WMC Resources Ltd

ABN 76 004 184 598

Information Memorandum

for an application for admission to the official list of Australian Stock Exchange Limited.

1. Purpose of Information Memorandum

This Information Memorandum is dated 28 October 2002 and has been prepared by WMC Resources Ltd (ABN 76 004 184 598) (***WMC Resources***) in connection with its application for:

(a) admission to the official list of Australian Stock Exchange Limited (ABN 98 008 624 691) (the ***ASX***); and

(b) fully paid ordinary shares in the capital of WMC Resources (***WMC Resources Shares***) to be granted official quotation on the stock market conducted by the ASX.

This document is not a prospectus lodged with the Australian Securities and Investments Commission (***ASIC***) under the *Corporations Act 2001* (Cth) (***Corporations Act***).

This document does not constitute or contain any offer of WMC Resources Shares for subscription or purchase or any invitation to subscribe for or buy WMC Resources Shares.

A number of words and terms used in this Information Memorandum have defined meanings which appear in the Glossary.

2. Incorporation of Scheme Booklet

Certain parts of the scheme booklet prepared by WMC Limited (ABN 85 004 820 419) (***WMC***) dated 28 October 2002 in connection with the proposed demerger of WMC (the ***Scheme Booklet***), a copy of which is set out in the Appendix to this Information Memorandum, form part of, and are included in, this Information Memorandum.

The parts of the Scheme Booklet taken to included in this Information Memorandum are Section 5 (Details of the Demerger Proposal and the Option Scheme), Section 7 (Information on WMC Resources), Section 8 (Impact of the Demerger Proposal on WMC Group employees), Section 10.6 (Marketable Securities held by or on behalf of WMC Directors and Alumina Limited Directors), Section 10.7 (Intention of WMC Directors concerning the businesses of Alumina Limited and WMC Resources), Section 10.11 (Quotation of WMC Resources), Section 10.14.2 (Deed of indemnity, insurance and access – WMC Resources Directors), Section 10.15.2 (Director's and officer's liability insurance – WMC Resources Directors), Section 10.16 (Proposed tax consolidation regime), Section 10.17 (Material Agreements), Section 10.19 (Privacy), Section 10.20 (Regulatory and legal), Section 11 (Independent expert's report) and Section 12 (Investigating accountants' reports).

3. ASX Listing

Application will be made to the ASX on or about the date of this Information Memorandum for WMC Resources to be admitted to the official list of the ASX and for WMC Resources Shares to be granted official quotation on the stock market conducted by the ASX.

The fact that the ASX may admit WMC Resources to the official list of the ASX and permit WMC Resources Shares to be granted official quotation on the stock market conducted by the ASX is not to be taken, in any way, as an indication of the merits of WMC Resources.

Neither ASIC nor the ASX accepts responsibility for any statement in this Information Memorandum.

In order to be admitted to the official list of the ASX and procure that WMC Resources Shares are granted official quotation on the stock market conducted by the ASX, it is a requirement of the ASX that this Information Memorandum contain the following statement: this Information Memorandum contains all the information which would have been required under section 710 of the Corporations Act if the Information Memorandum were a prospectus offering for subscription the same number of WMC Resources Shares as will be transferred to WMC Shareholders under the Share Scheme.

4. Restrictions on Capital Raising

WMC Resources has not raised any capital for the three months before the date of lodgement of the Scheme Booklet for registration by ASIC and will not need to raise any capital for three months after the date of lodgement of the Scheme Booklet for registration by ASIC (other than the issue of WMC Resources Shares as described in the Scheme Booklet).

5. Supplementary Information Memorandum

WMC Resources will issue a Supplementary Information Memorandum if it becomes aware of any of the following between the date of this Information Memorandum and the date WMC Resources Shares are quoted:

- a material statement in this Information Memorandum is false or misleading;
- there is a material omission from this Information Memorandum;
- there has been a significant change affecting a matter included in this Information Memorandum; or
- a significant new matter has arisen and it would have been required to be included in this Information Memorandum if it had arisen prior to the date of this Information Memorandum.

6. Disclosure of Interests

6.1 Directors

Other than as set out below or in the Scheme Booklet, no Director, and no firm in which a Director is a partner, has, at the date of this Information Memorandum, or has had within two years before the date of this Information Memorandum, any interest in the promotion of WMC Resources or in any property acquired or proposed to be acquired by WMC Resources and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid by any person to any Director or to any firm in which a Director is a partner, either to induce them to become, or to qualify them as, a Director, or otherwise for services rendered by them or by the firm in connection with the promotion or formation of WMC Resources.

6.2 Experts

Except for the fees and amounts paid or agreed to be paid and the interests set out below, no expert named in this Information Memorandum or firm in which any such expert is a partner or principal has any interest in the promotion of WMC Resources or in any property acquired or proposed to be acquired by WMC Resources and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid by any person to any such expert or to any firm in which any such expert is a partner or principal for services rendered by him or her or the firm in connection with the promotion or formation of WMC Resources.

PricewaterhouseCoopers is the auditor of WMC Resources. PricewaterhouseCoopers has prepared the Investigating Accountant's Report on historical financial information contained in Section 12 of the Scheme Booklet. PricewaterhouseCoopers' fees for these services are in accordance with their usual time-based charge-out rates, and are included within the total advisory and experts' fees contained in Section 4.4.2 of the Scheme Booklet. These fees do not include any specific amounts related to WMC Resources' application for Listing, and any allocation of PricewaterhouseCoopers' fees for such work would not be meaningful.

PricewaterhouseCoopers Securities Limited has prepared the Investigating Accountant's Report on forecast financial information contained in Section 12 of the Scheme Booklet. PricewaterhouseCoopers Securities Limited's fees for these services are in accordance with their usual time-based charge-out rates, and are included within the total advisory and experts' fees contained in Section 4.4.2 of the Scheme Booklet. These fees do not include any specific amounts related to WMC Resources' application for Listing, and any allocation of PricewaterhouseCoopers Securities Limited's fees for such work would not be meaningful.

Grant Samuel & Associates Pty Limited has prepared the independent expert's report contained in Section 11 of the Scheme Booklet. Grant Samuel & Associates Pty Limited will be paid approximately $300,000 (plus disbursements) for these services as at the date of this Information Memorandum.

7. Consents

None of the parties referred to below has:

(a) made any statement that is included in this Information Memorandum or any statement on which a statement made in this Information Memorandum is based, other than as set out below; or

(b) authorised or caused the issue of this Information Memorandum.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any part of, this Information Memorandum, other than the reference to its name and a statement or report included in this Information Memorandum with the consent of that party, as specified below.

PricewaterhouseCoopers has given and has not withdrawn (prior to lodgement of this Information Memorandum) its written consent to be named in this Information Memorandum as auditor of WMC Resources in the form and context in which it is so named and its written consent to the inclusion of its Investigating Accountant's Report on historical financial information (contained in Section 12.1 of the Scheme Booklet) in this Information Memorandum in the form and context in which it is included.

PricewaterhouseCoopers Securities Limited has given and has not withdrawn (prior to lodgement of this Information Memorandum) its written consent to the inclusion of its Investigating Accountant's Report on forecast financial information (contained in Section 12.2 of the Scheme Booklet) in this Information Memorandum in the form and context in which it is included.

Grant Samuel & Associates Pty Limited has given and has not withdrawn (prior to lodgement of this Information Memorandum) its written consent to the inclusion of its independent expert's report (contained in Section 11 of the Scheme Booklet) in this Information Memorandum in the form and context in which it is included, but notes that its independent expert's report was prepared specifically in connection with the proposed demerger of WMC rather than in support of WMC Resources' application for Listing.

8. Directors' Statement on Information Memorandum

The Directors whose names appear below, and who authorised or caused the production of this Information Memorandum, accept responsibility for the information contained in this Information Memorandum.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Signed by each director of WMC Resources or a person authorised by them in writing to sign this Information Memorandum on their behalf.

Ian G R Burgess AO

Hugh M Morgan AC

Tommie C-E Bergman

Adrienne E Clarke AO

Peter J Knight

David E Meiklejohn

Andrew G Michelmore

Roger A G Vines

Ian E Webber AO

9. Glossary

Words defined in the Scheme Booklet have the same meaning where used in this Information Memorandum (unless the context otherwise requires). In addition, the following definitions apply in this Information Memorandum (unless the context otherwise requires).

ASIC	means the Australian Securities and Investments Commission.
ASX	means Australian Stock Exchange Limited (ABN 98 008 624 691).
Corporations Act	means the *Corporations Act 2001* (Cth).
Directors	means directors of WMC Resources.
Listing	means admission to the official list of the ASX and official quotation of WMC Resources Shares on the stock market conducted by the ASX.
Scheme Booklet	means the scheme booklet prepared by WMC dated 28 October 2002 in connection with the proposed demerger of WMC, a copy of which is set out in the Appendix to this Information Memorandum.
WMC	means WMC Limited (ABN 85 004 820 419).
WMC Resources	means WMC Resources Ltd (ABN 76 004 184 598).
WMC Resources Shares	means fully paid ordinary shares in the capital of WMC Resources.

10. Directory

Directors

Ian G R Burgess
Hugh M Morgan AC
Tommie C-E Bergman
Adrienne E Clarke AO
Peter J Knight
David E Meiklejohn
Andrew G Michelmore
Roger A G Vines
Ian E Webber AO

Company Secretary

Peter J Horton

Registered Office

Level 16
IBM Tower
60 City Road
Southbank Vic 3006

Share Registry

Computershare Investor Services Pty Limited
Level 12
565 Bourke Street
Melbourne Victoria 3000

Auditor

PricewaterhouseCoopers
Level 14
333 Collins Street
Melbourne Victoria 3000

Appendix

Scheme Booklet

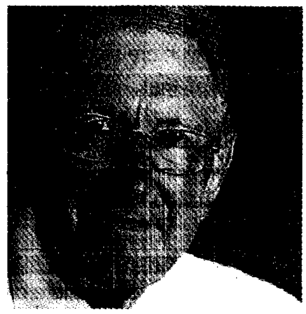
Scheme Booklet

WMC LIMITED
ABN 85 004 820 419

Schemes of arrangement between WMC Limited and its shareholders and optionholders in relation to the demerger of WMC Limited

Letter from the Chairman

28 October 2002



Dear WMC securityholder

On 21 November 2001, WMC announced its intention to demerge its interest in the Alcoa World Alumina and Chemicals (AWAC) joint venture from its 100% owned minerals businesses. The effect of the demerger will be to divide your existing investment in WMC into two separate ASX listed entities:

- Alumina Limited, which will hold WMC's 40% interest in AWAC; and
- WMC Resources Ltd, which will hold all of WMC's businesses other than its interest in AWAC (ie WMC's nickel, copper-uranium and fertilizer businesses, and its exploration and development interests).

In my letter to you of 21 November 2001, I set out the background of industry events and the approach from Alcoa Inc, which have been relevant factors in the formulation of the demerger.

At the time, the WMC Board reviewed a number of options for the company, and concluded that implementing the demerger was the best way to maximise value for WMC shareholders. Although the timing of the demerger has been delayed to enable Australian resident WMC shareholders to benefit from, and the demerger structure to be simplified through, the introduction of Australian demerger tax relief legislation, the WMC Board remains of the view that the demerger is in the best interests of WMC shareholders.

Following Alcoa's merger with Reynolds Metals Company in 2000, international competition authorities required Alcoa to divest itself of Reynolds' alumina assets. The WMC Board believes that the implication flowing from these decisions is that Alcoa's ability to acquire alumina assets is likely to be restricted, and that it is likely that the only substantial alumina asset it can acquire is WMC's 40% interest in AWAC. As a consequence, the WMC Board believes Alcoa will remain interested in acquiring WMC's 40% interest in AWAC.

The WMC Board believes that the key advantages of the demerger to WMC shareholders are as follows:

- WMC's 40% interest in AWAC has historically been undervalued by the stock market. The separate listing of WMC's AWAC interest through Alumina Limited will provide investors with a pure alumina/aluminium investment and thereby facilitate a transparent valuation of the business in line with its industry peers.
- The demerger will permit WMC Resources to pursue business opportunities (including acquisitions or expansions) which could involve the issue of equity, without concern for any action Alcoa might take.
- The provisions of the AWAC agreements with Alcoa act as an impediment to the contestability of WMC's minerals assets in the event of a takeover offer for WMC. The separate listing of WMC Resources will remove these impediments.
- The demerger will enable the separate management teams of WMC Resources and Alumina Limited to more closely focus on the underlying businesses of each entity and thereby potentially improve returns to shareholders.
- The separation of WMC into Alumina Limited and WMC Resources will provide investors with greater flexibility in managing their commodity exposures.

WMC Limited
ACN 004 820 419

GPO Box 860K
Melbourne Vic, 3001
Australia

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

Tel +61 (0)3 9685 6000
Fax +61 (0)3 9686 3569

The two new entities will each be significant resources companies in their own right. Each will have a viable independent future and will vigorously pursue a business strategy designed to grow value for shareholders.

The demerger recognises the strength and maturity of WMC's minerals businesses. From the mid-1990s, WMC undertook significant investment in its nickel, copper-uranium and fertilizer businesses. These businesses are now of sufficient size and maturity, and have sufficient growth options, to form the basis of a viable, diversified resources group, independent of WMC's interest in AWAC.

In considering the demerger, the WMC Board also identified a number of disadvantages and risks which are set out and discussed in this Scheme Booklet. The WMC Board believes, however, that the advantages of the demerger outweigh these disadvantages and risks.

The independent expert, Grant Samuel & Associates Pty Limited, has concluded that the demerger is in the best interests of WMC shareholders. Grant Samuel's report is set out in its entirety in Section 11 of this Scheme Booklet.

The demerger will be effected through a series of steps, including a scheme of arrangement, a capital reduction and a dividend, and requires the approval of WMC shareholders and the Supreme Court of Victoria.

In connection with the demerger, WMC is proposing a scheme to address the effect of the demerger on options over shares in WMC, which also requires the approval of WMC optionholders, WMC shareholders and the Court.

These factors, the above advantages of the demerger, the disadvantages and risks of the demerger and other important details regarding the demerger and the option scheme and the manner of their implementation, are set out in this Scheme Booklet. I urge you to read it carefully as it includes information which is material to you in making an informed decision on how to vote on the resolutions required to implement the demerger and the option scheme respectively.

Each WMC director intends to vote all WMC shares and WMC options controlled by that director in favour of the resolutions required to implement both the demerger and the option scheme. The directors unanimously recommend that, as a WMC shareholder, you also vote in favour of the demerger resolutions and, as a WMC optionholder, you vote in favour of the option scheme.

If you have any questions in relation to the demerger or the option scheme, you can contact WMC's information line on:

1800 301 080, toll free, if within Australia; or

+61 (0)3 9611 5970 if outside Australia.

Yours sincerely

IAN G R BURGESS AO
Chairman

Important times and dates*

Last time and date by which proxy forms for the Scheme Meetings and the General Meeting can be lodged	**11.30 am**	**27 November 2002**
Time and date for determining eligibility to vote at the Scheme Meetings and the General Meeting (Voting Record Date)	**7.00 pm**	**27 November 2002**
Share Scheme Meeting (WMC Shareholders)	**10.30 am**	**29 November 2002**
General Meeting (WMC Shareholders)	**11.00 am** *or as soon thereafter as the Share Scheme Meeting has concluded or been adjourned*	**29 November 2002**
Option Scheme Meeting (WMC Optionholders)	**11.30 am** *or as soon thereafter as the General Meeting has concluded or been adjourned*	**29 November 2002**
Court hearing for approval of the Schemes		**2 December 2002**
Effective Date		**2 December 2002**
Last day WMC Shares trade on the ASX on a cum-entitlement basis		**3 December 2002**
Cut-off time and date for exercising WMC Options	**3.00 pm**	**3 December 2002**
WMC Resources Shares commence trading on the ASX on a deferred settlement basis (Listing Date)		**4 December 2002**
WMC Shares commence trading on the ASX on an ex-entitlement basis under the company's new name, Alumina Limited		**4 December 2002**
Time and date for determining entitlements under the Option Scheme (Option Scheme Record Date)	**5.00 pm**	**5 December 2002**
Time and date for determining entitlements to WMC Resources Shares (Share Scheme Record Date)	**5.00 pm**	**9 December 2002**
Demerger Date		**11 December 2002**
WMC Options become Alumina Limited Options and WMC Resources Options issued (Option Scheme Implementation Date)		**12 December 2002**
Alumina Limited Options and WMC Resources Options may be exercised	**From 9.15 am**	**12 December 2002**
Despatch of holding statements for WMC Resources Shares		**18 December 2002**
Deferred settlement trading of WMC Resources Shares on the ASX ceases		**18 December 2002**
Normal trading of WMC Resources Shares on the ASX commences		**19 December 2002**
Settlement of all deferred settlement trades		**24 December 2002**

[illegible] to the ASX. Certain times and dates are [illegible] of the ASX. The occurrence of [illegible] at all are also conditional upon the approval of:

- **the Capital Reduction Resolution and each Ancillary Demerger Resolution by WMC Shareholders; and**
- **the Share Scheme by WMC Shareholders and the Court.**

[illegible] the Schemes at the Court hearing [illegible] the Schemes [illegible] complaint to ASIC about the Schemes, you should note that the Court hearing is expected to be held on 2 December 2002 (ie three days following the Meetings).

