tax losses and other timing differences not previously brought to account.

Table of Contents**4. SIGNIFICANT ITEMS (continued)**

- (4) On entering the tax consolidation regime the group has chosen to use the transitional provisions to reset the tax values of certain depreciable assets which will result in additional tax depreciation over the lives of the assets. As a consequence, the deferred tax balances have been restated and the benefit, estimated at A\$169.2 million, has been recorded for the year ended 31 December 2004.
- (5) The 2004 amount includes the sale of the Lanfranchi tenements and the sale of WMC's investment in Comaplex Minerals Corporation. On 7 October 2003, WMC merged the operating subsidiary that held WMC's interest in the Meliadine West gold project with Comaplex Minerals Corporation, a Canadian mining junior.

5. INCOME TAX

	Year to 31 Dec 2004	Year to 31 Dec 2003	Year to 31 Dec 2002	
	Notes	A\$m	A\$m	A\$m
(a) Pre-tax operating income/(loss)				
Income/(loss) from continuing operations		1,007.8	241.4	(34.6)
(Loss)/income from discontinued operations			(3.8)	(4.1)
Profit on sale of right to Gold Royalty				15.4
Profit on disposal of discontinued operations				25.1
Profit on Meliadine transaction			10.3	
Add: Equity accounted losses	43	0.3		
Pre-tax operating income		1,008.1	247.9	1.8
Prima facie tax expense for the period at the rate of 30%		(302.4)	(74.4)	(0.5)
<i>The following tax effect on these items caused the total charge for income tax to vary from the above:</i>				
Adjustment for impact of hedging contracts fair valued at demerger				
- legacy currency and commodity hedging		30.9	24.9	3.2
- residual hedging obligations relating to former gold operations		34.8	10.7	
Fair value adjustment arising from acquisition of entities			(3.1)	91.0
Non-deductible depreciation and amortization		(8.0)	(7.6)	(0.9)
Non-taxable capital gains			2.7	13.2
Future income tax benefits recognized / (not brought to account) - overseas		(3.6)	(4.3)	2.5
Future income tax benefits recognized / (not brought to account) - Australia	4	360.2	39.2	(91.4)
Tax benefit on formation of a tax consolidated group	4	169.2		
Other		0.9	1.1	1.6
Over provision of tax in prior years				
- adjustments arising on finalization of tax returns		8.9	8.5	2.5
- adjustment to deferred tax provision raised on demerger		18.0		
- reassessment of historical tax provisions		10.2		
Consequent variation in income tax expense / credit		621.5	72.1	21.7
Income tax (expense)/credit		319.1	(2.3)	21.2

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Income tax (expense)/credit comprises:			
Continuing operations:			
- Normal		(196.0)	36.6
- Significant - gains and losses	4	515.1	(16.7)
		<u>319.1</u>	<u>19.9</u>
Discontinued operations:			
- Normal			1.3
		<u>319.1</u>	<u>21.2</u>

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5. INCOME TAX (continued)

(b) Future income tax benefits

The income tax provision is calculated under a policy of tax-effect accounting. Under this policy, the future benefits of tax losses and timing differences are brought to account where:

- (i) virtual certainty exists as to the ability of group companies to recoup such losses; or
- (ii) a provision for deferred income tax exists in the group company to which the tax losses relate but only to the extent that deferred income tax has already been provided in respect of timing differences which will reverse within the period during which the tax losses will remain available as a deduction from assessable income; or
- (iii) the reversal of all other timing differences comprising the balance of the account is assured beyond any reasonable doubt.

Realization of future benefits attributable to tax losses and timing differences will only arise in the event that:

- (i) the company, or where applicable another WMC Resources company, derives future assessable income within the prescribed time limit of a nature and of an amount sufficient to enable the benefit from the deductions from the losses to be realized;
- (ii) companies controlled by WMC Resources continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect WMC Resources or its controlled entities in realizing the benefit from the deductions for the losses.

The utilization rate of losses transferred into the consolidated group is subject to an available fraction as prescribed by the consolidation legislation.

