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

x 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.

Title of each Class	Name of each exchange on which registered
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.

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: x No ¨

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

Item 17 ¨ Item 18 x

(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.

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.

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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KEY INFORMATION

ITEM 3. KEY INFORMATION

A. Selected Financial Data

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;

(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.

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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 December 31, 2004	At December 31, 2003	At December 31, 2002	At December 31, 2001	At 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.

(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.

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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				

	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
			(A$ million, except where indicated)		
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.

(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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Exchange Rates

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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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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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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KEY INFORMATION

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.

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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KEY INFORMATION

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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INFORMATION ON THE COMPANY

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 Comaplex Minerals Corp., a Canadian mining company. During 2004, we sold our investment in Comaplex 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.

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

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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

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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INFORMATION ON THE COMPANY

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] Ore million tonnes	Proven [5] Grade %	Probable [6] Ore million tonnes	Probable [6] Grade %	Total Ore million tonnes	Total Grade %	Assumed overall Metallurgical Recovery [7] (%)
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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INFORMATION ON THE COMPANY

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.

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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

			Proven[6]		Probable[7]		Total		Assumed Overall Metallurgical Recovery[8]
Commodity	Type of Reserve[5]	Unit of Grade	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 ≤40m x 40m.

(7) Approximate drill hole spacings we used to classify the probable ore reserves are ≤80m x 80m.

(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

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 plan 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.

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:

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

	Proven Ore[5]		Probable[6]		Total		Assumed Overall Metallurgical Recovery[7]
Type of Reserve[4]	Ore million of tonnes	Grade (% P_2O_5)	Ore million of tonnes	Grade (% P_2O_5)	Ore million of tonnes	Grade (% P_2O_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.

(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 ≤40m x 40m.

(6) Approximate drill hole spacings we used to classify the probable ore reserves were ≤120m x ≤120m.

(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.

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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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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INFORMATION ON THE COMPANY

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.	2007-2008 2014	
		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	2017-2018	

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

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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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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

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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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

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 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 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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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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.

SALES VOLUME SUMMARY	Year ended December 31, 2004	2003
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

PRICES SUMMARY[(1)]	Year ended December 31, 2004	2003
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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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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;

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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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Balance sheet

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.

	Year ended December 31,	
NICKEL PERFORMANCE SUMMARY	**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		