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Summary and Important Notices

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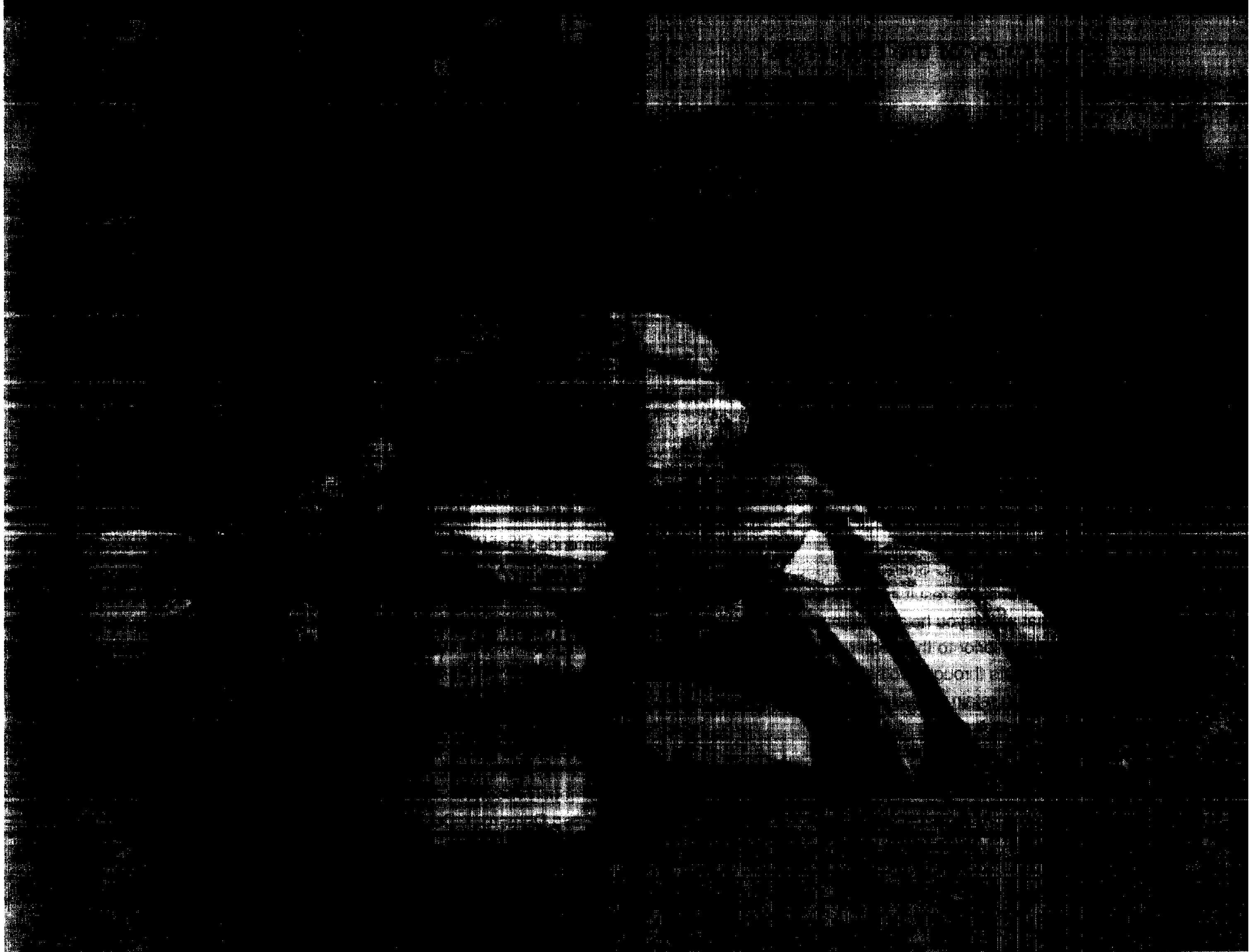


PART A

Summary and Important Notices

Sections 1 and 2 are a summary only of the important matters detailed in this Scheme Booklet. WMC Shareholders and WMC Optionholders should read this Scheme Booklet in its entirety, including Section 3 ('Important notices'), before deciding how to vote on the resolutions to be considered at the Meetings. Capitalised terms used in this Scheme Booklet are defined in the Glossaries in Part E and/or where the relevant term is first used.

1. Summary of the Demerger

1.1 About the Demerger

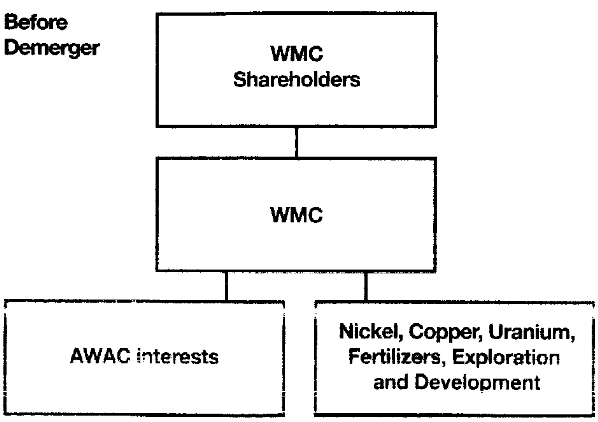
On 21 November 2001, WMC announced a proposal to demerge its interest in AWAC from its copper-uranium, nickel and fertilizer businesses and its exploration and development interests. The proposal will result in existing WMC Shareholders (other than certain ineligible shareholders resident outside Australia) receiving shares in a 'new' listed entity 'WMC Resources Ltd', which will hold the non-AWAC businesses and interests.

WMC will continue to operate and be listed on the ASX after the Demerger, but the company will be renamed 'Alumina Limited' and will have a significantly different profile, as its primary asset will be WMC's existing 40% interest in AWAC. You will continue to hold the same number of WMC Shares but these shares will trade under the company's new name, Alumina Limited.

If you are an Eligible WMC Shareholder (see Section 2.1), the Demerger will, therefore, result in you holding equivalent interests to that which you held through your shareholding in WMC immediately prior to the Demerger, although you will hold those interests through two separate listed companies and will be able to retain or deal with interests in those companies separately.

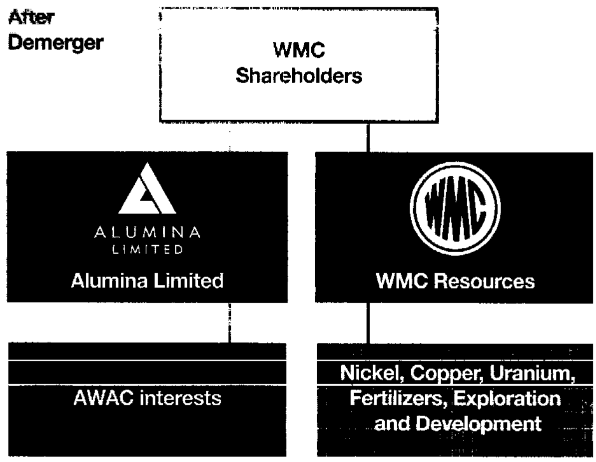
Currently, WMC holds the businesses shown in the diagram below:

Before Demerger



Following the Demerger, WMC's assets will be held by two separate listed companies, as set out in the diagram below.

After Demerger



It is intended that WMC Resources will be listed on the ASX and the NYSE. Alumina Limited will retain WMC's current ASX and NYSE listings.

The Demerger will be implemented through a number of steps, details of which are set out in Section 5.1.2.

The Demerger requires WMC Shareholder approval. Meetings have been scheduled for 29 November 2002 at which such approval will be sought. **Your WMC Directors unanimously recommend that you vote in favour of the proposed Demerger.** Details of the Meetings are set out in Sections 2.4 and 5.3.

The Demerger also requires Court approval, which (if shareholder approval of the Demerger is obtained) is expected to be sought on 2 December 2002.

1.2 Demerged entities at a glance

ALUMINA
LIMITED

Alumina Limited

A major ASX listed Australian company holding 40% of AWAC, the world's largest alumina producer with a leading market position

Key interests

- 40% holding in AWAC: with interests in bauxite mining, alumina refining, alumina chemicals and two aluminium smelters, AWAC is the world's largest alumina producer, accounting for approximately 25% of world production

Characteristics

- A unique direct investment opportunity in one of the world's premier minerals businesses, AWAC
- AWAC has a proven track record of growth, low cost production, strong cash flows and consistent returns since formation in 1995
- A stand-alone, independently managed business with significant organic growth opportunities within AWAC
- Expected to be included in key S&P/ASX indices and expected to trade in the ASX Top 50

WMC Resources

A major ASX listed Australian diversified resources company producing nickel, copper, uranium, fertilizers and a range of other intermediate products from a portfolio of quality, long life assets

Key interests

- Nickel: a fully integrated nickel mining, concentrating, smelting and refining business, accounting for approximately 8% of world production
- Olympic Dam: the world's eighth largest copper ore body on current reserves, with significant quantities of uranium, gold and silver
- Queensland Fertilizer Operations: an integrated, high-analysis fertilizers operation of world-scale – a first of its kind in Australia
- Significant development and exploration interests within Australia and internationally

Characteristics

- A suite of three quality assets, each of which has fully integrated production facilities, long-life reserves and competitive production costs
- Significant expansion opportunities in existing businesses
- Fully integrated production facilities in low political risk jurisdictions, and with minimal environmental issues
- Experienced, dedicated management team and a history of exploration success
- Expected to be included in key S&P/ASX indices and expected to trade in the ASX Top 50
- Investment grade credit rating expected to be obtained (Standard and Poor's has assigned a preliminary BBB long-term credit rating with a stable outlook)

1.3 Effect of the Demerger

If the Demerger is approved, it will have the following implications for WMC Shareholders, including those shareholders who vote against the Demerger or do not vote at all:

- Eligible WMC Shareholders will receive one share in WMC Resources for each share that they hold in WMC.
- WMC Shareholders will retain their holding of WMC Shares, but those shares will trade under the company's new name, Alumina Limited.
- Eligible WMC Shareholders will not be called upon to make any cash payment nor receive any cash as a result of the Demerger.
- Due to regulatory constraints, Ineligible Overseas Shareholders will receive cash instead of the WMC Resources Shares to which they would otherwise be entitled under the Demerger in accordance with the cash out mechanism described in Section 5.1.5.
- WMC Resources Shares will be listed on the ASX and will be able to be traded separately from Alumina Limited Shares from the Listing Date.
- WMC Shares will continue to be listed on the ASX, but will trade under WMC's new name Alumina Limited from the Listing Date.

Further information about the key elements of the Demerger and its effect on WMC Shareholders is set out in Section 5.1.

WMC is also putting forward the Option Scheme for consideration by the WMC Optionholders in connection with the Demerger. The details of the Option Scheme, including its effect on WMC Optionholders, are set out in Section 5.2.

1.4 Key elements of the Demerger

The Demerger incorporates the Share Scheme, the Capital Reduction and the Share Scheme Dividend, under which:

- the share capital of WMC will be reduced by the Reduction Amount (ie an amount of A$2.78 per WMC Share on issue at the Share Scheme Record Date);
- WMC will pay the Share Scheme Dividend (a notional cash dividend of A$0.73 per WMC Share on issue at the Share Scheme Record Date); and
- the Reduction Amount and the Share Scheme Dividend will be automatically applied by WMC, on behalf of WMC Shareholders, to the transfer to those shareholders of one WMC Resources Share for each WMC Share held at the Share Scheme Record Date (except Ineligible Overseas Shareholders who will have the WMC Resources Shares to which they are entitled sold and the net sale proceeds remitted to them, as described in Section 5.1.5.)

Further details of the key steps involved in implementing the Demerger are set out in Section 5.1.2.

1.5 WMC Board's recommendation

The WMC Directors believe that the Demerger, including the Share Scheme, the Capital Reduction, the Share Scheme Dividend and the matters proposed under the Ancillary Demerger Resolutions, and the Option Scheme, are fair and reasonable to all WMC Shareholders and WMC Optionholders, are in the best interests of WMC, WMC Shareholders and WMC Optionholders and will not materially prejudice WMC's ability to pay its creditors.

Each WMC Director recommends that you vote in favour of the resolutions required to implement the Demerger and the Option Scheme and intends to vote all WMC Shares and WMC Options controlled by that director in favour of the resolutions required to implement the Demerger and the Option Scheme respectively.

Reasons for the recommendation and intentions of the WMC Board are set out in Section 4.

1.6 Advantages, disadvantages, rationale and risks of the Demerger

The advantages, disadvantages, rationale and risks of the Demerger, together with the alternatives to the Demerger considered by the WMC Board, are set out in Section 4. The WMC Board has considered these matters carefully in forming its recommendation that the Demerger is in the best interests of WMC Shareholders, and is of the view that the advantages of the Demerger outweigh its disadvantages and potential risks. You should consider these matters when deciding whether or not to approve the resolutions required to implement the Demerger.

1.7 Independent review of the Demerger

The Demerger has been reviewed by an independent expert, Grant Samuel, whose report is contained in Section 11. **Grant Samuel's report concludes that the Demerger is in the best interests of WMC Shareholders.**

1.8 Relationship between Alumina Limited and WMC Resources post-Demerger

Alumina Limited and WMC Resources will operate independently following the Demerger with separate directors and management. The relationship between Alumina Limited and WMC Resources after the Demerger is explained in more detail in Section 5.5.

2. Questions and answers about the Demerger

2.1 Questions about the Demerger in general

Why has this Scheme Booklet been sent to you?

This Scheme Booklet has been sent to you because you are a WMC Shareholder or a WMC Optionholder. Its purpose is to provide you with information relevant to your consideration of the Demerger and, for WMC Optionholders, the Option Scheme, and the resolutions which must be passed in order to implement the Demerger and the Option Scheme.
Details of the Schemes are set out in Section 5. The terms of the Schemes are set out in Section 15.

WMC Shareholders should read this Scheme Booklet in its entirety before deciding whether or not to approve the resolutions required to implement the Demerger.

Why did the WMC Board decide to propose the Demerger?

The WMC Board's decision to propose the Demerger was made after a number of approaches had been made by parties seeking to discuss the possibility of a merger with WMC or alternative transactions regarding WMC and its businesses, culminating with a confidential and conditional proposal by Alcoa to acquire all outstanding WMC Shares at a price below that which the WMC Board considered to be acceptable, after obtaining an independent valuation report.

The WMC Board formed the view that the stock market has not fully valued WMC's asset portfolio and that this undervaluation has been partly attributable to a lack of recognition of the value of WMC's 40% interest in AWAC. The WMC Board was also mindful that factors relating to the holding structure of WMC's interest in AWAC could result in limited competitive tension being able to be achieved if a bid was made for WMC by Alcoa.

In this context, the WMC Board considered a number of alternative courses of action and concluded that the Demerger would be the best way to unlock value for WMC Shareholders. Further details regarding the WMC Board's rationale for the Demerger are given in Section 4.

Why does WMC believe Alcoa remains interested in WMC's 40% interest in AWAC?

A fundamental provision of the AWAC Agreements requires Alcoa and WMC to pursue their worldwide bauxite and alumina activities exclusively through AWAC (see Section 6.2.9(f)). The purpose of this provision is to avoid commercial conflicts of interest. This was satisfactory and desirable while Alcoa did not want to acquire WMC. However, following Alcoa's merger with Reynolds Metals Company, international competition authorities required the sale of Reynolds' alumina assets.

Alcoa's controlling interest in the AWAC entities was taken into account by the European competition authority in reaching its decision.

The WMC Board believes that the international competition authorities' decisions:

- are likely to have the effect of restricting Alcoa's ability to acquire any further substantial alumina assets other than WMC's 40% interest in AWAC; and
- were instrumental in Alcoa making its proposal to WMC.

Therefore, without a significant change in the relevant competition authorities' view on Alcoa's ability to acquire third party owned alumina assets, the WMC Board believes that Alcoa will remain interested in acquiring WMC's 40% interest in AWAC.

Why did the WMC Board reject the approach made by Alcoa to acquire WMC for a price of A$10.20 per WMC Share?

Alcoa made a confidential approach to the WMC Board in October 2001 with a proposal to acquire all the outstanding WMC Shares at a price of A$10.20 per share, conditional on, among other things, the proposal being recommended to WMC Shareholders by the WMC Board. The board carefully evaluated this proposal and obtained an independent valuation report from Grant Samuel, which concluded that the value of WMC to a potential acquirer lay in the range of A$11.18 to A$12.91 per WMC Share (based on the assumptions made at that time). An independent valuation report was also obtained from JP Morgan with respect to WMC's interest in AWAC only, which was consistent with the value attributed to AWAC by Grant Samuel.

Having regard to these valuations and to the considerable interest in the assets of WMC expressed by other major mining companies, the WMC Board determined that, if an offer of A$10.20 per WMC Share were to have been made at that time, it would not have been fair and reasonable. The WMC Board concluded, therefore, that it could not recommend Alcoa's proposal to WMC Shareholders.

Further details of the review process relating to the Alcoa approach are set out in Section 4.1.

Why were WMC Shareholders not given the opportunity to consider the Alcoa A$10.20 proposal?

Alcoa's A$10.20 proposal was only to be made to WMC Shareholders if, among other conditions, the WMC Board recommended it. For the reasons explained above, the WMC Board could not recommend it. However, Alcoa was free, and remains free, to make an offer directly to WMC Shareholders, but to date has chosen not to do so.

Why doesn't WMC just continue to operate in its current form?

The WMC Board actively considered this and various forms of restructuring before announcing the Demerger in November 2001.

The WMC Board was of the view, and continues to be of the view, that if WMC continued to operate in its current form, WMC Shareholders would be disadvantaged by:

- the absence of a more transparent valuation of WMC's interest in AWAC;
- the absence of competitive tension in the event that Alcoa sought to acquire control of WMC; and
- restrictions on WMC's ability to pursue major business opportunities which could make WMC vulnerable to a hostile offer from Alcoa.

Accordingly, the WMC Board determined that the Demerger would deliver a better outcome for WMC Shareholders.

Are you an Eligible WMC Shareholder?

You will be an Eligible WMC Shareholder if you are registered in the WMC Share Register as the holder of WMC Shares at the Share Scheme Record Date (expected to be 5.00 pm, 9 December 2002) and are not an Ineligible Overseas Shareholder (see Sections 2.5 and 5.1.5).

Will you have to contribute cash to obtain your WMC Resources Shares?

No. WMC Shareholders will not have to contribute any cash to receive their entitlement to WMC Resources Shares.

How many WMC Resources Shares will you receive for each WMC Share?

Eligible WMC Shareholders will receive one WMC Resources Share for each WMC Share that they hold (eg a WMC Shareholder holding 10,000 WMC Shares will receive 10,000 WMC Resources Shares). Certain overseas shareholders will be treated differently. See Section 2.5.

What will happen to your current WMC Shares?

The number of WMC Shares that you hold will not be affected by the Demerger, however these shares will trade under the company's new name, Alumina Limited, from the Listing Date.

The stock market trading price of your WMC Shares (to be known as Alumina Limited Shares) is also likely to decrease as a result of the Capital Reduction and the Share Scheme Dividend occurring as part of the Demerger (see Section 5.1.2).

What will you have to do to receive your WMC Resources Shares and Alumina Limited Shares, if the Demerger is approved?