(c) Tax consolidation regime

The financial report has been prepared on the basis that WMC Resources Ltd implemented the tax consolidation legislation on 1 January 2004. For current year re-measurement adjustment refer to Note 4.

Members of the tax consolidated group have entered into tax sharing and tax funding deeds. Amounts receivable or payable under these deeds are recognized separately as inter-company tax-related amounts receivable or payable. Expenses and revenues arising under the deeds are recognized as a component of income tax expense or revenue. The tax sharing contributions are paid annually.

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As a consequence of implementing the tax consolidation legislation WMC Resources Ltd (parent) recognizes all current and deferred tax amounts in relation to its resident wholly owned controlled entities in its own financial statements in addition to the current and deferred tax balances arising from its own transactions, balances and events. Upon initial recognition, the contribution made to or by the entities for the transfer of the deferred tax balances were measured as if the entity was a stand-alone entity.

The tax sharing deed is a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the event of a default by WMC Resources Ltd. At balance date the possibility of default is remote.

On the formation of a tax consolidated group the consolidated group is required to keep a single franking account. There will be no overall impact to the group of this change.

Table of Contents**6. EARNINGS PER SHARE**

	Australian cents per share		
	Year to	Year to	Year to
	31 Dec	31 Dec	31 Dec
	2004	2003	2002
Basic earnings per share calculated on profit after income tax	114.5	21.7	2.1
Diluted earnings per share calculated on profit after income tax	114.3	21.7	2.2

	Number of shares		
	2004	2003	2002
(a) Weighted average number of shares used in the calculation of earnings per share			
Number for basic earnings per share	1,159,380,102	1,131,790,533	1,115,784,278
Effect of share options on issue	1,520,174	400,959	11,557,539
Number for diluted earnings per share	1,160,900,276	1,132,191,492	1,127,341,817

(B) Information concerning classification of securities

As disclosed in Note 1(y), as a result of the demerger, existing WMC Limited shareholders received one WMC Resources share for every WMC Limited share owned. The unaudited pro forma disclosures for 2002 are based on the number of shares and options of WMC Limited outstanding for the period concerned.

At balance date there were 6,214,862 (December 2003: 16,207,145, December 2002: 32,501,180) options which were considered potentially dilutive and therefore, were used in the calculation of diluted earnings per share.

(C) Comparative information

The basic earnings per share as presented and diluted earnings per share for 2002 have been adjusted for the conversion of partly paid shares. The adjustment is in accordance with the Australian Accounting Standard AASB 1027, Earnings Per Share .

(D) Conversion, call, subscription or issue after 31 December 2004

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In the period from 31 December 2004 to 30 April 2005 the following movements in share capital and options on issue have taken place:

	Number of options/shares	Exercise Price
Options exercised	3,115,412	Various
Options issued		N/A
Options lapsed		N/A
Shares issued	3,115,412	N/A

7. SEGMENT INFORMATION

(a) Description of business segments

Copper-uranium	Exploration, development, mining, smelting and refining of copper, and extraction of uranium in South Australia.
Nickel	Exploration, development, mining, smelting and refining of nickel in Western Australia.
Fertilizer	Exploration, development and mining of fertilizer product in Phosphate Hill, Queensland and distribution of fertilizer products via Hi-Fert Pty Ltd (a controlled entity to 1 December 2004 and an associate from that date).

Table of Contents**7. SEGMENT INFORMATION (continued)****(b) Information for the year ended 31 December 2004****(i) Business segments**