Provided that you are an Eligible WMC Shareholder, you will automatically receive the number of WMC Resources Shares to which you are entitled under the Demerger. You are not required to take any action to receive these shares. Holding statements in respect of WMC Resources Shares are expected to be posted to Eligible WMC Shareholders on 18 December 2002.

You do not receive Alumina Limited Shares under the Demerger. Instead, your existing WMC Shares will simply commence trading under WMC's new name, Alumina Limited, from the Listing Date (expected to be 4 December 2002). You will not receive new holding statements in respect of these shares but will be able to trade them as usual.

Will WMC Shares continue to be listed on the ASX?

WMC Shares will continue to trade on the ASX throughout the Demerger process. It is expected, however, that they will cease trading on a cum–entitlement basis at the close of business on 3 December 2002 (acquirers of WMC Shares cum–entitlement will be eligible to receive WMC Resources Shares under the Demerger provided they remain on the WMC Share Register at the Share Scheme Record Date). WMC Shares are then expected to commence trading under the name Alumina Limited on an ex–entitlement basis on the Listing Date (expected to be 4 December 2002) (acquirers of ex–entitlement shares will not be eligible to receive WMC Resources Shares under the Demerger).

When can you sell your WMC Resources Shares?

It is expected that WMC Resources Shares will commence trading on the ASX, initially on a deferred settlement basis, on 4 December 2002 (ie the Listing Date).

It is your responsibility to determine your entitlement to WMC Resources Shares before trading those shares to avoid the risk of selling shares that you do not own.

Normal trading of WMC Resources Shares is expected to commence on 19 December 2002.

What are the taxation implications for WMC Shareholders resident in Australia?

The Demerger is not expected to result in any material adverse tax consequences for WMC Shareholders resident in Australia who hold their WMC Shares on capital account and elect to claim CGT Demerger Relief. This is because of recently enacted Commonwealth legislation which gives relief from the taxation consequences that may have otherwise arisen because of the Demerger. A guide to the general taxation implications of the Demerger for WMC Shareholders resident in Australia is set out in Section 9.2. The description is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any WMC Shareholder.

You should seek your own specific taxation advice for your individual circumstances.

What will happen if the Demerger is not approved?

If the Demerger is not approved, the WMC Board will continue to pursue measures designed to ensure that WMC Shareholders derive full value from WMC's assets, which may include pursuing an alternative to the Demerger such as one of those outlined in Section 4.2. Other implications of the Demerger not proceeding are set out in Section 4.6.6.

2.2 Questions about WMC Options

Why should you approve the amendments to the WMC Option Plans?

The amendments to the WMC Option Plans under the Option Scheme (described in Section 5.2) also require the approval of WMC Shareholders.

The amendments to the WMC Option Plans avoid the value of WMC Options being diminished as a result of the Demerger by, in effect, preserving the economic entitlements of WMC Optionholders. The amendments produce an equitable result for WMC Optionholders and WMC Shareholders.

The WMC Board recommends that WMC Shareholders approve the amendments so that WMC Optionholders – who are either current or former employees of the WMC Group – are treated fairly in the context of the Demerger, and in a manner that is comparable to the treatment of WMC Shareholders under the Demerger. Further discussion of this is contained in Section 5.3.2(b), and details of the amendments to the WMC Option Plans, and the Option Scheme generally, are contained in Section 5.2. Details of the impact of the Demerger on WMC Optionholders if WMC Shareholders do not approve the amendments are contained in Section 4.7.4.

Will there be options outstanding over Alumina Limited Shares after the Demerger?

After the Demerger is implemented, WMC Optionholders will continue to be able to exercise their WMC Options – which will become Alumina Limited Options – and to be thereby issued with Alumina Limited Shares.

The terms and conditions that will apply to those Alumina Limited Options will depend on whether the Option Scheme receives the necessary approvals.

Details of the terms and conditions to apply to those Alumina Limited Options if the Option Scheme is approved are contained in Section 5.2 and the terms and conditions to apply if the Option Scheme is not approved are contained in Section 4.7.4. Details of the WMC Options currently on issue are contained in Section 8.2.3.

2.3 Questions about the demerged entities

What will be the financial profiles of Alumina Limited and WMC Resources?

The Demerger will effectively create two 'new' enterprises which will have different profiles from that of the current WMC. Details are provided in Sections 6 and 7.

Will the demerged entities be viable as stand–alone entities?

The WMC Board believes that each separately listed entity will have a viable independent future and that each will vigorously pursue a business strategy designed to grow value for WMC Shareholders. Although the demerged entities will be smaller companies than WMC, both entities will be major resources companies with investment grade credit ratings expected and hence access to debt and equity funding on competitive terms. Both are expected to trade in the ASX Top 50.

The WMC Board has formed its view after considering the advantages, disadvantages and potential risks associated with the Demerger, set out in Section 4. In particular, the WMC Board has considered factors including:

- the fact that WMC Resources and Alumina Limited will be smaller companies than WMC;
- the reduced earnings diversification that the separate entities will have compared to WMC; and
- the fact that the cost of capital for WMC Resources and Alumina Limited may be higher than that for WMC at present,

but has concluded that the advantages of the Demerger outweigh the disadvantages and risks and that the Demerger is in the best interests of WMC Shareholders. Further details of the factors considered by the WMC Board are set out in Section 4.

What will be the impact on dividends you receive?

The payment of dividends will be a matter for the board of directors of each company. Factors likely to affect the future dividend policies of Alumina Limited and WMC Resources are set out in Sections 6.9 and 7.16 respectively.

How much will your shares in WMC Resources and Alumina Limited be worth after the Demerger?

A public market does not currently exist for WMC Resources Shares and, although Alumina Limited Shares are currently traded on the ASX in the form of WMC Shares, Alumina Limited will have a significantly different profile to WMC as a result of the Demerger.

As a result, the share prices of WMC Resources and Alumina Limited cannot be predicted with certainty prior to the commencement of ASX trading in these entities on the Listing Date (expected to be 4 December 2002). The share prices of each entity on the ASX will be influenced by all of the usual factors which can impact the market prices of shares, including factors specific to the individual companies and broader market or economic factors. Accordingly, it is possible that the combined market values of a share in each of WMC Resources and Alumina Limited after the Demerger will be higher or lower than the market value of a share in WMC prior to the Demerger.

Who will be the directors and senior management of Alumina Limited and WMC Resources?

It is proposed that the persons named in Section 6.4.1(b) will, on the Demerger Date, replace the current members of the WMC Board, and comprise the initial board of Alumina Limited (as WMC will then be known). The Alumina Limited Board will comprise one executive director and four non-executive directors. Details regarding the election of directors to the Alumina Limited Board are set out in Section 6.4 and in the notice convening the General Meeting in Section 16. Mr John Marlay will be appointed Chief Executive Officer of Alumina Limited with Mr Bob D J Davies the Chief Financial Officer. The remainder of the senior management structure for Alumina Limited is in the process of being finalised. It is expected that all key senior management appointments will be made in advance of the Demerger Date.

The WMC Resources Board will be constituted by the same directors as were on the WMC Board as at the date of this Scheme Booklet, which comprises two executive directors and seven non-executive directors. Mr Hugh M Morgan will continue as WMC Resources' Chief Executive Officer, but will retire from that position in January 2003. Mr Andrew G Michelmore, WMC's Executive General Manager of Business Strategy and Development, will succeed Mr Morgan as Chief Executive Officer of WMC Resources. WMC Resources' senior management following the Demerger will comprise current members of WMC's management team, as described in Section 7.10.2.

The names and experience of each of the directors and senior managers of Alumina Limited and WMC Resources are set out in Sections 6.4.1(b) and 7.10.1(b) respectively.

2.4 Questions about voting

When and where are the Meetings?

The Meetings will be held at the Carlton Crest Hotel, 65 Queens Road, Melbourne, Australia on 29 November 2002. The Share Scheme Meeting will be held first, commencing at 10.30 am, followed by the General Meeting at 11.00 am, or as soon after that time as the Share Scheme Meeting has concluded or been adjourned. The Option Scheme Meeting will follow at 11.30 am or as soon after that time as the General Meeting has concluded or been adjourned.

Are you entitled to vote?

If you are registered as a WMC Shareholder by the WMC Share Registry at the Voting Record Date (7.00 pm on 27 November 2002), you are entitled to vote at the Share Scheme Meeting and the General Meeting. If you are registered as a WMC Optionholder at the Voting Record Date, you are entitled to vote at the Option Scheme Meeting. You may vote by attending the Meetings in person, by proxy or, in the case of corporate shareholders, by corporate representative. WMC Shareholders may also appoint an attorney to attend and vote on their behalf. Further information relating to voting procedures and details of the resolutions to be voted on at the Meetings are contained in Section 5.3, the notices convening the Meetings contained in Section 16 and the proxy forms relating to the Meetings.

Should you vote?

You do not have to vote. However, the WMC Board believes that the Demerger is a matter of major importance to all WMC Shareholders and that the Option Scheme is a matter of importance to all WMC Optionholders, and urges you to read this Scheme Booklet carefully and vote in favour of the resolutions required to implement the Demerger and the Option Scheme respectively.

What happens if you do not vote on, or vote against, the Demerger or the Option Scheme?

If you are the holder of WMC Shares at the Share Scheme Record Date and the Demerger is implemented, you will receive your entitlement to WMC Resources Shares (if you are an Eligible WMC Shareholder) or cash (if you are an Ineligible Overseas Shareholder) even if you choose not to vote on, or vote against, the Demerger.

If you are the holder of WMC Options at the Option Scheme Record Date and the Option Scheme becomes effective, you will participate in the Option Scheme in the same manner as all other WMC Optionholders even if you choose not to vote on, or vote against, the Option Scheme.

How can you vote?

You can vote at the Meetings:

- in person;
- by proxy;
- if you are a WMC Shareholder, by attorney; or
- if you are a corporate shareholder, by corporate representative.

Details of how to vote are set out in Section 5.3.4 and details of the resolutions to be voted on at the Meetings are contained in the notices convening the Meetings contained in Section 16.

What voting majority is required to approve the Demerger?

The Demerger will be approved by WMC Shareholders if, and only if, each of the Share Scheme, the Capital Reduction and the matters under the Ancillary Demerger Resolutions are approved by WMC Shareholders. The requisite WMC Shareholder majority for approving these corporate actions differs for each. The most stringent majority threshold is that required to approve the Share Scheme, which requires votes in favour of the Share Scheme to be received from:

- a majority in number of WMC Shareholders present and voting at the Share Scheme Meeting (in person, by proxy, by attorney or, in the case of corporate shareholders, by corporate representative);
- who together hold at least 75% of the total number of WMC Shares voted.

When will the result be known?

The result of the votes to be cast at the Meetings will be available shortly after the conclusion of the Option Scheme Meeting and will be announced to the ASX once available. The results will also be published on WMC's website (www.wmc.com) the following day.

You should be aware that the Schemes are subject to the approval of the Court, in exercising its supervisory jurisdiction. The Court hearing for approving the Schemes is expected to be held on 2 December 2002.

2.5 Questions about overseas shareholders

Will Alumina Limited or WMC Resources be listed on the NYSE or other overseas stock exchanges?

An application will be made to the NYSE to list WMC Resources Shares on the NYSE in the form of ADRs. WMC Shares will continue to be listed on the NYSE in the form of ADRs but will trade under the name of Alumina Limited. WMC has lodged an application to delist WMC Shares from the Frankfurt Stock Exchange. It is anticipated the WMC Shares will be delisted from the exchange in early 2003. It is intended that, once WMC Shares have been delisted from the Frankfurt Stock Exchange, WMC Resources Shares and Alumina Limited Shares will not be listed on any exchange other than the ASX and the NYSE.

Will certain overseas shareholders be unable to participate?

If you are a WMC Shareholder in an overseas jurisdiction other than New Zealand, the United Kingdom, the US, Singapore, Hong Kong, Switzerland or Germany, you are likely to be an Ineligible Overseas Shareholder and, if you are, the WMC Resources Shares to which you are entitled under the Share Scheme will be offered for sale by the Sale Agent and you will receive the net proceeds of sale.

Further information on who is likely to be classified as an Ineligible Overseas Shareholder and the treatment of Ineligible Overseas Shareholders is set out in Section 5.1.5.

What are the taxation implications for overseas WMC Shareholders?

WMC has received advice from Deloitte & Touche LLP that it is more likely than not that tax relief in respect of the Demerger will be available under section 355 of the Internal Revenue Code of 1986 (US) to certain WMC Shareholders in the US. WMC Shareholders in the US should refer to the copy of the opinion of Deloitte & Touche LLP in Section 13 for detailed information on the application of applicable US federal tax laws to the Demerger.

There may be adverse tax consequences for WMC Shareholders in the United Kingdom and New Zealand as a result of the Demerger, or aspects of it (ie the Capital Reduction and the Share Scheme Dividend). A more detailed discussion of the tax implications of the Demerger for WMC Shareholders in the United Kingdom and New Zealand is set out in Sections 9.3 and 9.4 respectively. The description is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any WMC Shareholder. Overseas shareholders should seek their own specific taxation advice for their individual circumstances.

2.6 Questions about the Option Scheme

Why is the Option Scheme being proposed?

The Option Scheme is being proposed so that WMC Optionholders are not disadvantaged by the Demerger.

The Option Scheme has been designed to have the effect that the economic entitlements of WMC Optionholders prior to the Demerger are, to the extent possible, preserved after the Demerger is implemented. In doing so, the Option Scheme will produce an equitable outcome for both WMC Optionholders and WMC Shareholders – overall, after the Demerger and Option Scheme are implemented, the relative positions of WMC Shareholders and WMC Optionholders will be the same as they were prior to the Demerger.

Information regarding the Option Scheme is set out in detail in Section 5.2. Additional information relevant to WMC Optionholders' considerations regarding the Option Scheme is set out in Section 4.7.

What is the effect of the Option Scheme?

If the Option Scheme is implemented:

- WMC Optionholders will continue to hold their WMC Options.
- Each WMC Option will become an Alumina Limited Option and will entitle the holder to subscribe for one Alumina Limited Share.
- WMC Optionholders will be granted one WMC Resources Option for each WMC Option they hold prior to the Demerger. Each WMC Resources Option will entitle the holder to subscribe for one WMC Resources Share.

- The aggregate exercise prices of the Alumina Limited Option and the WMC Resources Option will be equal to the exercise price of the WMC Option prior to the Demerger.
- The Alumina Limited Option and WMC Resources Option will lapse at the same time as the WMC Option would have lapsed if the Demerger hadn't proceeded.

Additional information on the effect of the Option Scheme is contained in Section 5.2.

What will happen to your WMC Options?

WMC Optionholders will continue to hold their WMC Options, but each WMC Option will entitle the holder to subscribe for one Alumina Limited Share. In effect, WMC Options will become Alumina Limited Options.

If the Option Scheme receives the necessary approvals, the exercise price of each Alumina Limited Option will be determined by reference to the current exercise price of the relevant WMC Option (which becomes an Alumina Limited Option) and the volume weighted average price of Alumina Limited Shares and WMC Resources Shares on the first five days of trading on the ASX commencing on the Listing Date.

Additional information regarding your WMC Options becoming Alumina Limited Options, including the adjustment of the exercise price, is contained in Section 5.2.1.

Will you be able to exercise your WMC Options at all times?

The rights of WMC Optionholders to exercise their WMC Options will be suspended around the time of the Demerger. It is expected that WMC Optionholders will cease to be able to exercise their WMC Options from 3.00 pm on 3 December 2002.

WMC Optionholders will then be able to exercise their Alumina Limited Options, and their new WMC Resources Options, from 9.15 am on 12 December 2002 (as is expected).

Further details regarding this suspension are contained in Section 5.2.3.

How many WMC Resources Options will you receive?

WMC Optionholders will receive one WMC Resources Option for each WMC Option that they hold. This will entitle the holder to subscribe for one WMC Resources Share at an exercise price determined by reference to the current exercise price of the WMC Option (which becomes an Alumina Limited Option) in respect of which the WMC Resources Option is granted, and the volume weighted average price of WMC Resources Shares and Alumina Limited Shares on the first five days of trading on the ASX commencing on the Listing Date.

The other terms and conditions attaching to each WMC Resources Option will be determined by reference to the terms and conditions attaching to the WMC Option in respect of which the WMC Resources Option is granted.

Additional information regarding the terms of the WMC Resources Options is contained in Section 5.2.

What will happen if the Demerger is approved but the Option Scheme is not?

If the Demerger receives the necessary approvals, but the Option Scheme does not, WMC will still proceed with the Demerger. If that happens:

- The exercise price of existing WMC Options will be reduced by the amount of the Reduction Amount (ie A$2.78 per WMC Option) and each WMC Option will entitle the holder to subscribe for one Alumina Limited Share. This is likely to mean that the value of a WMC Option after the Demerger (which will then be an Alumina Limited Option) will be less than its value prior to the Demerger.
- Alumina Limited Options held by persons who are employees of the WMC Resources Group after the Demerger will lapse 30 days after the Demerger Date.
- Alumina Limited Options held by other persons will continue to be exercisable in accordance with the terms and conditions of the applicable WMC Option Plan.
- No WMC Resources Options will be granted to WMC Optionholders.

Additional information on this issue is contained in Section 4.7.4.

2.7 Other questions

What are the implications for the WMC employee share scheme?

The impact on the existing WMC employee share scheme is detailed in Section 8.2. WMC Resources intends to implement an employee share scheme, details of which are outlined in Section 8.3. Details of the incentive plans to be offered to Alumina Limited Group employees are outlined in Section 8.4.

Where can you obtain further information?

The information contained in this Section 2 is a summary only. Full details of the Demerger are set out in this Scheme Booklet.

For further information on the Demerger, please call WMC's information line on 1800 301 080, toll free, if within Australia, or +61 (0)3 9611 5970 if outside Australia.

3. Important notices

WMC Shareholders and WMC Optionholders should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolutions to be considered at the Meetings.

3.1 Purpose of this Scheme Booklet

This Scheme Booklet sets out all the significant elements of the Demerger and contains, among other things:

- the explanatory statements required by Part 5.1 of the Corporations Act in relation to each of the Schemes. The purpose of the explanatory statements is to explain the terms of the Schemes, the manner in which the Schemes will be considered and implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of WMC Shareholders and WMC Optionholders whether to approve their respective Schemes; and
- a statement of all information known to WMC and the WMC Board that is material to WMC Shareholders in deciding how to vote on the Capital Reduction Resolution, as required by section 256C(4) of the Corporations Act.

3.2 ASIC

A copy of this Scheme Booklet has been registered by ASIC for the purposes of section 412(6) of the Corporations Act. Neither ASIC nor its officers takes any responsibility for the contents of this Scheme Booklet. A copy of this Scheme Booklet has also been lodged with ASIC in accordance with section 256C(5) of the Corporations Act.

3.3 ASX

A copy of this Scheme Booklet has been lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

On or about the date of this Scheme Booklet, application will be made for the admission of WMC Resources to the official list of the ASX and for WMC Resources Shares to be granted official quotation on the stock market conducted by the ASX. The fact that the ASX may admit WMC Resources to the official list of the ASX, and grant official quotation of WMC Resources Shares on the stock market conducted by the ASX, is not to be taken in any way as an indication of the merits of WMC Resources

3.4 Status of this Scheme Booklet

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by a court under section 411(1) or (1A) of the Corporations Act.

3.5 United States

Neither the SEC nor any US state securities commission has approved or disapproved the WMC Resources Shares to be transferred to WMC Shareholders under the Demerger or passed upon the adequacy or accuracy of this Scheme Booklet. Any representation to the contrary is a criminal offence.

3.6 Investment decisions

This Scheme Booklet does not take into account the investment objectives, financial situation and particular needs of any WMC Shareholder, WMC Optionholder or any other person. This Scheme Booklet should not be relied upon as the sole basis for an investment decision in relation to WMC Shares/Alumina Limited Shares, WMC Options/Alumina Limited Options, WMC Resources Shares, WMC Resources Options or any other securities. Independent financial and taxation advice should be sought before making any investment decision in relation to WMC Shares/Alumina Limited Shares, WMC Options/Alumina Limited Options, WMC Resources Shares, WMC Resources Options or any other securities.

3. IMPORTANT NOTICES

3.7 Forward looking statements

This Scheme Booklet contains forward looking statements, including statements regarding:

- estimated reserves;
- certain plans, strategies and objectives of management;
- scheduled closure of certain operations or facilities;
- anticipated production or construction commencement dates;
- expected costs or production output;
- the anticipated productive lives of projects and mines;
- the anticipated prices and market dynamics of commodities produced;
- estimated exchange rates and interest rates; and
- the expected impact on each of Alumina Limited and WMC Resources of the separation of WMC's interest in AWAC from WMC's other operating businesses.

Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Alumina Limited and WMC Resources, which may cause actual results, performance or achievements of Alumina Limited or WMC Resources to differ materially from those expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things: general economic conditions, exchange rates, interest rates, the regulatory environment, structural changes in the mining and resources industries, commodity prices, raw material prices, competitive pressures, imports and demand for global commodities.

For example, future revenues from operations, projects or mines described in this Scheme Booklet will be based in part on the market price of the minerals or metals produced, which may vary significantly from current levels. Such 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:

- the ability to profitably produce and transport the minerals or metals extracted to applicable markets;
- the impact of foreign currency exchange rates on the revenues received from the minerals or metals produced; and
- actions or policies of governmental authorities in certain countries where such projects, facilities or mines are being explored for, developed or operated, including increases in taxes and changes in environmental and other regulations.

Neither WMC nor any other person gives any representation, assurance or guarantee that the results, performance or achievements expressed in or implied by the forward looking statements in this Scheme Booklet, including the statements regarding those matters outlined above, will actually occur, and WMC Shareholders and WMC Optionholders are cautioned not to place undue reliance on such forward looking statements.

The forward looking statements in this Scheme Booklet reflect views held only as of the date of this Scheme Booklet. Subject to any continuing obligations under applicable law or any relevant Listing Rule or as contemplated by Section 10.22, WMC and the WMC Directors disclaim any obligation or undertaking to disseminate after the date of this Scheme Booklet any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

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The Demerger and the Option Scheme

B

Copper

PART B

The Demerger and the Option Scheme

4. Advantages, disadvantages and risks of the Demerger and the Option Scheme and other considerations

4.1 Rationale for the Demerger

Over the two years leading up to October 2001, there was an unprecedented level of consolidation within the global metals and mining industry. In the context of that consolidation, a number of parties made approaches to WMC seeking to discuss the possibility of a merger with WMC or alternative transactions regarding WMC and its businesses.

In considering options for WMC's future, the WMC Board has always been concerned to ensure that WMC Shareholders derive full value from WMC's assets.

In this regard, the WMC Board formed the view that the stock market had not fully valued WMC's asset portfolio, and that this undervaluation has been partly attributable to the lack of recognition of WMC's highly valuable 40% interest in AWAC. Accordingly, one initiative considered by the WMC Board was to separate its interest in AWAC from its other operating businesses. WMC received legal, taxation, accounting and financial advice regarding such a separation over a period commencing prior to October 2001.

In October 2001, Alcoa made a confidential approach to the WMC Board with a conditional proposal to acquire all the outstanding ordinary shares in WMC at a price of A$10.20 per share. A key condition of the proposal was that it be recommended by the WMC Board to WMC Shareholders at that price. The WMC Board carefully evaluated this proposal and obtained independent valuation reports from Grant Samuel and JP Morgan. Grant Samuel's report concluded that the value of WMC to a potential acquirer lay in the range of A$11.18 to A$12.91 per share (based on the assumptions made at that time). The JP Morgan report contained a valuation of WMC's interest in AWAC only, which was consistent with the value attributed to AWAC by Grant Samuel. At that time, having regard to these valuations and to the considerable interest in the assets of WMC expressed by other major mining companies, the WMC Board determined that, if an offer of A$10.20 per WMC Share was to have been made, it would not have been fair and reasonable. For these reasons, the WMC Board could not recommend Alcoa's proposal. Alcoa remained free to make an offer directly to WMC Shareholders, but chose not to.

The WMC Board believed that Alcoa was likely to be restricted from acquiring further substantial alumina assets following the decisions of international competition authorities regarding Alcoa's merger with Reynolds Metals Company (as described in Section 2.1), and that Alcoa would continue to maintain its interest in gaining control of WMC's highly valuable 40% interest in AWAC.

As a result, the WMC Board recognised that, for WMC to pursue its non-AWAC related activities without concern for what Alcoa may do, it had to separate its interest in AWAC from its non-AWAC businesses and interests.

The WMC Board was particularly mindful that Alcoa's primary interest in WMC was WMC's 40% interest in AWAC. It was anticipated that, if Alcoa acquired WMC, it would most probably seek to on-sell the assets other than WMC's interest in AWAC, and accordingly any offer it made for WMC as a whole would likely be at less than full value, in order to compensate for any risks associated with holding and divesting these assets. Further, for the reasons discussed in Section 4.2.3, the WMC Board was concerned that there would be insufficient competition from other potentially interested parties if Alcoa were to bid for WMC, resulting in WMC Shareholders receiving a price less than full value.

While the WMC Board considered a number of alternatives to the Demerger, the board determined that, of all the available alternatives, the Demerger would be in the best interests of WMC Shareholders. Details of the alternatives considered by the WMC Board are set out in Section 4.2.

The WMC Board also believes that the advantages of the Demerger outweigh the disadvantages and potential risks. These advantages, disadvantages and risks are set out in Sections 4.3, 4.4 and 4.5 respectively. In addition to these factors, the WMC Board has considered the independent expert's report prepared by Grant Samuel included in Section 11, which concludes that the Demerger is in the best interests of WMC Shareholders.

Although the timing of the Demerger has been delayed to enable Australian resident WMC Shareholders to benefit from, and the Demerger structure to be simplified through, the introduction of Australian demerger tax relief legislation, the WMC Board's view has not changed from when it first announced the Demerger in November 2001. It is the board's view that each separately listed entity will have a viable independent future and each will vigorously pursue a business strategy designed to grow value for WMC Shareholders

WMC Shareholders should carefully consider the advantages, disadvantages and risks of the Demerger and other relevant considerations set out in this Section 4, as well as the other information contained in this Scheme Booklet, in deciding whether or not to vote in favour of the resolutions required to implement the Demerger (including the independent expert's report set out in Section 11 and the risks associated with owning Alumina Limited Shares and WMC Resources Shares set out in Sections 6.5 and 7.11 respectively).

4.2 Alternatives to the Demerger

The WMC Board actively considered other forms of restructuring before announcing the Demerger in November 2001. The alternatives the WMC Board considered included:

- selling WMC's interest in AWAC to Alcoa or another party;
- selling WMC's nickel, copper-uranium and fertilizers operations as a group or separately;
- WMC merging with or being acquired by another party; and
- continuing to operate WMC in its current form.

In order to assess the prospects of each of these alternatives, in October 2001 WMC invited selected major resource companies to undertake due diligence with a view to providing an indication of their interest in WMC's operations. Following this due diligence process, which was subject to appropriate confidentiality arrangements, and subsequent discussions between WMC and the parties involved, the WMC Board concluded that implementing the Demerger was the best way to maximise value for WMC Shareholders in the medium to long-term. The WMC Board continues to believe this is the case.

In reaching its decision to put the Demerger to WMC Shareholders, the WMC Board considered the following material factors in relation to each alternative.

4.2.1 Selling WMC's interest in AWAC

The assets of the AWAC joint venture are world class and WMC's share of AWAC has attracted substantial interest from other parties. However, the AWAC Agreements, which established and govern the operation of AWAC, provide that each party has a pre-emptive right in the event the other were to sell its interest in AWAC and, although there is no pre-emptive right triggered by a change of control of WMC, or by the Demerger, the AWAC Agreements require the AWAC enterprise to be the exclusive vehicle for the bauxite, alumina, and industrial chemicals businesses of both WMC and Alcoa. This latter provision may also affect an acquirer of either WMC or Alcoa. A summary of the relevant provisions of the AWAC Agreements is set out in Section 6.2.9.

Although these provisions of the AWAC Agreements are subject to conflicting interpretations, the provisions, and the resulting anti-trust issues that could arise, represent impediments to the sale of WMC's interest in AWAC to any interested party who already holds significant bauxite and alumina assets. In these circumstances, the WMC Board believes it would be difficult to conduct a competitive sale process for WMC's interest in AWAC or achieve a fair price through a sale to Alcoa.

Further, there would be difficulties in distributing the cash proceeds of the sale to WMC Shareholders in an efficient and timely manner, and the sale of WMC's interest in AWAC to Alcoa or another party could potentially be subject to adverse income tax and stamp duty consequences. Accordingly, the WMC Board believes that this alternative would be unlikely to maximise value for WMC Shareholders.

4.2.2 Selling WMC's nickel, copper-uranium and fertilizer operations

There is strong interest from third parties in WMC's nickel, copper-uranium and fertilizers operations, which has been evidenced by indications of interest made to WMC since the announcement of the Demerger on 21 November 2001. The WMC Board believes that the sale of these operations (together or separately) by means of a formal tender process represents a viable alternative to the Demerger. However, there is no certainty that this strategy would maximise shareholder value in a medium to long-term context because:

- selling all of the individual assets may take some considerable time and there is a risk that an acceptable price may not be achieved for one or other of the assets;
- as part of the current WMC ownership structure, WMC in selling the assets could only contemplate cash consideration, not scrip consideration, and this will limit the universe of viable buyers; and
- the significant transaction costs which could be incurred in the sales of the individual assets could reduce any value derived from an overall asset sale.

Further, there would be difficulties in distributing the cash proceeds of the sale to WMC Shareholders in an efficient and timely manner, and the sale of WMC's non-AWAC businesses (together or separately) could potentially be subject to adverse income tax and stamp duty consequences.

4.2.3 WMC merging with or being acquired by another party

While there has been a high level of interest in all of WMC's operations, as discussed above, the current structure of WMC is a significant impediment to the ability and motivation of interested parties to make an offer to merge with or acquire the company. In particular, the uncertainties which exist under the terms of the AWAC Agreements as to whether an acquirer of WMC would be required to contribute its own bauxite, alumina and alumina-based chemicals assets to the AWAC joint venture, could act as a deterrent to potential acquirers, as could the pre-emptive rights in the

AWAC Agreements. These terms of the AWAC Agreements are summarised in Section 6.2.9. The WMC Board believes it is likely that, for these and other reasons set out above in relation to the sale of WMC's interest in AWAC, the only party likely to make such an offer for WMC in its current form is Alcoa and that, accordingly, if such an offer were to be made by Alcoa, there would probably not be sufficient competition to maximise value for WMC Shareholders.

Similarly, WMC would be constrained from acquiring another party because of the concern posed by Alcoa's interest in WMC's 40% interest in AWAC which might mean Alcoa would make a hostile offer for WMC.

4.2.4 Continuing to operate WMC in its current form

WMC has a long and distinguished history as one of Australia's premier resource companies, and, in different circumstances, the WMC Board would have chosen to continue to operate the company in accordance with its established long-term strategy of growth by exploration, brownfield expansion and acquisition. However, for the reasons discussed in Section 4.1 and because of the advantages of the Demerger highlighted in Section 4.3 below, the WMC Board has concluded that the best interests of WMC Shareholders would not be served by continuing to operate WMC in its current form.

4.3 Advantages of the Demerger

The WMC Board has identified the following principal advantages of the Demerger.

4.3.1 More transparent valuation of WMC's interest in AWAC

The Demerger will allow the market to value WMC's 40% interest in AWAC separately from WMC's non-AWAC assets for the first time, as the interest in AWAC will be held by Alumina Limited while the other assets will be held by WMC Resources.

The WMC Board believes that this in turn will enhance the prospects for Alumina Limited's interest in AWAC to receive appropriate recognition in the financial community and a market valuation in line with its peer group.

Alumina Limited will be one of only a few publicly listed focused bauxite, alumina and aluminium companies in the world. Other major producers are generally either diversified commodities groups (BHP Billiton and Rio Tinto) or heavily integrated downstream in packaging and speciality products (Alcoa and Alcan).

The Alumina Limited stock is therefore expected to attract new investors seeking direct exposure to alumina and aluminium production.

The shares in alumina producers such as Alcoa and Alcan have regularly historically traded on significantly higher multiples than have shares in diversified base metal producers. The WMC Board believes the Demerger will enable WMC's 40% interest in AWAC to trade at a higher valuation than that which has historically been reflected in the price of WMC Shares.

4.3.2 Removal of constraints now imposed on WMC by the AWAC Agreements

A fundamental provision of the AWAC Agreements requires Alcoa and WMC to pursue their worldwide bauxite and alumina activities exclusively through AWAC (see Section 6.2.9(f)). The purpose of this provision is to avoid commercial conflicts of interest. This was satisfactory and desirable while Alcoa did not want to acquire WMC. However, following Alcoa's merger with Reynolds Metals Company, international competition authorities required the sale of Reynolds' alumina assets.

Alcoa's controlling interest in the AWAC entities was taken into account by the European competition authority in reaching its decision.

The WMC Board believes that the international competition authorities' decisions:

- are likely to have the effect of restricting Alcoa's ability to acquire any further substantial alumina assets other than WMC's 40% interest in AWAC; and
- were instrumental in Alcoa making its proposal to WMC.

Therefore, without a significant change in the relevant competition authorities' view on Alcoa's ability to acquire third party owned alumina assets, the WMC Board believes that Alcoa will remain interested in acquiring WMC's 40% interest in AWAC.

Demerging WMC's non-AWAC assets from its AWAC interest will enable WMC Resources, which will hold all of the non-AWAC assets, to pursue business opportunities (including acquisitions or expansions) which could involve the issue of equity, without concern for any action Alcoa might take.

4.3.3 Removal of impediments to contestability of WMC's assets posed by the AWAC Agreements

The pre-emptive right and exclusive vehicle provisions referred to in Section 4.2.1, and discussed in more detail in Section 6.2.9, have arguably had a negative effect on the market price of WMC Shares and have the potential to restrict competition in bidding among potential acquirers of WMC, which could result in WMC Shareholders receiving offers at less than fair value.

Once the Demerger is implemented, WMC's non-AWAC assets will be separated from WMC's interest in AWAC, and will therefore no longer be subject to the associated uncertainties which have arguably affected the market price of WMC Shares, and will also be free from the limitations on competitive bidding for the non-AWAC assets created by the AWAC Agreements. The WMC Board believes there is continuing strong interest from major resource companies in WMC's non-AWAC assets and that there are excellent prospects for maximising competitive tension in the event that a takeover bid were made for WMC Resources at some time in the future.

4.3.4 Management focus and alignment of incentives

Following the recent expansion of Olympic Dam and the construction and commissioning of the Queensland Fertilizer Operations, the WMC Board has recognised that WMC's non-AWAC assets have now reached a position of sufficient size and maturity to represent a viable and attractive ongoing, stand-alone investment for shareholders, independent of WMC's interest in AWAC. The WMC Board believes future returns to shareholders from those assets can be improved by placing them into a separate, stand-alone company.

The Demerger will enable the separate management teams of each of WMC Resources and Alumina Limited to focus their attention on the respective businesses held by each entity.

In addition, after the Demerger, the incentive and compensation plans of each of Alumina Limited and WMC Resources will be tied to the performance of their respective businesses, which the WMC Board believes will more closely align the accountability of management to the performance of these distinct businesses.

4.3.5 Increased investor and corporate flexibility

The Demerger will provide Eligible WMC Shareholders with interests in two independent listed entities. Investors will be better able to manage their commodity and industry exposures by being able to adjust their investment in one entity without changing their interest in the other. After the Demerger, investors may choose to invest in WMC Resources, Alumina Limited, or both companies, and may vary their investments in the companies in light of their broader investment preferences or objectives.

The Demerger will also enable each company to operate independently and pursue financial and dividend policies appropriate to their underlying businesses and circumstances. In particular, WMC Resources will have access to the US debt and equity capital markets free from the uncertainty currently faced by WMC (described in Section 4.6.1).

4.4 Disadvantages of the Demerger

The WMC Board has identified the following principal disadvantages of the Demerger.

4.4.1 Additional corporate costs

By independently listing WMC Resources, corporate costs will be incurred that are not currently borne by WMC, as Alumina Limited and WMC Resources will each have their own board of directors, listing fees, shareholder registry and compliance requirements. Additional costs may also be incurred on accounting, treasury, legal and taxation services. For the first full year post-Demerger, it is estimated that these additional costs will be approximately A$4.8 million in total.