	Copper- uranium A\$m	Nickel ⁵ A\$m	Fertilizer A\$m	Eliminations A\$m	Consolidated A\$m
Revenue					
Sales revenue ^{1,2}	1,117.8	2,094.2	469.6		3,681.6
Inter-segment sales revenue		2.5	7.6	(10.1)	
Total sales revenue from operations	1,117.8	2,096.7	477.2	(10.1)	3,681.6
Hedging	59.7	78.7	8.4		146.8
Revenue from operating activities					3,828.4
Proceeds from disposal of non-current assets:					
Business segments	0.2	26.5	0.2	(0.1)	26.8
Unallocated					18.3
Insurance revenue	82.0	9.8		(20.0) ³	71.8
Other income		0.3	0.2		0.5
Segment revenues	1,259.7	2,212.0	486.0		
Interest revenue					20.4
Foreign exchange gains (net)					37.6
Continuing operations					4,003.8
Result					
Earnings before allocation of hedging result	183.8	787.8	(5.6)		966.0
Share of net loss in associate			(0.3)		(0.3)
Unallocated losses ⁴					(13.5)
					952.2
Hedging	59.7	78.7	8.4		146.8
Segment result	243.5	866.5	2.5		
Earnings from operations					1,099.0
<i>Unallocated corporate items:</i>					
New business					(31.6)
Regional exploration					(28.7)
Corporate					(21.7)
Corporate - non-recurring (including takeover defence costs)					(23.9)
Finance and other costs					37.6
Net borrowing costs					(22.9)
Profit from ordinary activities before income tax credit					1,007.8
Continuing operations					1,007.8

Income tax credit	Continuing operations	319.1
Net profit after tax		1,326.9

- ¹ Sales revenue includes intermediate product sales. Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation.
- ² Revenue and costs relating to power sales made by Nickel to third parties in Western Australia are now reported as part of Nickel's revenues and costs, with minimal net contribution to Nickel's profit.
- ³ A\$20.0 million relates to the self-insurance amount paid by WMC's captive insurance entity.
- ⁴ Unallocated losses are largely matched by revenues in business segments with minimal net contribution to group earnings. The net amount in 2004 includes the A\$20.0 million self-insurance payment.
- ⁵ Includes sales of US\$308.9 million (A\$419.4 million) to a significant customer

Table of Contents**7. SEGMENT INFORMATION (continued)****(b) Information for the year ended 31 December 2004 (continued)****(i) Business segments (continued)**

	Copper-			
	uranium	Nickel	Fertilizer	Consolidated
	A\$m	A\$m	A\$m	A\$m
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation and amortization	224.0	191.6	48.6	464.2
Unallocated depreciation and amortization				0.6
Total depreciation and amortization Continuing operations				464.8
Other non-cash expenses Continuing operations	55.9	32.6	6.6	95.1
Assets¹				
Segment assets	4,159.2	2,149.3	618.8	6,927.3
Unallocated corporate assets ²				1,235.8
Consolidated total assets				8,163.1
Liabilities¹				
Segment liabilities	164.3	546.7	39.8	750.8
Unallocated corporate liabilities ²				2,303.2
Consolidated total liabilities				3,054.0
Acquisitions of non-current assets				
Acquisitions of non-current assets ³	98.5	298.3	17.5	414.3
Other acquisitions/investments		5.3	10.0	15.3
Unallocated corporate acquisitions ⁴				25.9
Total acquisitions of non-current assets				455.5
Investment in associate			43.7	43.7

¹ Assets and liabilities relating to power sales made by Nickel to third parties in Western Australia are now reported as part of the Nickel business unit.

² Includes impact of formation of tax consolidation group.

³ Comprises acquisitions of property, plant and equipment, mine properties and development and acquired mineral rights.

⁴ Includes capitalized interest of A\$2.5 million.

(ii) Geographical segments

Revenues from external customers of A\$3,828.4 million are attributed to Australia. Total sales represent sales to the following countries / regions: Australia 18%, Europe 28%, Japan 14%, Taiwan 3%, North America 8% and Other 29%.

WMC Resources Ltd's assets are primarily located within Australia. Capital expenditure and depreciation is also incurred on assets located primarily in Australia

Table of Contents**7. SEGMENT INFORMATION (continued)****(c) Information for the year ended 31 December 2003****(i) Business segments**