4.4.2 Transaction costs

Transaction costs for the Demerger are estimated at A$126.8 million and comprise:

- stamp duty incurred as part of the corporate restructuring of WMC in implementing the Demerger, estimated to be A$23.7 million;
- costs relating to the refinancing of WMC's debt, including, debt facility establishment and underwriting costs, fees paid to US debt securityholders relating to the tender and consent process (refer to Section 5.5.4(b)), and the possible novation or guarantee or credit support costs for some of WMC's hedge contracts, estimated to be A$65.9 million;
- financial advisory, legal, accounting and other advisory and experts fees, estimated to be A$32.6 million; and
- costs relating to establishing Alumina Limited as a stand-alone entity (including debt facility establishment costs), estimated to be A$4.6 million.

Transaction costs relating to establishing Alumina Limited as a stand-alone entity will be paid by Alumina Limited (estimated at A$4.6 million) and the remaining costs will be borne by WMC Resources (estimated at A$122.2 million). It is expected that transaction costs borne by WMC Resources which fall in the categories referred to above, other than stamp duty costs, will be largely tax deductible.

Of the A$126.8 million total transaction costs, A$17.8 million has been incurred, or is expected to be committed to progress the Demerger, prior to the Meetings.

4.4.3 Smaller companies

Following the Demerger, both Alumina Limited and WMC Resources will be smaller companies than WMC as presently constituted.

Accordingly, neither company will be as readily able as WMC is at present to finance major development projects. However, each company will be a substantial entity in its own right, with access to debt and equity funding on competitive terms. The WMC Board considers that both Alumina Limited and WMC Resources will be of sufficient size and financial strength to pursue their respective growth strategies.

4.4.4 Reduced earnings diversification

At present, the earnings of WMC are diversified across the different markets in which Alumina Limited and WMC Resources will operate. Following the Demerger, Alumina Limited and WMC Resources as separate companies will each be exposed only to their respective markets, without the diversification provided by exposure to the markets of the other company. Although WMC Resources will continue to hold a diversified portfolio of assets, the reduced diversification of earnings means that the earnings volatility of WMC Resources, as a stand-alone company post-Demerger, is likely to be greater than that of WMC before the Demerger. This is because of the relatively greater volatility of nickel and copper prices compared to alumina prices. This factor could result in WMC Resources' cost of capital being higher than WMC's current cost of capital.

Shareholders who retain their holdings in both Alumina Limited and WMC Resources in their entirety, however, should not experience a net increase in aggregate underlying earnings volatility when compared to the volatility of WMC in its pre-Demerger state.

4.4.5 Credit rating and access to debt markets

WMC currently has a Standard & Poor's long-term credit rating of A with a negative watch and a short-term credit rating of A-1. Moody's Investors Service's long-term credit rating for WMC is A3 (under review for a possible downgrade) and its short-term credit rating is P-2 .

WMC's dividends from its interest in AWAC is one factor taken into account by ratings agencies in assessing WMC's creditworthiness. It has also been a factor considered by financiers in agreeing to lend funds to WMC for its non-AWAC related projects, which historically, have principally been debt funded.

After considering the impact of the Demerger on the financial profile of WMC Resources (including the fact that WMC Resources will no longer have access to dividends paid by AWAC), Standard & Poor's has indicated that it is likely that, after the Demerger, WMC Resources will be assigned a long-term rating of BBB with a stable outlook and a short-term credit rating of A-2. While lower than WMC's rating, this is nonetheless an investment grade rating which should allow sufficient access to domestic and international banks and debt capital markets to raise debt funding as it may be required (including project funding). Moody's Investors Service has stated that it is likely that, after the Demerger, it will assign WMC Resources a long-term credit rating of Baa2 and a short-term credit rating of P-2. Both agencies have indicated that they expect to assign a credit rating to WMC Resources lower than WMC's credit rating because WMC Resources will no longer have the benefit of income provided by the AWAC assets or the same diversity of income streams that WMC currently has. As a result of the lower credit rating, WMC Resources will have a higher cost of borrowing than WMC, although the difference is expected to be modest.

WMC Resources could be exposed to the risk of reduced access to debt and capital markets if its credit rating was downgraded in the future, to a level below investment grade, or if the debt markets become more restrictive in the terms and conditions available to BBB rated borrowers. In addition, WMC Resources will be reliant on its own cash flows and financing capabilities based on its stand-alone financial position to fund new projects and any such financing may not be on terms WMC Resources considers as favourable as those that may have been available to WMC.

WMC has applied to Standard & Poor's for a credit rating for Alumina Limited, and expects it to receive an investment grade rating.

4.4.6 Lower index weighting

Based on the market capitalisation of WMC as at the date of this Scheme Booklet, it is expected that both Alumina Limited and WMC Resources will qualify for inclusion in the key S&P/ASX benchmark indices, including the S&P/ASX 50 and the S&P/ASX 200. It is also expected that each company will be included in the MSCI indices in which WMC is currently included. Each company will, however, have lower weightings than WMC's current weighting within the relevant indices as its individual market capitalisation will be lower than WMC's current market capitalisation. This may result in less institutional investor interest in either company than exists for WMC at present.

4.4.7 Ineligible Overseas Shareholders will not receive WMC Resources Shares

As discussed in Section 5.1.5, Ineligible Overseas Shareholders will not receive WMC Resources Shares to which they would otherwise be entitled under the Demerger, but will receive cash proceeds following the sale of those shares by the Sale Agent. As a result, Ineligible Overseas Shareholders will not benefit from any increase in the trading price of WMC Resources Shares (including by way of any takeover offer premia) following implementation of the Demerger and the sale of their shares. However, Ineligible Overseas Shareholders will also not be exposed to any fall in the trading price of WMC Resources Shares following the sale of their shares. In some cases they would be able to acquire shares in WMC Resources on market, should they wish to retain an ongoing investment in the relevant business.

4.5 Risks of the Demerger

The WMC Board has identified the following principal risks of the Demerger.

4.5.1 Share price performance

While the WMC Board believes that the Demerger is in the best interests of WMC Shareholders, there can be no assurance regarding the prices at which the shares in WMC Resources and Alumina Limited will trade following the Demerger. The share prices of the companies will be influenced by a number of factors which may have a positive or negative impact on those prices. It is possible that the combined market values of Alumina Limited and WMC Resources after the Demerger will be higher or lower than the market value of WMC prior to the Demerger.

A public market does not currently exist for WMC Resources Shares. Also, although Alumina Limited Shares are currently traded on the ASX in the form of WMC Shares, Alumina Limited will have a significantly different profile to WMC. Accordingly, there can be no assurance as to the performance of the shares in either company or that a commensurately liquid market will develop for their shares following the Demerger.

In addition, the Demerger could also create additional, short-term volatility in the trading prices of WMC Resources Shares and Alumina Limited Shares.

4.5.2 WMC Resources will be smaller and less diversified than WMC

Each of WMC Resources and Alumina Limited will be smaller and less diversified than WMC, and WMC Resources will have a lower credit rating than WMC. Alumina Limited's credit rating has not yet been determined. Each company may, therefore, be more vulnerable than WMC as a whole to significant adverse events. For example, WMC Resources will be more vulnerable to a prolonged period of low nickel, copper or fertilizer prices or protracted production interruptions in the nickel, copper-uranium or fertilizers operations, and will not be able to finance major development projects as readily as WMC. The price of WMC Resources Shares might, therefore, be more volatile than the price of WMC Shares.

4.5.3 Ineligible Overseas Shareholders

As the trading price of WMC Resources Shares immediately after the Demerger is inherently uncertain (see Section 4.5.1), there can be no assurance regarding the net proceeds that Ineligible Overseas Shareholders will receive as a result of the sale by the Sale Agent of the WMC Resources Shares to which they would otherwise be entitled under the Demerger.

4.6 Other relevant considerations

4.6.1 Financial profile

The financial profiles of each of Alumina Limited and WMC Resources, as independent companies, will be different to the current financial profile of WMC. The material disadvantages and risks of the Demerger impacting on each company's financial profile are outlined in Sections 4.4 and 4.5 respectively. The general risk factors relating to each company are outlined in Sections 6.5 and 7.11 respectively.

The pro forma financial positions of Alumina Limited and WMC Resources are discussed in Sections 6.6 and 7.12 respectively. Section 5.5.4 also discusses the financial restructuring that will occur between Alumina Limited and WMC Resources to facilitate the Demerger. It is intended that a large proportion of WMC's current debt will be borne by WMC Resources following implementation of the Demerger, as discussed in Section 5.5.4. Notwithstanding this, WMC Resources is still expected to have a strong debt service capability post-Demerger. Alumina Limited is also expected to have strong debt service capabilities.

The WMC Board expects each of Alumina Limited and WMC Resources to be a financially sound, appropriately capitalised and viable company in its own right after the Demerger. Both companies are expected to receive investment grade credit ratings, as referred to in Section 4.4.5.

Following the Demerger, WMC will remain subject to continuous reporting obligations under the US Securities Exchange Act of 1934 under its new name, Alumina Limited, and its ADRs will remain listed on the NYSE. Currently there is a degree of uncertainty regarding WMC's status under the US Investment Company Act of 1940. So long as this uncertainty continues after the Demerger, Alumina Limited's ability to access US capital markets will be restricted. It is not, however, envisaged that Alumina Limited will have the need, or be seeking, to access these markets in the foreseeable future.

WMC Resources will also be subject to the continuous reporting obligations under the US Securities Exchange Act of 1934 and will have its ADRs listed on the NYSE. WMC Resources will not be subject to the same restrictions on access to the US capital markets as Alumina Limited.

4.6.2 Dividend policies

WMC has historically pursued a policy of paying 50-60% of profit after tax, before abnormals, to its shareholders as dividends, franked to the greatest possible extent.

Following the Demerger, WMC Shareholders who retain their holdings of Alumina Limited Shares and WMC Resources Shares will have the potential to receive dividends, or returns by other capital management initiatives, from each of Alumina Limited and WMC Resources. The payment of dividends, and the utilisation of other capital management initiatives, by Alumina Limited and WMC Resources will ultimately be a matter for each board to determine, having regard to operating performance, business outlook and needs, availability of franking credits and other prevailing circumstances. These and other factors likely to affect the future dividend policies of Alumina Limited and WMC Resources are discussed in Sections 6.9 and 7.16 respectively.

Payment of a dividend by Alumina Limited in respect of the year ending 31 December 2002, and payment of dividends in subsequent years, will be determined by the Alumina Limited Board in light of the level of dividends paid by AWAC and the other economic and operational factors referred to in Section 6.9. It is currently expected that dividends paid in respect of the year ending 31 December 2003 will be fully franked.

As discussed in Section 7.16, in the short-term following the Demerger, WMC Resources is not expected to generate any appreciable level of franking credits due to the utilisation of existing carried forward tax losses. Accordingly, WMC Resources is not expected to be able to pay fully franked dividends in the short-term. There will be no dividend paid by WMC Resources in respect of the year ending 31 December 2002. For the year ending 31 December 2003, it is expected that, having regard to the expected absence of franking credits, any dividend payment made by WMC Resources will be a modest proportion of reported net profit. Dividend payments by WMC Resources for subsequent years will be determined by the WMC Resources Board after taking into account the various factors referred to in Section 7.16 then prevailing, including the availability of franking credits.

4.6.3 Independent expert's opinion

The WMC Board commissioned an independent expert, Grant Samuel, to prepare a report stating whether, in its opinion, the Demerger is in the best interests of WMC Shareholders. Grant Samuel was also requested to give its opinion as to whether the Demerger is materially prejudicial to WMC's creditors.

The report concludes that the Demerger is in the best interests of WMC Shareholders and that WMC's creditors will not be materially prejudiced by the Demerger. The full report is set out in Section 11.

4.6.4 Potential tax implications for demerged entities

As a result of recently enacted Australian demerger tax relief legislation (ie the Demerger Relief Act), the transfers of subsidiaries of WMC required to give effect to the Demerger (including the ultimate transfer of WMC Resources to Eligible WMC Shareholders as contemplated by the Share Scheme) are not expected to result in any Australian income tax liability for either the Alumina Limited Group or the WMC Resources Group. WMC is expecting to receive private rulings from the ATO confirming this.

As at 31 December 2001 the WMC Group's carried forward Australian tax loss position was as follows:

Loss category	A$ million (after tax effect)
Revenue losses	366
Capital losses	250

As part of the Demerger, the carried forward tax losses are expected to be primarily retained within the WMC Resources Group. Future income tax benefits attributable to carried forward tax losses at the Demerger Date will only be recognised in the consolidated accounts of WMC Resources to the extent that they satisfy the 'virtual certainty' test pursuant to AASB 1020.

Like any other company, WMC's ability to utilise these losses is inherently uncertain, being dependent on factors including:

- operational factors affecting the amount and timing of Australian taxable profits on revenue account;
- investment factors, including the recognition of capital gains from the sale of assets and the size and timing of any such gains; and
- the impact of technical provisions under current Australian tax legislation which relate to the utilisation of such losses.

A number of changes to Australian tax legislation are currently proposed, including the introduction of a 'tax consolidations' regime. This legislation is being introduced as a part of a series of Bills, some of which have been passed and some of which remain pending as at the date of this Scheme Booklet. The consolidation provisions will only come into effect upon Royal Assent being given to those Bills which are yet to be passed. A brief summary of the provisions of the proposed tax consolidations regime is set out in Section 10.16.

As a consequence of the Demerger and the introduction of the tax consolidations regime, the ability of the WMC Resources Group and the Alumina Limited Group to utilise existing carried forward tax losses may be adversely affected. Given the incomplete status of the proposed legislation and the nature of the general factors which affect WMC's ability to utilise carried forward tax losses referred to above, it is not possible to quantify the impact of these changes.

Notwithstanding this, WMC does not believe that the ability of the demerged groups to utilise carried forward tax losses will be affected to an extent which would be material to the making of a decision by WMC Shareholders or WMC Optionholders in relation to any of the resolutions required to implement the Demerger or the Option Scheme respectively.

4.6.5 Potential tax implications for shareholders

The Demerger is not expected to result in any material adverse tax consequences for WMC Shareholders resident in Australia who hold their WMC Shares on capital account and elect to claim CGT Demerger Relief. This is because of recently enacted Australian demerger tax relief legislation (ie the Demerger Relief Act) which gives relief from the taxation consequences that may have otherwise arisen because of the Demerger. Details of the tax implications for Australian resident WMC Shareholders are set out in Section 9.2.

For WMC Shareholders in the US, Deloitte & Touche LLP has advised WMC that it is more likely than not that tax relief in respect of the Demerger will be available under section 355 of the Internal Revenue Code of 1986 (US). Deloitte & Touche LLP's opinion, which sets out applicable US federal tax laws and their application to the Demerger for certain WMC Shareholders in the US, is provided in full in Section 13. WMC Shareholders in the US should note that the availability of relief under section 355 of the Internal Revenue Code of 1986 for the Demerger is not certain, and shareholders may have a tax liability if the section does not apply. US shareholders are advised to seek their own advice on this issue.

There may be adverse tax consequences for WMC Shareholders in the United Kingdom and New Zealand as a result of the Demerger, or aspects of it (ie the Capital Reduction and the Share Scheme Dividend). A more detailed discussion of the tax implications of the Demerger for WMC Shareholders in the United Kingdom and New Zealand is set out in Sections 9.3 and 9.4 respectively.

4.6.6 Implications if the Demerger does not proceed

If the Demerger is not approved by WMC Shareholders or the Court:

- The Demerger steps outlined in Section 5.1.2 will not occur.
- The Option Scheme steps outlined in Section 5.2.2 will not occur.
- WMC will continue to be a listed entity and will retain its AWAC interest and other businesses.
- The advantages of the Demerger outlined in Section 4.3 may not be otherwise realised. However, the disadvantages of the Demerger outlined in Section 4.4 may likewise not materialise.
- Transaction costs of approximately A$17.8 million will still be incurred.
- The WMC Board will consider alternatives to the Demerger, including those outlined in Section 4.2, to ensure that WMC Shareholders derive full value from WMC's assets.

4.7 Additional considerations for WMC Optionholders

On 13 August 2002, WMC announced that it had suspended future allotments of WMC Options to senior executives under the WMC ESS.

The Option Scheme has been designed to have the effect that the economic entitlements of WMC Optionholders prior to the Demerger is, to the extent possible, preserved after the Demerger is implemented.

It should be noted that senior managers who already hold WMC Options will be entitled to participate in the Option Scheme, and therefore be granted WMC Resources Options, on the same terms as all other WMC Optionholders. The grant of WMC Resources Options to these senior managers will result from their existing holding of WMC Options and will not be a new allotment under the WMC ESS.

4.7.1 Relationship with the Demerger

The Option Scheme is conditional on:

- the Demerger being approved by WMC Shareholders and the Court; and
- the WMC Option Plan Resolution being approved by WMC Shareholders.

Therefore, if either:

- the Demerger does not proceed; or
- the Demerger proceeds but the WMC Option Plan Resolution is not approved by WMC Shareholders,

the Option Scheme will not proceed.

However, the Demerger is not conditional on the Option Scheme being approved. Therefore the Demerger can still proceed even if the Option Scheme does not proceed.

4.7.2 Advantages of the Option Scheme

The WMC Board believes that the Option Scheme is in the best interests of WMC Optionholders, and that the advantages of the Option Scheme outweigh the disadvantages and potential risks.

As the Option Scheme has been designed to have the effect that the economic entitlements of WMC Optionholders prior to the Demerger are, to the extent possible, preserved after the Demerger has been implemented, the WMC Board believes that the advantages of the Option Scheme are broadly the same as those of the Demerger generally (set out in Section 4.3).

In addition, without the Option Scheme, the consequences outlined in Section 4.7.4 (some of which are adverse to WMC Optionholders) should result if the Demerger were to be approved. These consequences are avoided if the Option Scheme is implemented.

If the Option Scheme is implemented, WMC Optionholders will be entitled to benefit in any future increase in the value of Alumina Limited Shares and WMC Resources Shares.

4.7.3 Disadvantages, risks and other consequences of the Option Scheme

The WMC Board believes that the disadvantages and risks of the Option Scheme are broadly the same as those of the Demerger generally (set out in Sections 4.4 and 4.5).