	Copper- uranium A\$m	Nickel ⁴ A\$m	Fertilizer A\$m	Elimination A\$m	Consolidated A\$m
Revenue					
Sales revenue ^{1,2}	696.3	1,818.1	414.8		2,929.2
Inter-segment sales revenue			7.6	(7.6)	
Total sales revenue from operations	696.3	1,818.1	422.4	(7.6)	2,929.2
Hedging	22.7	43.7	5.7		72.1
Revenue from operating activities					3,001.3
Proceeds from disposal of non-current assets:					
Business segments	0.4	6.5	0.2		7.1
Unallocated					6.3
Insurance revenue		3.6			3.6
Other income		0.4	0.2		0.6
Segment revenues	719.4	1,872.3	428.5		
Interest revenue					17.6
Continuing operations					3,036.5
Discontinuing operations - Gold					23.8
					3,060.3
Result					
Earnings before allocation of hedging result	(120.2)	430.2	(31.3)		278.7
Unallocated losses ³					11.3
					290.0
Hedging	22.7	43.7	5.7		72.1
Segment result	(97.5)	473.9	(25.6)		
Earnings from operations					362.1
<i>Unallocated corporate items::</i>					
New business					(19.5)
Regional exploration					(23.4)
Corporate					(20.6)
Corporate non-recurring					(8.4)
Finance and other costs					(2.5)
Net borrowing costs					(46.3)

Profit from ordinary activities before income tax expense	
Continuing operations	241.4
Profit from ordinary activities before income tax expense	
Discontinuing operations - Gold	6.5
	<hr/>
	247.9
Income tax expense - Continuing operations	(2.3)
	<hr/>
Net profit after tax	245.6
	<hr/>

- ¹ Sales revenue includes intermediate product sales. Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation.
- ² Revenue and costs relating to power sales made by Nickel to third parties in Western Australia are now reported as part of Nickel's revenues and costs, with minimal net contribution to Nickel's profit. Sales revenue and profit for Nickel have been restated for 2003 accordingly.
- ³ Unallocated profit is largely matched by costs in business segments with minimal net contribution to group earnings.
- ⁴ Includes sales of US\$229.7 million (A\$352.5 million) to a significant customer.

Table of Contents**7. SEGMENT INFORMATION (continued)****(c) Information for the year ended 31 December 2003 (continued)****(i) Business segments (continued)**

	Copper- uranium A\$m	Nickel A\$m	Fertilizer A\$m	Consolidated A\$m
Depreciation and amortization	218.0	242.7	43.1	503.8
Unallocated depreciation and amortization				4.5
Total depreciation and amortization Continuing operations				508.3
Other non-cash expenses Continuing operations	15.6	36.0	1.4	53.0
Assets¹				
Segment assets	4,313.0	1,835.4	753.5	6,901.9
Unallocated corporate assets				658.3
Consolidated total assets				7,560.2
Liabilities¹				
Segment liabilities	443.8	345.1	85.6	874.5
Unallocated corporate liabilities				2,736.0
Consolidated total liabilities				3,610.5
Acquisitions of non-current assets²				
Acquisitions of non-current assets	396.7	219.0	40.5	656.2
Unallocated corporate acquisitions ³				55.8
Total acquisitions of non-current assets				712.0

¹ Assets and liabilities relating to power sales made by Nickel to third parties in Western Australia are now reported as part of the Nickel business unit. The amounts above have been restated accordingly.

² Comprises acquisitions of property, plant and equipment, exploration and evaluation expenditure, mine properties and development and acquired mineral rights.

³ Includes final contractual payment for acquisition of Corridor Sands, satisfied by the issue of 6,715,123 shares in WMC Resources Ltd (A\$33.7 million), and capitalized interest (A\$9.1 million).

(ii) Geographical segments

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Revenues from external customers of A\$3,001.3 million are attributed to Australia. Total sales represent sales to the following countries / regions: Australia 17%, Europe 33%, Japan 14%, Taiwan 2%, North America 13% and Other 21%.

WMC Resources Ltd's assets are primarily located within Australia. Capital expenditure and depreciation is also incurred on assets located primarily in Australia

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Table of Contents**7. SEGMENT INFORMATION (continued)****(d) Information for the year ended 31 December 2002****(i) Business segments**

	Copper- uranium A\$m	Nickel ⁴ A\$m	Fertilizer A\$m	Elimination A\$m	Consolidated A\$m
Revenue					
Sales revenue ^{1,2}	765.0	1,400.9	432.9		2,598.8
Inter-segment sales revenue		0.1		(0.1)	
Total sales revenue from operations	765.0	1,401.0	432.9	(0.1)	2,598.8
Unallocated sales revenue					0.4
Revenue before hedging					2,599.2
Hedging	(41.7)	(58.0)	(12.3)		(112.0)
Revenue from operating activities					2,487.2
Revenue from operating activities					Discontinuing operations - Gold (1.4)
					2,485.8
Proceeds from disposal of non-current assets:					
Business segments	0.6	17.6	0.4		18.6
Unallocated					4.0
Insurance proceeds received/receivable	120.4	4.9			125.3
Other income			0.3		0.3
Segment revenues	844.3	1,365.5	421.3		
Other unallocated revenues					75.9
Other unallocated revenues					Discontinuing operations - Gold 78.6
Interest revenue					Continuing operations 27.6
Total Revenues					2,816.1
Result					
Earnings before allocation of hedging result	95.5	279.5	(45.1)		329.9
Unallocated profits ³					11.4
Hedging	(41.7)	(58.0)	(12.3)		(112.0)
Segment result	53.8	221.5	(57.4)		
Earnings from operations					229.3
<i>Unallocated corporate expenses:</i>					
New business					(36.5)
Regional exploration					(21.5)
Corporate (including demerger costs)					(132.0)
Finance and other costs					(25.2)

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Net borrowing costs			(48.7)
Loss before income tax credit	Continuing operations		(34.6)
Profit before income tax credit	Discontinuing operations	Gold	36.6
Loss before income tax credit	Discontinuing operations	Talc	(0.2)
			1.8
Income tax credit	Continuing operations		19.9
Income tax credit	Discontinuing operations - Gold		1.3
Net profit after tax			23.0

- ¹ Sales revenue includes intermediate product sales. Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation.
- ² Revenue and costs relating to power sales made by Nickel to third parties in Western Australia are now reported as part of Nickel's revenues and costs, with minimal net contribution to Nickel's profit. Sales revenue and profit for Nickel have been restated for 2002 accordingly.
- ³ Unallocated profit is largely matched by costs in business segments with minimal net contribution to group earnings.
- ⁴ Includes sales of US\$113.3 million (A\$208.0 million) to a significant customer

Table of Contents**7. SEGMENT INFORMATION (continued)****(d) Information for the year ended 31 December 2002 (continued)****(i) Business segments (continued)**

	Copper-			
	uranium	Nickel	Fertilizer	Consolidated
	A\$m	A\$m	A\$m	A\$m
Depreciation and amortization	234.2	209.6	60.4	504.2
Unallocated depreciation and amortization				6.8
Continuing operations				511.0
Discontinuing operations Gold				0.7
Discontinuing operations Talc				
				511.7
Other non-cash expenses				
Continuing operations	12.8	46.5	10.1	69.4
Discontinuing operations Gold				0.1
Discontinuing operations Talc				0.1
Assets				
Segment assets	4,146.2	1,696.0	720.6	6,562.8
Unallocated corporate assets ¹				785.3
Consolidated total assets				7,348.1
Liabilities				
Segment liabilities	450.0	286.0	75.9	811.9
Unallocated corporate liabilities ²				2,929.6
Consolidated total liabilities				3,741.5
Acquisitions of non-current assets				
Acquisitions of non-current assets	216.0	191.0	50.2	457.2
Unallocated corporate acquisitions				12.2
				469.4

¹ Includes deferred losses on hedging contracts of A\$25.9 million. Refer Note 27.

² Includes deferred gains on hedging contracts of A\$7.2 million. Refer Note 27.

(ii) Geographical segments

Revenues from external customers of A\$2,485.8 are attributed to Australia. Total sales represent sales to the following countries / regions: Australia 21%, Europe 30%, Japan 12%, Taiwan 4%, North America 10% and Other 23%.

WMC Resources Ltd's assets are primarily located within Australia. Capital expenditure and depreciation is also incurred on assets primarily located in Australia.