The following may also represent potential disadvantages for some WMC Optionholders:

- Only those WMC Optionholders who hold WMC Options at the Option Scheme Record Date will be entitled to participate in the Option Scheme. If a WMC Optionholder exercises any of their WMC Options prior to the Option Scheme Record Date, the WMC Optionholder will not participate in the Option Scheme in respect of those exercised WMC Options. Accordingly, unless the WMC Optionholder holds the WMC Shares issued on the exercise of the WMC Options on the Share Scheme Record Date, they may not benefit if the value of WMC Resources Shares or Alumina Limited Shares increases following implementation of the Demerger.
- WMC Optionholders who are not employees of the WMC Resources Group post-Demerger may be liable to pay tax in respect of the WMC Resources Options granted to them under the Option Scheme earlier than WMC Optionholders who are employees of the WMC Resources Group post-Demerger. This is discussed in Section 4.7.6.

4.7.4 Implications if the Demerger proceeds but the Option Scheme does not

If the Demerger receives the necessary approvals, but the Option Scheme does not, WMC will proceed with the Demerger.

If that occurs, it will have the following consequences for WMC Optionholders under the terms and conditions of each of the WMC Option Plans.

- The exercise price of the WMC Options will be reduced by the amount of the Reduction Amount (ie A$2.78 per WMC Option) but will not be reduced by the amount of the Share Scheme Dividend.
- It is therefore likely that the value of a WMC Option after the Demerger (which will then be able to be exercised to require the issue of an Alumina Limited Share) will be less than its value prior to the Demerger being implemented.
- WMC Options held by WMC Optionholders who:
  (a) prior to the Demerger are employees of the WMC Group; and
  (b) after the Demerger will be employees of the WMC Resources Group,

  will lapse 30 days after the Demerger Date (subject to the WMC Board extending the lapsing date to a maximum of two years after the Demerger Date).
- WMC Options held by WMC Optionholders who:
  (a) prior to the Demerger are employees of the WMC Group; and
  (b) after the Demerger will be employees of the Alumina Limited Group,

  will continue to be exercisable for their original term in accordance with the terms and conditions of the WMC Option Plans.
- WMC Options held by WMC Optionholders who prior to the Demerger are not employees of the WMC Group will lapse on the date determined at the time the WMC Optionholder ceased to be an employee of the WMC Group.

4.7.5 Copy of WMC Option Register

Under the Corporations Act, any WMC Optionholder has a right to inspect and to ask for a copy of the WMC Option Register, which contains details of the name and address of each WMC Optionholder and other details regarding the terms of the WMC Options. A copy of the WMC Option Register will be made available to any WMC Optionholder on payment of the prescribed fee under the Corporations Act.

4.7.6 Taxation consequences of the Option Scheme

WMC Optionholders should seek independent advice in relation to their own individual taxation position, and the taxation consequences for them of the Option Scheme.

The following information is a guide to the Australian taxation consequences of the Option Scheme for certain Australian resident WMC Optionholders. The information does not purport to be a complete analysis or identification of all potential tax consequences for those WMC Optionholders, nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual WMC Optionholders.

(a) Class ruling

WMC has sought a Class Ruling from the ATO on behalf of WMC Optionholders. On the basis of its discussions with the ATO as at the date of this Scheme Booklet, WMC expects the Class Ruling to confirm the taxation treatment for WMC Optionholders of the Option Scheme as detailed in Sections 4.7.6 (b) and (c).

The Class Ruling will become binding upon its gazettal by the ATO, which WMC expects to occur prior to the Demerger Date. Once gazetted, the Class Ruling will be available on the ATO's website. A copy of the Class Ruling will be published on WMC's website (www.wmc.com) when it is obtained.

(b) Consequences for WMC Optionholders' current WMC Options

The taxation consequences for WMC Optionholders will differ, and will depend on their employment status both before and after the Demerger.

(i) **If a WMC Optionholder is an employee of the WMC Group before the Demerger Date and will be an employee of the WMC Resources Group after the Demerger Date** – the Demerger and the Option Scheme will not have taxation consequences for the WMC Options (which become Alumina Limited Options).

Specifically:

- the amendment of the terms and conditions of the WMC Option Plans under the Option Scheme will not effect a disposal of WMC Options for taxation purposes; and
- a cessation time will not occur as a consequence of WMC Resources ceasing to be a 100% subsidiary of WMC.

(ii) **If a WMC Optionholder is an employee of the WMC Group before the Demerger Date and will be an employee of the Alumina Limited Group after the Demerger Date** – the taxation consequences of the Demerger and the Option Scheme for the WMC Options (which become Alumina Limited Options) will depend on whether the WMC Optionholder elected at the time the WMC Options were issued to pay tax up front or to defer the payment of tax on those WMC Options.

Up-front – no tax consequences

If the WMC Optionholder elected to be taxed 'up front' on those WMC Options (ie the WMC Optionholder elected under section 139E of the ITAA to be taxed on the discount given in relation to the WMC Options in the year of income in which the WMC Options were acquired), the Demerger and the Option Scheme will not have taxation consequences for the WMC Options (which become Alumina Limited Options).

Deferral – tax consequences

If the WMC Optionholder 'deferred' the payment of taxation on those WMC Options (ie did not elect to pay tax in the year of income in which the WMC Options were acquired), the ATO has indicated that the combination of the transfer of their employment from the WMC Group to the Alumina Limited Group and the Demerger will result in a cessation time for the purposes of Division 13A of the ITAA. On this view, the discount given in relation to the WMC Options will be assessable to the WMC Optionholder in the year of income in which the Demerger Date occurs. The discount amount will equal:

- if the WMC Options are not exercised within 30 days of the Demerger Date – the market value of the WMC Options at the Demerger Date (calculated in accordance with Division 13A of the ITAA) less the consideration paid to acquire the WMC Options; or
- if the WMC Options are exercised within 30 days of the Demerger Date – the consideration received on disposal of the Alumina Limited Shares aquired on exercise (or the market value of the Alumina Limited Shares if not sold) less the consideration paid to acquire the WMC Options and the amount paid on the exercise of the WMC Options.

Generally, once a WMC Optionholder has been subject to tax under Division 13A of the ITAA in respect of their WMC Options, they will be subject to tax under the capital gains tax regime in respect of future dealings with their WMC Options.

(iii) **If a WMC Optionholder is not an employee of the WMC Group on the Demerger Date** – the Demerger and the Option Scheme will not have taxation consequences for the WMC Options (which become Alumina Limited Options).

Specifically, the amendment of the terms and conditions of the WMC Option Plans will not effect a disposal of WMC Options for taxation purposes.

(c) Consequences of the grant of WMC Resources Options

Optionholders will be subject to tax under Division 13A of the ITAA on the discount given in relation to each WMC Resources Option granted to them.

(i) **If a WMC Optionholder is an employee of the WMC Resources Group on the Option Scheme Implementation Date** – the WMC Resources Options will be 'qualifying rights' (as defined in Division 13A of the ITAA). Accordingly, the WMC Optionholder will be subject to tax on the discount amount in the year of income in which a cessation time (as defined in Division 13A of the ITAA) occurs unless they make an election under section 139E of the ITAA to be taxed in the year of income in which the WMC Resources Options are acquired.

If the WMC Optionholder elects to be taxed 'up front' (ie in the year of income in which the WMC Resources Options are granted), the discount amount for each WMC Resources Option will be the deemed market value of the WMC Resources Option at the time the WMC Resources Option is granted (calculated in accordance with Division 13A of the ITAA).

If the WMC Optionholder 'defers' the tax (ie does not elect to pay tax in the year of income in which the WMC Resources Options are granted), the discount amount, and the year of income in which it will be subject to tax, will depend on the WMC Optionholder's individual circumstances.

Generally, once a WMC Optionholder has been subject to tax under Division 13A of the ITAA in respect of their WMC Resources Options, they will be subject to tax under the capital gains tax regime in respect of future dealings with their WMC Resources Options.

(ii) **If a WMC Optionholder is an employee of the Alumina Limited Group on the Option Scheme Implementation Date** – the WMC Resources Options will not be 'qualifying rights' (as defined in Division 13A of the ITAA).

Accordingly, the WMC Optionholder will be subject to tax on the discount amount in the year of income in which the WMC Resources Options are granted.

The discount amount for each WMC Resources Option will be the deemed market value of the WMC Resources Option at the time the WMC Resources Option is granted (calculated in accordance with Division 13A of the ITAA).

Generally, once a WMC Optionholder has been subject to tax under Division 13A of the ITAA in respect of their WMC Resources Options, they will be subject to tax under the capital gains tax regime in respect of future dealings with their WMC Resources Options.

(iii) **If a WMC Optionholder is not an employee of either the Alumina Limited Group or the WMC Resources Group on the Option Scheme Implementation Date** – the WMC Resources Options will not be 'qualifying rights' (as defined in Division 13A of the ITAA).

Accordingly, the WMC Optionholder will be subject to tax on the discount amount in the year of income in which the WMC Resources Options are granted.

The discount amount for each WMC Resources Option will be the deemed market value of the WMC Resources Option at the time the WMC Resources Option is granted (calculated in accordance with Division 13A of the ITAA.

Generally, once a WMC Optionholder has been subject to tax under Division 13A of the ITAA in respect of their WMC Resources Options, they will be subject to tax under the capital gains tax regime in respect of future dealings with their WMC Resources Options.

5. Details of the Demerger and the Option Scheme

5.1 Effects and elements of the Demerger

5.1.1 The effect of the Demerger

(a) WMC Shareholders

The effect of the Demerger will be that Eligible WMC Shareholders will receive one WMC Resources Share for each WMC Share they hold. The number of WMC Shares held by WMC Shareholders will not be affected by the Demerger, however these shares will trade under the company's new name, Alumina Limited, from the Listing Date.

Due to regulatory constraints, Ineligible Overseas Shareholders will receive cash instead of WMC Resources Shares. The treatment of Ineligible Overseas Shareholders is set out in Section 5.1.5.

The general taxation effects of the Demerger are set out in Section 9.

(b) WMC Optionholders

The effect of the Demerger on WMC Optionholders will differ depending on whether or not the Option Scheme receives the necessary approvals.

The effect on WMC Optionholders if both the Demerger and the Option Scheme receive the necessary approvals is set out in Section 5.2.

The effect on WMC Optionholders if the Demerger receives the necessary approvals, but the Option Scheme does not, is set out in Section 4.7.4.

(c) Creditors

In the opinion of the WMC Board, each of WMC Resources and Alumina Limited will have a viable independent future, and implementation of the Demerger will not materially prejudice WMC's ability to pay its creditors.

Grant Samuel has been engaged to provide an opinion as to whether the Demerger is materially prejudicial to creditors of the WMC Group. Grant Samuel's report concludes that WMC's creditors will not be materially prejudiced by the Demerger. A copy of Grant Samuel's report is contained in Section 11.

Implementation of the Demerger will not result in any outflow of funds from WMC Resources or Alumina Limited, other than the Demerger transaction costs described in Section 4.4.2 (estimated at A$126.8 million) and, in respect of WMC Resources, the net funds required to repurchase the outstanding US debt securities at current market rates described in Section 5.5.4(b) (estimated to be between A$134.2 million and A$149.1 million depending on, among other things, the number of US debt securities repurchased and the prevailing US Treasury rates used to calculate the repurchase price – the consent fee component of the repuchase price is included in the total transaction costs above).

Most of the net cash outflows relating to the repurchasing of WMC's outstanding US debt securities will subsequently be mitigated by the benefit of lower interest rates which are expected to be obtained under the funding arrangements put in place to refinance the debt.

(d) ADR holders
As at 30 September 2002, WMC had on issue approximately 7,527,416 WMC Shares underlying 1,881,854 ADSs represented by ADRs.

If the Demerger is implemented, ADR holders will receive one WMC Resources ADR for each WMC ADR they hold.

WMC ADRs will trade as Alumina Limited ADRs if the Demerger is implemented.

5.1.2 Key steps in implementing the Demerger
The Demerger involves a number of elements including the key steps outlined below:

(a) WMC Shareholders will vote at the Share Scheme Meeting on the Share Scheme.
(b) WMC Shareholders will vote at the General Meeting on:
   (i) the Capital Reduction Resolution, under which, if approved, WMC will reduce its share capital by the Reduction Amount (ie an amount of A$2.78 per WMC Share on issue at the Share Scheme Record Date); and
   (ii) each Ancillary Demerger Resolution, under which, if approved:
      (A) WMC's name will be changed to 'Alumina Limited' with the intention that the name change have effect from the Listing Date (the **Name Change Resolution**); and
      (B) each of WMC and WMC Resources will enter into deeds of indemnity, insurance and access with the current WMC Directors (**Director's Deeds**), the terms of which are explained in the notice convening the General Meeting in Section 16 and discussed in Section 5.3.2(a) (the **Director's Deed Resolution**).
(c) If the necessary WMC Shareholder approvals are received, and the other conditions of the Share Scheme are satisfied, WMC will apply to the Court for approval of the Share Scheme at a hearing to be held shortly after the Share Scheme Meeting. The Court hearing is expected to be held on 2 December 2002.
(d) If the Share Scheme is approved by the Court, WMC will lodge an office copy of the Court order approving the Share Scheme with ASIC. This is expected to occur on 2 December 2002 and is referred to in this Scheme Booklet as the Effective Date.
(e) On or before the Share Scheme Record Date, the WMC Board will pass the Dividend Resolution, under which it will approve the declaration of the Share Scheme Dividend (a notional cash dividend of A$0.73 per WMC Share on issue at the Share Scheme Record Date).
(f) At the close of business on the first Business Day following the Effective Date (expected to be 3 December 2002) trading in WMC Shares on the ASX on a cum-entitlement basis will cease (ie acquirers of WMC Shares cum-entitlement will be eligible to participate in the Demerger, provided they remain on the WMC Share Register at the Share Scheme Record Date).
(g) On the Listing Date (expected to be 4 December 2002) it is expected that WMC's change of name to 'Alumina Limited' will become effective, and trading on the ASX of WMC Shares as Alumina Limited Shares, on an ex-entitlement basis, will commence (ie acquirers of WMC Shares ex-entitlement will not be eligible to participate in the Demerger).
(h) On the Listing Date, WMC Resources Shares will be quoted on the ASX and trading in WMC Resources Shares will commence on a deferred settlement basis. Quotation of and trading in WMC Resources Shares, including trading on a deferred settlement basis, is explained in more detail in Section 5.4.2.
(i) On or before the Demerger Date (expected to be 11 December 2002), a number of internal transfers will take place resulting in all of WMC's non-AWAC businesses being owned by WMC Resources and WMC's interest in AWAC being retained by Alumina Limited.
(j) On the Demerger Date:
   (i) WMC (which will then be known as 'Alumina Limited') will pay the Share Scheme Dividend to be applied in accordance with paragraph (iii);
   (ii) WMC (then Alumina Limited) will reduce its share capital by the Reduction Amount to be applied in accordance with paragraph (iii); and
   (iii) one WMC Resources Share will be transferred to each Eligible WMC Shareholder and the Sale Agent (on behalf of the Ineligible Overseas Shareholders) for each WMC Share (then known as an Alumina Limited Share) held at the Share Scheme Record Date, in consideration for the Share Scheme Dividend and the Reduction Amount, each of which will be automatically applied by WMC to the transfer.

It is important to note that the Demerger will only be implemented if the Share Scheme becomes effective. For the Share Scheme to become effective:

- the Share Scheme must be approved by the requisite majority of WMC Shareholders, as detailed in Section 5.3.1;

- the Capital Reduction Resolution and each Ancillary Demerger Resolution must be approved by the requisite majorities of WMC Shareholders, as detailed in Section 5.3.2;
- the ASX must grant approval for the admission of WMC Resources to the official list of the ASX and the quotation of WMC Resources Shares on the stock market conducted by the ASX;
- the Share Scheme must be approved by the Court;
- an office copy of the Court order approving the Share Scheme must be lodged with ASIC; and
- if the Court orders that the Share Scheme be subject to additional conditions which WMC considers acceptable, those conditions must be satisfied.

5.1.3 Share Scheme Consideration

(a) What will WMC Shareholders receive?

If the Share Scheme becomes effective, Eligible WMC Shareholders will receive one WMC Resources Share for each WMC Share they hold. Ineligible Overseas Shareholders will receive the proceeds of sale of the relevant WMC Resources Shares which are sold by the Sale Agent on their behalf in accordance with the procedure described in Section 5.1.5.

The number of WMC Shares held by WMC Shareholders will not be affected by the Demerger, however these shares will trade under the company's new name, Alumina Limited, from the Listing Date.

(b) Who will receive Share Scheme Consideration?

For the purpose of determining whether a person is registered on the WMC Share Register at the Share Scheme Record Date as the holder of issued WMC Shares (and is therefore an Eligible WMC Shareholder or an Ineligible Overseas Shareholder), any dealing in WMC Shares on or before the Share Scheme Record Date will only be recognised if:

(i) in the case of a dealing of the type to be effected using CHESS, the transferee is a registered holder of the relevant WMC Shares at the Share Scheme Record Date; and

(ii) in all other cases, registrable transmission applications or transfers in respect of that dealing are received on or before the Share Scheme Record Date at the WMC Share Registry.

WMC will not recognise for the purpose of determining an entitlement under the Capital Reduction, the Share Scheme Dividend or the Share Scheme any transmission application or transfer in respect of WMC Shares if received after the Share Scheme Record Date.

(c) What will ADR holders receive?

If the Share Scheme becomes effective, ADR holders will receive one WMC Resources ADR for each WMC ADR. WMC ADRs will trade as Alumina Limited ADRs if the Demerger is implemented.

5.1.4 Provision of Share Scheme Consideration

On the Demerger Date, WMC will transfer one WMC Resources Share to each Eligible WMC Shareholder in respect of each WMC Share registered in the name of that WMC Shareholder in the WMC Share Register at the Share Scheme Record Date, in accordance with the provisions of the Share Scheme. Ineligible Overseas Shareholders will receive cash in accordance with the mechanism described in Section 5.1.5.

Eligible WMC Shareholders will have their names and addresses entered in the WMC Resources Share Register on the Demerger Date. In the case of joint holdings, the names and addresses will be entered in the WMC Resources Share Register in the same order as they were entered in the WMC Share Register as at the Share Scheme Record Date.