Table of Contents**7. SEGMENT INFORMATION (continued)****(e) Basis of preparation of segment information**

- (i) Income and total assets for each segment have been calculated after taking account of combination and inter-segment eliminations, as appropriate.
- (ii) New business includes identification, evaluation and implementation of new opportunities. Corporate includes other activities not separately identifiable, including unallocated corporate overheads.
- (iii) WMC Resources Ltd allocates its expenditure on the search for and evaluation of new or additional mineral reserves over three headings - additional exploration, regional exploration and project exploration. Additional exploration is expenditure which, if successful, will define new reserves at existing operations. These reserves will usually require new facilities for extraction, although they will probably utilize existing management and infrastructure. Exploration charges for additional exploration expenditure are allocated to the appropriate business segment although such exploration is not necessarily directly related to segment production. Regional, project and evaluation exploration which cover expenditures in new areas up to the point where a decision is made either to develop to the production stage or to abandon exploration in the area, are the responsibility of other management and are disclosed in those segments. Expenditure which extends reserves at existing operations, which would probably be extracted with existing facilities, continues to be included with mine development expenditure.
- (iv) The segment presentation above may differ from the disclosures in the individual financial statements of the subsidiaries which own the operations, due to certain adjustments that arise on consolidation, including, but not limited to, fair value adjustments on acquisition, financing of certain projects and the impact of intra-group transactions.

8. DIVIDENDS

	2004	2003
	A\$m	A\$m
	<u> </u>	<u> </u>
(a) Dividends paid during the year ended 31 December 2004:		
<i>Final dividend 2003</i>		
- Paid in cash	44.6	
- Satisfied through the issue of shares	24.5	
	<u> </u>	<u> </u>
	69.1	
	<u> </u>	<u> </u>
<i>Interim dividend 2004</i>		
- Paid in cash	161.8	
- Satisfied through the issue of shares	35.2	
	<u> </u>	<u> </u>
	197.0	
	<u> </u>	<u> </u>
	266.1	
	<u> </u>	<u> </u>

On 11 February 2004, the directors declared an unfranked final dividend of 6 cents per share, in respect of the 2003 financial year.

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An unfranked interim dividend of 17 cents per share, in respect of the 2004 financial year, was paid on 22 September 2004.

Since year end the directors have declared an unfranked final dividend of 20 cents per share (2003: 6 cents) which was paid on 11 March 2005 to registered shareholders as of 1 March 2005 (2003: 15 April 2004). The aggregate amount of the dividend paid on 11 March 2005 out of retained profits at 31 December 2004, but not recognised as a liability at year end, was A\$234.4 million.

(b) Dividend reinvestment plans

WMC Resources offers shareholders resident in Australia and New Zealand the opportunity to reinvest part or all of their dividends in additional WMC shares through our Dividend Reinvestment Plan (DRP). The terms and conditions for the DRP may be found on WMC's website at www.wmc.com/investor/sharediv.htm.

During the year 12,080,004 shares with a value of A\$59.7 million were issued under the dividend reinvestment plan.

The directors have advised that the dividend reinvestment plan has been suspended for the duration of any bid for the company.

Table of Contents**9. CURRENT ASSETS - CASH ASSETS**

	2004	2003
	A\$m	A\$m
Cash at bank and on hand	102.7	62.7
Short term deposits (maturity of three months or less)	371.2	37.6
	473.9	100.3

Short term deposits

The short term deposits as at December 2004 are bearing an average weighted interest rate of 5.43% (2003: 5.41%)

Restrictions on cash

Cash totaling A\$20.8 million (2003: A\$23.9 million) has restrictions on use as follows:

A\$5.9 million (2003: A\$5.3 million) of cash deposits are unable to be transferred to Australia due to overseas government restrictions.

A\$14.9 million (2003: A\$18.6 million) of cash reserves are retained to satisfy regulatory requirements.

10. CURRENT ASSETS - RECEIVABLES

Trade debtors	201.1	258.6
Provision for doubtful debts		(5.6)
	201.1	253.0
Other debtors	71.4	112.2
Provision for doubtful debts	(0.4)	(1.7)
	71.0	110.5
Debtors relating to hedging contracts	10.8	86.9
	282.9	450.4

11. CURRENT ASSETS - OTHER FINANCIAL ASSETS

Short term deposits (all A\$ denominated, with maturities of over three and up to 12 months)	13.8	13.1
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The above deposits earn interest at floating rates averaging 5.6% (2003: 5.4%).

Table of Contents**12. CURRENT ASSETS - INVENTORIES**

	Notes	2004	2003
		A\$m	A\$m
Stores at cost		90.0	79.6
		90.0	79.6
Trading stocks at cost		185.3	165.8
Trading stocks at net realizable value		2.9	4.5
Work in progress at cost		239.4	295.9
		427.6	466.2
		517.6	545.8
Aggregate carrying amount of inventories:			
Current inventories - as above		517.6	545.8
Non-current inventories	17	80.4	71.2
		598.0	617.0

13. CURRENT ASSETS - OTHER

Prepayments		65.4	64.3
Other		0.8	3.8
		66.2	68.1

14. NON-CURRENT ASSETS - RECEIVABLES

Loans and debtors		5.0	0.4
Debtors relating to hedging contracts		245.3	276.9
		250.3	277.3

15. NON-CURRENT ASSETS INVESTMENTS IN ASSOCIATE

Investment in associate	Hi-Fert Pty Ltd	43	43.7
			43.7

16. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

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Other investments	16(a)	4.2	21.3
		<u>4.2</u>	<u>21.3</u>

(a) Other investments

Cost		5.3	21.8
Provision for diminution in value of investments		(1.1)	(0.5)
		<u>4.2</u>	<u>21.3</u>

Table of Contents**17. NON-CURRENT ASSETS - INVENTORIES**

	2004	2003
	Notes	A\$m
	A\$m	A\$m
	—	—
Stores	56.0	51.9
Provision for obsolescence	(25.8)	(22.0)
	—	—
	30.2	29.9
	—	—
Work-in-progress at cost	33.6	21.8
Work-in-progress at net realizable value	16.6	19.5
	—	—
	50.2	41.3
	—	—
	80.4	71.2
	—	—

18. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION

<i>Carrying amount at beginning of year</i>	68.5	152.7
Corridor Sands ¹		
-Evaluation expenditure capitalized	7.0	7.3
-Transferred to acquired mineral rights	20	(77.2)
Payment for Cliffs deposit	5.3	
Disposal of entities		(13.6)
Expenditure written off in the current period	(0.3)	
Foreign currency exchange differences		(0.7)
	—	—
<i>Carrying amount at end of year</i>	80.5	68.5
	—	—

¹ During 2003, upon finalization of the acquisition of Corridor Sands, the excess of purchase consideration over the fair value of other identifiable net assets acquired has been transferred from exploration and evaluation to acquired mineral rights (refer Note 20).

Table of Contents**19. NON-CURRENT ASSETS PROPERTY, PLANT AND EQUIPMENT**

		2004	2003
	Notes	A\$m	A\$m
		<u> </u>	<u> </u>
Government facilities	19(a)	35.8	31.1
Mine properties and mine development	19(b)	838.8	787.5
Property, land and buildings	19(c)	285.9	320.3
Plant and equipment	19(d)	3,300.9	3,381.6
		<u>4,461.4</u>	<u>4,520.5</u>

(a) Government facilities

Cost		70.1	57.5
Provision for amortization		(34.3)	(26.4)
		<u>35.8</u>	<u>31.1</u>

(b) Mine properties and mine development

<i>Areas in which production has commenced</i>			
Cost		2,082.5	1,965.6
Provision for amortization		(1,244.8)	(1,179.9)
		<u>837.7</u>	<u>785.7</u>

Areas in which production has not yet commenced

Cost		15.0	15.6
Provision for amortization		(13.9)	(13.8)
		<u>1.1</u>	<u>1.8</u>
		<u>838.8</u>	<u>787.5</u>

(c) Property, land and buildings

Cost (including some property on mining leases)		528.6	554.0
Provision for depreciation		(242.7)	(233.7)
		<u>285.9</u>	<u>320.3</u>

Directors are required to disclose a current value (within the last three years) of interests in land and buildings excluding mining tenements, leases and buildings thereon and other assets whose value is wholly dependent on those mining operations, held by entities within the group. The value of such interests on the basis of market value for existing use was estimated by the directors to be A\$87.2 million as at 30 June 2002 compared with a net book value of A\$33.2 million. As land and buildings are recorded at cost, this valuation has not been recognized in the financial statements.