Except for a WMC Shareholder's tax file number, any binding instruction or notification between a WMC Shareholder and WMC at the Share Scheme Record Date relating to the shareholder's WMC Shares (including, without limitation, any instructions relating to the payment of dividends or to communications from WMC) will, from the Share Scheme Record Date, be deemed to be a similarly binding instruction or notification to and accepted by WMC Resources in respect of the WMC Resources Shares transferred to the WMC Shareholder under the Demerger, until that instruction or notification is revoked or amended in writing addressed to WMC Resources at the WMC Resources Share Registry.

5.1.5 Treatment of foreign holders

(a) Who is an Ineligible Overseas Shareholder?

A WMC Shareholder is likely to be an Ineligible Overseas Shareholder if that WMC Shareholder's Registered Address at the Share Scheme Record Date is outside Australia and its external territories, New Zealand, the United Kingdom, the US, Singapore, Hong Kong, Switzerland and Germany.

This is because WMC is not satisfied that the full implementation of the Share Scheme in respect of that WMC Shareholder and the transfer of WMC Resources Shares to that WMC Shareholder under the Demerger are not prohibited, not unduly onerous and not unduly impractical in the jurisdiction in which their Registered Address is located.

(b) Treatment of Ineligible Overseas Shareholders

Ineligible Overseas Shareholders' entitlement (in that capacity) to the transfer of WMC Resources Shares under the Demerger will be satisfied by those WMC Resources Shares being sold by the Sale Agent on behalf of the Ineligible Overseas Shareholders. This is likely to occur within 20 Business Days of the Demerger Date.

Ineligible Overseas Shareholders will receive from the Sale Agent an amount representing the average proceeds of sale (after deduction of any applicable brokerage and other selling costs, taxes and charges) of all of the WMC Resources Shares sold by the Sale Agent on behalf of Ineligible Overseas Shareholders. The Sale Agent will remit the proceeds of sale (minus expenses) by cheque. Cheques will be denominated, at WMC's election in Australian Dollars or, at WMC's election, the currency of the jurisdiction in which the Ineligible Overseas Shareholder is resident. If denominated in the currency of the jurisdiction in which the Ineligible Overseas Shareholder is resident, the Australian Dollars will be converted into that currency using the exchange rate prevailing at a date not more than 15 Business Days after the sale of the last of all Ineligible Overseas Shareholders' WMC Resources Shares. Cheques will be dispatched by ordinary mail to the Ineligible Overseas Shareholders at their Registered Address as soon as reasonably practicable.

5.2 Effects and elements of the Option Scheme

5.2.1 The effect of the Option Scheme

(a) Overall effect of the Option Scheme

If the Option Scheme receives the necessary approvals and is implemented, the effect on WMC Optionholders will be as follows:

- WMC Optionholders will continue to hold their WMC Options.
- Each WMC Option will become an Alumina Limited Option and will entitle the holder to subscribe for one Alumina Ltd Share.
- The exercise price and other terms of the Alumina Limited Options will be amended.
- WMC Optionholders will be granted one WMC Resources Option for each WMC Option they hold prior to the Demerger. Each WMC Resources Option will entitle the holder to subscribe for one WMC Resources Share.
- The aggregate exercise prices of the Alumina Limited Option and the WMC Resources Option will be equal to the exercise price of the WMC Option prior to the Demerger.
- The Alumina Limited Option and the WMC Resources Option will lapse at the same time as the WMC Option would have lapsed if the Demerger hadn't proceeded – being the earlier of five years after the Alumina Limited Option was issued (as a WMC Option) and 30 days (or two years, as applicable) after the WMC Optionholder ceases to be employed by the WMC Group, the WMC Resources Group or the Alumina Limited Group.

The Option Scheme has been designed to have the effect that the economic entitlements of WMC Optionholders prior to the Demerger are, to the extent possible, preserved after the Demerger is implemented. In doing so, the Option Scheme will produce an equitable outcome for both WMC Optionholders and WMC Shareholders – overall, after the Demerger and Option Scheme are implemented, the relative positions of WMC Shareholders and WMC Optionholders will be the same as they were prior to the Demerger.

A summary of WMC Options on issue is set out in Section 8.2.3.

On 13 August 2002, WMC announced that it had suspended future allotments of WMC Options to senior executives under the WMC ESS.

It should be noted that senior managers who already hold WMC Options will have a right and entitlement to participate in the Option Scheme, and therefore be granted WMC Resources Options, on the same terms as all other WMC Optionholders. The grant of WMC Resources Options to these senior managers will result from their existing holding of WMC Options and will not be a new allotment under the WMC ESS.

(b) Amending the terms of the WMC Options

So that WMC Options become Alumina Limited Options with the correct exercise price and period, the Option Scheme will make various amendments to the terms and conditions of the WMC Option Plans.

Exercise price: Under the Option Scheme, the terms and conditions of the WMC Option Plans will be amended so that an Alumina Limited Option has an exercise price less than the exercise price of the corresponding WMC Option prior to the Demerger. This reduced exercise price will be proportionate to the market value of the assets distributed to WMC Shareholders – in the form of WMC Resources Shares – under the Demerger.

The exercise price of an Alumina Limited Option will be determined by reference to the exercise price of the corresponding WMC Option prior to the Demerger and the volume weighted average price (VWAP) of WMC Resources Shares and Alumina Limited Shares sold on the ASX over the first five days of trading on the ASX commencing on the Listing Date, in accordance with the following formula:

$$\text{Alumina Limited Option Exercise Price} = \text{Pre-Demerger WMC Option Exercise Price} \times \frac{\text{Alumina Limited VWAP}}{(\text{Alumina Limited VWAP} + \text{WMC Resources VWAP})}$$

Example:

If after the Demerger, the VWAP of WMC Resources Shares was A$3.00 and that of Alumina Limited Shares was A$5.00, a WMC Option with a pre-Demerger exercise price of A$4.91 would become an Alumina Limited Option with an exercise price determined as follows:

$$\text{Alumina Limited Option} = \text{A\$4.91} \times \frac{(\text{A\$5.00})}{(\text{A\$5.00} + \text{A\$3.00})} = \text{A\$3.07}$$

The exercise price of the Alumina Limited Option would be $3.07.

Based on the same VWAPs:

- *a WMC Option with a pre-Demerger exercise price of A$4.88 would become an Alumina Limited Option with an exercise price of A$3.05;*
- *a WMC Option with a pre-Demerger exercise price of A$8.42 would become an Alumina Limited Option with an exercise price of A$5.26;*
- *a WMC Option with a pre-Demerger exercise price of A$7.52 would become an Alumina Limited Option with an exercise price of A$4.70; and*
- *a WMC Option with a pre-Demerger exercise price of A$9.35 would become an Alumina Limited Option with an exercise price of A$5.84.*

The example above is for illustrative purposes only, and the VWAPs stated should not be taken as an indication of the likely VWAPs for Alumina Limited Shares and WMC Resources Shares from the Listing Date. No assurance can be, or is, given as to the prices at which Alumina Limited Shares and WMC Resources Shares will trade from the Listing Date or post-Demerger, either in stand-alone or relative terms. See Section 4.5.1 for more details.

Preventing Alumina Limited Options lapsing early: Under the terms and conditions of each of the WMC Options Plans, a WMC Option will lapse on the first to occur of:

- the expiry of five years after the date they were granted; and
- the expiry of 30 days after the WMC Optionholder ceases to be employed by the WMC Group (except in the case of WMC Optionholders who cease to be employed by the WMC Group as a result of death, retrenchment or retirement or, in any case determined by the WMC Board in its discretion, sale or other transfer of any part of the business or assets of the WMC Group, in which case the WMC Option will lapse, subject to the paragraph above, two years after such cessation of employment).

As described in Section 8.1, nearly all of the current employees of the WMC Group are employed by WMC Resources or a company which will be a subsidiary of WMC Resources post Demerger. As such, for nearly all current employees of the WMC Group, the implementation of the Demerger will not result in the cessation or transfer of their employment.

However, as the WMC Resources Group will no longer be part of the WMC Group (which will then be the Alumina Limited Group), those employees will cease to be employees of the WMC Group for the purposes of the WMC Option Plans and therefore their WMC Options (which would become Alumina Limited Options) would lapse 30 days after the Demerger Date.

To prevent this occurring, under the Option Scheme the terms and conditions of each of the WMC Option Plans will be amended to provide that Alumina Limited Options will lapse 30 days (or two years, as applicable) after the WMC Optionholder ceases to be an employee of the Alumina Limited Group or the WMC Resources Group.

This will ensure that Alumina Limited Options will remain available to be exercised until their original lapsing date (ie for most Alumina Limited Options, five years after the WMC Option was issued), provided that post-Demerger the WMC Optionholder remains employed by either the WMC Resources Group or the Alumina Limited Group.

The amendments required: The amendments to be made to the terms and conditions of each of the WMC Option Plans are set out in full in Schedule 2 to the Option Scheme, contained in Section 15.4.

The need for WMC Shareholder approval: Under the terms of the WMC Option Plans, after a WMC Option has been granted, the WMC Board may not alter any of the terms relating to the WMC Option without the approval of WMC Shareholders by special resolution.

Accordingly, the amendments to be made to the terms and conditions of the WMC Option Plans under the Option Scheme may only be made with the approval of the WMC Shareholders by special resolution.

For this reason, WMC Shareholders will vote on the WMC Option Plan Resolution at the General Meeting. If the WMC Option Plan Resolution is not approved as a special resolution, the Option Scheme will not become effective.

(c) Grant of WMC Resources Options

Under the Option Scheme, WMC Resources will grant each WMC Optionholder one WMC Resources Option for each WMC Option they hold at the Option Scheme Record Date.

Each WMC Resources Option will entitle the holder to subscribe for one WMC Resources Share.

To the extent practicable, the terms and conditions attaching to the WMC Resources Options will mirror the terms and conditions of the WMC Option Plans, but will incorporate such amendments as are necessary to reflect the varying exercise periods and exercise prices of the WMC Resources Options.

The two primary variants in the terms of the WMC Resources Options will be:

- their exercise price; and
- the period during which they may be exercised.

Exercise price: The exercise price of a WMC Resources Option will be determined by reference to the pre-Demerger exercise price of the WMC Option (which becomes an Alumina Limited Option) in respect of which the WMC Resources Option was granted and the VWAP of WMC Resources Shares and Alumina Limited Shares sold on the ASX over the first five days of trading on the ASX commencing on the Listing Date, in accordance with the following formula:

$$\text{WMC Resources Option Exercise Price} = \text{WMC Option Pre-Demerger Exercise Price} \times \frac{\text{WMC Resources VWAP}}{(\text{Alumina Limited VWAP} + \text{WMC Resources VWAP})}$$

Example:
If after the Demerger, the VWAP of WMC Resources Shares was A\$3.00 and that of Alumina Limited Shares was A\$5.00, a WMC Resources Option granted in respect of a WMC Option with a pre-Demerger exercise price of A\$4.91 would have its exercise price calculated as follows:

$$\text{WMC Resources Option Exercise Price} = \text{A\$4.91} \times \frac{(\text{A\$3.00})}{(\text{A\$5.00} + \text{A\$3.00})} = \text{A\$1.84}$$

The exercise price of the WMC Resources Option would be A\$1.84.

Based on the same VWAPs:

- *a WMC Resources Option granted in respect of a WMC Option with a pre-Demerger exercise price of A\$4.88 would have an exercise price of A\$1.83;*
- *a WMC Resources Option granted in respect of a WMC Option with a pre-Demerger exercise price of A\$8.42 would have an exercise price of A\$3.16;*
- *a WMC Resources Option granted in respect of a WMC Option with a pre-Demerger exercise price of A\$7.52 would have an exercise price of A\$2.82; and*
- *a WMC Resources Option granted in respect of a WMC Option with a pre-Demerger exercise price of A\$9.35 would have an exercise price of A\$3.51.*

The example above is for illustrative purposes only, and the VWAPs stated should not be taken as an indication of the likely VWAPs for Alumina Limited Shares and WMC Resources Shares from the Listing Date. No assurance can be, or is, given as to the prices at which Alumina Limited Shares and WMC Resources Shares will trade from the Listing Date or post-Demerger, either in stand-alone or relative terms. See Section 4.5.1 for more details.

Period of exercise: The period during which a WMC Resources Option will be able to be exercised will be the same as the remaining exercise period of the WMC Option (which becomes an Alumina Limited Option) in respect of which the WMC Resources Option is granted.

Example:
If at the Option Scheme Record Date a WMC Optionholder holds 100 WMC Options which expire on 21 December 2003 and 50 WMC Options which expire on 20 December 2004, WMC Resources will grant that WMC Optionholder:

- *100 WMC Resources Options which expire on 21 December 2003; and*
- *50 WMC Resources Options which expire on 20 December 2004.*

Similarly, a WMC Resources Option not exercised will lapse on the same date on which the WMC Option (which becomes an Alumina Limited Option) in respect of which the WMC Resources Option was granted lapses.

Example:
If at the Option Scheme Record Date a WMC Optionholder holds 100 WMC Options which expire on 21 December 2003. If on 1 July 2003 that WMC Optionholder resigns from their employment in the WMC Resources Group, then:

- *the 100 WMC Options (which will then be Alumina Limited Options) will lapse on 31 July 2003 if not exercised before that date; and*
- *the 100 WMC Resources Option granted in respect of those 100 WMC Options will lapse on 31 July 2003 if not exercised before that date.*

The detailed terms and conditions: The detailed terms and conditions that will apply to the WMC Resources Options are set out in full in Schedule 3 to the Option Scheme, contained in Section 15.4.

5.2.2 Key steps in implementing the Option Scheme

The Option Scheme involves a number of elements including the key steps outlined below:

(a) The WMC Optionholders will vote at the Option Scheme Meeting on the Option Scheme.

(b) Provided that:

(i) the Share Scheme is approved at the Share Scheme Meeting;

(ii) the Capital Reduction Resolution, each Ancillary Demerger Resolution and the WMC Option Plan Resolution are approved at the General Meeting; and

(iii) the Option Scheme is approved at the Option Scheme Meeting,

WMC will apply to the Court for approval of the Option Scheme at the same time as it applies for approval of the Share Scheme. The Court hearing is expected to be held on 2 December 2002.

(c) If the Option Scheme is approved, WMC will lodge an office copy of the Court order approving the Option Scheme with ASIC at the same time as it lodges a copy of the Court order approving the Share Scheme (ie the Effective Date). This is expected to occur on 2 December 2002.

(d) WMC Optionholders will temporarily cease to be able to exercise their WMC Options from 3.00 pm on the Business Day immediately after the Effective Date (the **Exercise Deadline**). This is expected to occur on 3 December 2002.

(e) At 9.00 am on the Business Day immediately after the Demerger Date (the **Option Scheme Implementation Date**) – expected to be 12 December 2002 – the following events will occur in the following order:
   (i) the terms and conditions of the WMC Options Plans will be amended; and
   (ii) WMC Resources will grant to each WMC Optionholder one WMC Resources Option for each WMC Option they held at the Option Scheme Record Date.

(f) From 9.15 am on the Option Scheme Implementation Date, Alumina Limited Options and WMC Resources Options will be able to be exercised in accordance with their terms and conditions.

5.2.3 Option Scheme outcome

(a) What will be the position of WMC Optionholders after the Demerger?

If the Option Scheme is implemented, each WMC Optionholder will hold:

- one Alumina Limited Option; and
- one WMC Resources Option,

for each WMC Option they hold at the Option Scheme Record Date.

(b) Who will participate in the Option Scheme?

Only those WMC Optionholders who hold WMC Options at the Option Scheme Record Date – expected to be 5.00 pm on 5 December 2002 – will participate in the Option Scheme. WMC Options exercised prior to that date will not participate.

(c) Suspension of rights to exercise WMC Options

The rights of WMC Optionholders to exercise their WMC Options will be suspended while the Demerger and the Option Scheme are being implemented.

WMC will not accept any notice of exercise of a WMC Option received:

- after the Exercise Deadline; or
- by the Exercise Deadline, but not in accordance with the terms and conditions of the WMC Option Plan pursuant to which the WMC Option was granted.

From 9.15 am on the Option Scheme Implementation Date, WMC Optionholders will be able to exercise their Alumina Limited Options and WMC Resources Options in accordance with their terms and conditions.

5.3 Meetings

5.3.1 Scheme Meetings

On 28 October 2002, the Court ordered that a meeting of the holders of WMC Shares and a separate meeting of the holders of WMC Options be convened to consider and, if thought fit, to approve the Share Scheme and the Option Scheme respectively, with or without amendment or modification. The Scheme Meetings are to be held at the Carlton Crest Hotel, 65 Queens Road, Melbourne, Australia on 29 November 2002.

The orders of the Court to convene the Scheme Meetings are not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Schemes.

(a) Share Scheme

WMC Shareholders will be asked to approve the Share Scheme at the Share Scheme Meeting which will commence at 10.30 am on 29 November 2002.

The Share Scheme will be approved by WMC Shareholders if a majority in number of WMC Shareholders present and voting at the Share Scheme Meeting (in person, by proxy, by attorney or, in the case of corporate shareholders, by corporate representative), holding at least 75% of the total number of WMC Shares voted at the Share Scheme Meeting, vote in favour of the Share Scheme.

If the Share Scheme is approved at the Share Scheme Meeting, the Share Scheme will be binding on all WMC Shareholders (including those who voted against the resolution to approve the Share Scheme or did not vote at all) and on WMC if and only if:

- the Capital Reduction Resolution and each Ancillary Demerger Resolution are approved by the requisite majorities of WMC Shareholders;

- the ASX grants approval for the admission of WMC Resources to the official list of the ASX and the quotation of WMC Resources Shares on the stock market conducted by the ASX;
- it is approved by the Court;
- an office copy of the Court order approving the Share Scheme is lodged with ASIC; and
- if the Court orders that the Share Scheme be subject to additional conditions which WMC considers acceptable, those conditions are satisfied.

(b) Option Scheme
WMC Optionholders will be asked to approve the Option Scheme at the Option Scheme Meeting, which is to be held at 11.30 am on 29 November 2002, or as soon after that time as the General Meeting has concluded or been adjourned. The Option Scheme is conditional on the Share Scheme becoming effective (as described in Section 4.7.1).