(d) Plant and equipment

Cost	5,531.3	5,245.9
Provision for depreciation	(2,410.5)	(2,150.0)
	<u>3,120.8</u>	<u>3,095.9</u>
Assets under construction - cost	180.1	285.7
	<u>3,300.9</u>	<u>3,381.6</u>

Table of Contents**19. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (continued)****(e) Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	A\$m				
	Government facilities	Mine properties and mine development	Property, land and buildings	Plant and equipment	Total
Carrying amount at 1 January 2004	31.1	787.5	320.3	3,381.6	4,520.5
Additions		177.5	3.4	249.8	430.7
Capitalized borrowing costs				2.5	2.5
Disposals/write-offs		(0.7)	(0.2)	(23.6)	(24.5)
Depreciation/amortization expense	(1.5)	(128.1)	(20.5)	(288.4)	(438.5)
Hi-Fert Pty Ltd assets no longer consolidated			(16.6)	(7.7)	(24.3)
Transfers	6.2	0.6	(0.5)	(11.3)	(5.0)
Capitalized depreciation		2.0		(2.0)	
Carrying amount at 31 December 2004	35.8	838.8	285.9	3,300.9	4,461.4

20. NON-CURRENT ASSETS - ACQUIRED MINERAL RIGHTS

	Notes	2004 A\$m	2003 A\$m
Cost		1,384.0	1,382.4
Provision for amortization		(53.0)	(27.6)
	<i>20(a)</i>	1,331.0	1,354.8

(a) Reconciliation

Details of the movement in carrying amounts of acquired mineral rights are set out below.

Carrying amount at beginning of year	1,354.8	1,269.3
Amortization expense - Olympic Dam	(25.4)	(25.4)
Transfer from exploration and evaluation		77.2
Final payment for acquisition of Corridor Sands ¹		33.7
Adjustment arising from amendment to Corridor Sands acquisition balance sheet		1.6
Carrying amount at end of year	1,331.0	1,354.8

Represented by:		
- Olympic Dam	1,218.5	1,243.9
- Corridor Sands	112.5	110.9
Total	1,331.0	1,354.8

¹ During December 2003, WMC Resources made the final contractual payment for the acquisition of Corridor Sands. The final payment was made by the issue of 6,715,123 WMC Resources Ltd shares. This amount has been treated as acquired mineral rights in accordance with WMC's accounting policy (Note 1(r)).

Table of Contents**21. NON-CURRENT ASSETS - DEFERRED TAX ASSETS**

	2004	2003
	A\$m	A\$m
Future income tax benefit	532.7	46.0
The future income tax benefit comprises:		
- Timing differences	288.8	(7.4)
- Tax losses	243.9	53.4
	532.7	46.0

22. NON-CURRENT ASSETS - OTHER

Research and development	22(a)	0.5	0.6
Capitalized systems upgrade	22(b)		0.7
Deferred borrowing costs and premiums	22(c)	7.3	11.2
Prepayments		15.5	8.4
Other		1.2	2.0
		24.5	22.9

(a) Research and development

(i) <i>Cost brought forward</i>		7.4	7.0
Expenditure		0.3	0.1
Write-offs		(0.4)	(0.5)
Transfer to other balance sheet accounts, sale, reclassification or deconsolidation		(0.8)	0.8
<i>Cost carried forward</i>		6.5	7.4
(ii) <i>Provision brought forward</i>		(6.8)	(6.7)
Charged to profit and loss		(0.2)	(0.1)
Transfer to other balance sheet accounts, sale, reclassification or deconsolidation		1.0	
<i>Provision carried forward</i>		(6.0)	(6.8)