The Option Scheme will be approved by WMC Optionholders if a majority in number of WMC Optionholders present and voting at the Option Scheme Meeting (in person or by proxy), and holding at least 75%, by value, of the WMC Options voted at the meeting, vote in favour of the Option Scheme.

If the Option Scheme is approved by WMC Optionholders at the Option Scheme Meeting, the Option Scheme will be binding on all WMC Optionholders (including those who voted against the resolution to approve the Option Scheme or did not vote at all) and on WMC if and only if all other conditions to the Option Scheme (including approval of the Share Scheme by WMC Shareholders and the Court and approval of the WMC Option Plan Resolution by WMC Shareholders at the General Meeting) are satisfied.

5.3.2 General Meeting
The General Meeting will be held at 11.00 am on 29 November 2002, or as soon after that time as the Share Scheme Meeting has concluded or been adjourned.

(a) Resolutions required to implement the Demerger
At the General Meeting, WMC Shareholders will be asked to consider and, if thought fit, to approve the Capital Reduction Resolution and each Ancillary Demerger Resolution (ie the Name Change Resolution and the Director's Deed Resolution), in addition to the resolutions discussed in Sections 5.3.2(b) and 5.3.2(c). Implementation of the Demerger is conditional on each of the Capital Reduction Resolution and each Ancillary Demerger Resolution being approved.

The Capital Reduction Resolution must be approved so that the Reduction Amount, together with the Share Scheme Dividend, can be applied, on each WMC Shareholder's behalf, to acquire one WMC Resources Share for each WMC Share (then to be known as an Alumina Limited Share) held at the Share Scheme Record Date.

The Name Change Resolution must be approved to change WMC's name to 'Alumina Limited'. As explained in the explanatory notes to the notice convening the General Meeting in Section 16, this change of name will reflect the change in focus of WMC's activities as a result of, and will allow WMC Resources to continue to utilise the 'WMC' name following, the implementation of the Demerger.

The Director's Deed Resolution must be approved to approve the entry into, and performance of, the Director's Deeds.

In summary, the Director's Deeds provide, to the extent permitted by law:

- an ongoing indemnity to the recipient for liability incurred in connection with being a WMC Director or WMC Resources Director (as relevant), including Demerger related liability;
- for the recipient's access to the relevant company's documents relating to their period as a director of that company; and
- for the maintenance of director's and officer's insurance policies by WMC and WMC Resources (as relevant) for the benefit of the recipient in respect of liability incurred in connection with being a WMC Director or WMC Resources Director (as relevant), including Demerger related liability.

Each of the Director's Deeds is of a type that is now common for listed companies. The terms of the Director's Deeds are more fully described in the explanatory notes to the notice convening the General Meeting in Section 16, and a copy of the proposed form of the Director's Deeds can be inspected in accordance with the procedure set out in Section 10.21.

The Capital Reduction Resolution and the Director's Deed Resolution require the approval of a majority of votes cast by WMC Shareholders present and voting at the General Meeting, whether in person, by proxy, by attorney, or, in the case of corporate shareholders, by corporate representative. The Name Change Resolution requires the approval of 75% of the votes cast by WMC Shareholders present and voting at the General Meeting, whether in person, by proxy, by attorney or, in the case of corporate shareholders, by corporate representative.

(b) WMC Option Plan Resolution
In addition to the Capital Reduction Resolution and each Ancillary Demerger Resolution, at the General Meeting WMC Shareholders will also be asked to consider and, if thought fit, to approve the WMC Option Plan Resolution.

The WMC Option Plan Resolution must be approved so that the proposed amendments to the terms of the WMC Option

Plans under the Option Scheme, described in Section 5.2, can be made. The amendments to the WMC Option Plans avoid the value of WMC Options being diminished as a result of the Demerger by, in effect, preserving the economic entitlements of WMC Optionholders. The amendments produce an equitable outcome for both WMC Optionholders and WMC Shareholders.

The WMC Board recommends that WMC Shareholders approve the amendments so that WMC Optionholders – who are either current or former employees of the WMC Group – are treated fairly in the context of the Demerger, and in a manner that is comparable to the treatment of WMC Shareholders under the Demerger.

The WMC Board believes that the amendments to the WMC Option Plans enable those plans to continue to provide an appropriate incentive for employees post-Demerger.

Entitlements under the Option Scheme are determined on the basis of a WMC Optionholder's existing holding of WMC Options and do not involve the issue of additional WMC Options.

Details of the amendments to the WMC Option Plans, and the Option Scheme generally, are contained in Section 5.2. Details of the impact of the Demerger on WMC Optionholders if WMC Shareholders do not approve the amendments are contained in Section 4.7.4. The WMC Option Plan Resolution requires the approval of 75% of the votes cast by WMC Shareholders present and voting at the General Meeting, whether in person, by proxy, by attorney or, in the case of corporate shareholders, by corporate representative.

(c) Other resolutions proposed at the General Meeting
In addition to the resolutions discussed above, at the General Meeting WMC Shareholders will also be asked to consider and, if thought fit, to approve other resolutions set out and explained in the notice convening the General Meeting in Section 16.

5.3.3 Entitlement to attend and vote at the Meetings

(a) Share Scheme Meeting and General Meeting
Each WMC Shareholder who is registered the WMC Share Register as the holder of a WMC Share at the Voting Record Date (7.00 pm on 27 November 2002) is entitled to attend and vote, either in person, by proxy, by attorney or, in the case of corporate shareholders, by corporate representative, at the Share Scheme Meeting and the General Meeting.

(b) Option Scheme Meeting
Each WMC Optionholder who is registered in the WMC Option Register as the holder of a WMC Option at the Voting Record Date is entitled to attend and vote, either in person or by proxy, at the Option Scheme Meeting.

5.3.4 How to vote at the Meetings

A WMC Shareholder who is entitled to and who wishes to vote at the Share Scheme Meeting and the General Meeting, may vote in person or by proxy, by attorney or, in the case of corporate shareholders, by corporate representative. A WMC Optionholder who is entitled to and who wishes to vote at the Option Scheme Meeting, may vote in person or by proxy. A summary of each voting procedure is provided in this Section 5.3.4. Further information on how to vote is provided in the voting notes to the notices convening the Meetings in Section 16, and the proxy forms relating to the Meetings.

(a) Voting by proxy

(i) WMC Shareholders
A holder of WMC Shares who wishes to appoint a proxy in respect of the Share Scheme Meeting or the General Meeting must complete and sign the blue proxy form accompanying this Scheme Booklet and send it to the WMC Share Registry or the WMC Registered Office, in accordance with the directions on the back of the proxy form, either in the return addressed envelope provided or by following the procedure set out on the back of the proxy form. The proxy form must be received no later than the Voting Record Date.

The appointment of a proxy will not preclude any WMC Shareholder from attending in person, revoking a proxy or voting at a meeting at which the WMC Shareholder is entitled to attend and vote in person.

(ii) WMC Optionholders
A holder of WMC Options who wishes to appoint a proxy in respect of the Option Scheme Meeting must complete and sign the gold proxy form accompanying this Scheme Booklet and send it to the WMC Share Registry, in accordance with the directions on the back of the proxy form, either in the return addressed envelope provided or by following the procedure set out on the back of the proxy form. The proxy form must be received no later than the Voting Record Date.

The appointment of a proxy will not preclude any WMC Optionholder from attending in person, revoking a proxy or voting at the Option Scheme Meeting (provided that the WMC Optionholder is entitled to attend and vote in person at the Option Scheme Meeting).

(iii) WMC's ADR holders
Holders of ADRs are entitled, under the ADR deposit agreement between WMC and the Depositary, to vote on the Share Scheme, the Capital Reduction Resolution and each Ancillary Demerger Resolution (as well as each other resolution to be voted on at the General Meeting). These voting rights are exercised by the Depositary, which is the record owner of the WMC Shares, on behalf of ADR holders, the beneficial holders of the WMC Shares.

ADR holders may provide voting instructions to the Depositary, which will vote the WMC Shares underlying the ADSs. Such instructions must be received by the Depositary, by mail or by facsimile, prior to 21 November 2002. ADR holders who wish to change or revoke an instruction must do so by contacting the Depositary. No assurance can be given that the Depositary will be able to accommodate a change or revocation after 19 November 2002. WMC Shares for which no voting instructions are received from the Depositary will not be voted.

(b) Voting by attorney

WMC Shareholders may appoint an attorney to attend and vote at the Share Scheme Meeting and the General Meeting on their behalf.

A WMC Shareholder's Power of Attorney appointing an attorney in respect of a Meeting must be duly executed and specify the name of the shareholder, the company (WMC) and the attorney, and also specify the relevant Meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the Power of Attorney must be received by WMC or the Share Registry by the Voting Record Date and in the same manner as outlined for proxy forms in the voting notes to the notices convening the Meetings in Section 16.

WMC Optionholders are not permitted to appoint an attorney to attend and vote at the Option Scheme Meeting on their behalf.

(c) Voting in person or by corporate representative

Any WMC Shareholder or WMC Optionholder who wishes to vote in person at any Meeting at which that holder is entitled to attend and vote should attend and bring the letter accompanying this Scheme Booklet and the proxy forms to facilitate admission to the relevant Meeting. A WMC Shareholder that is a corporation and wishes to appoint a representative to attend the Share Scheme Meeting or the General Meeting on its behalf, should ensure that each representative can provide appropriate evidence of their appointment when seeking admission to the relevant Meeting. The voting notes to the notices convening the Meetings in Section 16 set out the evidence required by WMC. Holders of ADRs are not entitled to attend the Meetings by virtue of such ownership but may provide voting instructions to the Depositary, which will vote the WMC Shares underlying the ADSs which the ADRs represent (see Section 5.3.4(a)(iii)).

5.4 Trading in WMC Shares, Alumina Limited Shares and WMC Resources Shares

5.4.1 Trading of WMC Shares

WMC Shares are expected to continue to trade under that name on the ASX until the close of business on 3 December 2002 on a cum-entitlement basis, ie acquirers of cum-entitlement shares will be eligible to participate in the Demerger, provided they remain on the WMC Share Register at the Share Scheme Record Date. WMC expects that, on the Listing Date (expected to be 4 December 2002), these shares will commence trading under the name 'Alumina Limited' and on an ex-entitlement basis, ie acquirers of ex-entitlement shares will not be eligible to receive WMC Resources Shares pursuant to, or otherwise participate in, the Demerger.

WMC has lodged an application to delist WMC Shares from the Frankfurt Stock Exchange. It is anticipated the WMC Shares will be delisted from the exchange in early 2003.

5.4.2 Quotation of WMC Resources Shares

On or about the date of this Scheme Booklet, an application will be made for admission of WMC Resources to the ASX's official list and for official quotation of WMC Resources Shares on the stock market conducted by the ASX. An application will also be made to the NYSE to list WMC Resources Shares on the NYSE in the form of ADRs.

WMC expects WMC Resources Shares to commence trading on the ASX (initially on a deferred settlement basis) on 4 December 2002. It is anticipated that trading in WMC Resources Shares will be on a deferred settlement basis until close of business on 18 December 2002. This means that, for a period, trading in WMC Resources Shares will take place before the Share Scheme Record Date for determining entitlements to WMC Resources Shares and, therefore, before those shares are transferred to Eligible WMC Shareholders on the Demerger Date. During this period, shareholders will effectively be trading their rights to receive WMC Resources Shares.

Trading in WMC Resources Shares is expected to commence on 19 December 2002 on a normal settlement basis. Settlement of deferred settlement trades of WMC Resources Shares is expected to occur on 24 December 2002.

It is the responsibility of each WMC Shareholder to confirm their entitlements to WMC Resources Shares prior to undertaking any trading in them to avoid the risk of selling WMC Resources Shares that they do not own. **If you sell your WMC Resources Shares without receiving confirmation of your entitlement, you do so at your own risk.** WMC and WMC Resources disclaim all liability, in negligence or otherwise, to any person who trades WMC

Resources Shares before receiving their holding statement, whether on the basis of confirmation of entitlement provided by WMC or otherwise. From the date on which WMC Resources Shares commence trading on a deferred settlement basis on the ASX. WMC Shareholders can call WMC's information line on 1800 301 080, toll free, if within Australia, or +61 (0)3 9611 5070 if outside Australia to seek further information regarding their entitlements under the Share Scheme to WMC Resources Shares.

5.4.3 Distribution of holding statements to WMC Shareholders for WMC Resources Shares

Holding statements for WMC Resources Shares transferred to Eligible WMC Shareholders under the Share Scheme will be sent by prepaid post or courier delivery to their Registered Address (unless the Eligible WMC Shareholder has directed otherwise). In the case of joint holdings, any holding statement for WMC Resources Shares will be forwarded to the address which appears first in the WMC Share Register.

The holding statements for WMC Resources Shares will be dispatched as soon as practicable after the Demerger Date. It is expected that this will occur on 18 December 2002.

5.4.4 Distribution of statements to WMC Optionholders for Alumina Limited Options and WMC Resources Options

Statements showing a WMC Optionholder's holding of Alumina Limited Options, including their exercise price, will be sent by prepaid post or courier delivery to the registered address of the WMC Optionholder in the WMC Option Register (unless the WMC Optionholder has directed otherwise).

Statements showing a WMC Optionholder's holding of WMC Resources Options, including their exercise price, will be sent by prepaid post or courier delivery to the registered address of the WMC Optionholder in the WMC Resources Option Register (unless the WMC Optionholder has directed otherwise).

The statements will be dispatched as soon as practicable after the Option Scheme Implementation Date.

5.5 Separation and restructuring matters

If the Demerger is implemented, Alumina Limited and WMC Resources will operate independently of one another as separately listed companies and neither of them will hold shares in the other.

The fundamental principle of the separation of WMC Resources and Alumina Limited is that, following the Demerger, WMC Resources will have the entire economic benefit, risk and liabilities of all the WMC Resources businesses, companies and assets. Alumina Limited will continue to have the entire economic benefit, risk and liabilities of its companies and assets following the Demerger.

The creation of the two independent companies requires a number of structural changes to occur within the WMC Group and various other arrangements to be put in place. These changes have been determined while the underlying interests of WMC Resources are under the ownership of WMC and, although not negotiated as independent arm's length transactions, are intended to be on appropriate commercial terms.

Any business arrangements between Alumina Limited and WMC Resources entered into after the Demerger Date will be on independent arm's length terms.

5.5.1 Internal restructuring

WMC Resources is currently a wholly owned subsidiary of WMC and has been a public company since its incorporation in 1933.

So that WMC Resources holds all of WMC's non-AWAC assets at the time of the Demerger, a number of share transfers within the WMC Group will take place on or before the Demerger Date (referred to in Section 5.1.2(j)(i)). All of the shares will be transferred between WMC Group companies in return for the issue of shares in the relevant transferee company or for cash consideration and, for accounting purposes, at their fair value in accordance with A GAAP. As part of these internal transfers, WMC will transfer all of the shares held by it in ODC, Fertilizers, WMC Finance, WMC Finance (USA) and WMC Resources International Pty Ltd (which holds WMC's non-AWAC offshore interests) to WMC Resources on or prior to the Demerger Date.

WMC has received advice from its external taxation advisers that WMC is unlikely to incur any Australian income tax liability as a result of these share transfers (see Section 4.6.4), although, as referred to in Section 4.4.2, estimated stamp duty of A$23.7 million will be incurred.

Also prior to the Demerger Date, inter-company debts between Alumina Limited Group companies and WMC Resources Group companies will be settled by converting the relevant net amount owing to equity.

5.5.2 Separation

As described in Section 5.1.2, WMC Resources Shares will be transferred to Eligible WMC Shareholders in return for the Reduction Amount and the Share Scheme Dividend. Together, the Reduction Amount and the Share Scheme Dividend represents what WMC's carrying value of its investment in WMC Resources would have been had the internal transfers and other pre-Demerger capital transactions occurred on 30 June 2002.

5.5.3 Management restructuring

The board and management of each of Alumina Limited and WMC Resources will be as set out in Sections 6.4 and 7.10 respectively.

5.5.4 Financial restructuring

(a) Borrowings

As at 30 September 2002, the WMC Group had debt of approximately A$533.5 million, and US$800 million, comprised as follows:

BORROWINGS	MATURING	VALUE
Short-term commercial paper	October – November 2002	A$453.5 million
Drawn bank debt	November 2002	A$80 million
Total		**A$533.5 million**
Notes	November 2003	US$250 million
Notes	December 2006	US$200 million
Debentures	November 2013	US$150 million
Debentures	December 2026	US$200 million
Total		**US$800 million**

The Notes and Debentures are referred to below as the 'US debt securities'. The borrowing entities, WMC Finance and WMC Finance (USA), are wholly owned subsidiaries of, and their debt obligations are guaranteed by, WMC. Virtually all of WMC's existing debt has been borrowed since 1993 to fund the operational expenditure of entities that will be part of the WMC Resources Group post-Demerger. As part of the Demerger:

- Alumina Limited will be effectively allocated A$600 million of WMC's existing debt; and
- the remainder of WMC's existing debt will be assumed by WMC Resources when it acquires the borrowing subsidiaries from WMC on or before the Demerger Date.

In order to effect the allocation of debt to Alumina Limited referred to above, as part of the restructuring that will occur immediately prior to the Demerger WMC will establish new facilities under which it will have access to up to A$700 million (the **Alumina Limited Loan Facility**). A$600 million will be drawn down and used to subscribe for additional equity in WMC Resources. WMC Resources will use these funds to reduce the debt that it assumes when it acquires the borrowing subsidiaries from WMC. Alumina Limited will transfer all of the WMC Resources Shares subscribed for to the WMC Shareholders in implementing the Demerger such that Alumina Limited will not hold any WMC Resources Shares after the Demerger. Further details of the Alumina Limited Loan Facility are set out in Section 5.5.4(a)(ii). This structure has been adopted so as to provide appropriate and prudent respective capital structures of the two demerged entities.

(i) WMC Resources Loan Facility

Prior to the Demerger Date, WMC will put in place, through its wholly owned subsidiary, WMC Finance, the WMC Resources Loan Facility in order to undertake the refinancing discussed in this Section 5.5.4. The WMC Resources Loan Facility is a US$1.1 billion loan note facility arranged and underwritten by Commonwealth Bank of Australia, Deutsche Bank, JP Morgan and Westpac Banking Corporation, as joint lead arrangers. Although the WMC Resources Loan Facility has not yet been entered into, WMC has obtained binding commitments from the lenders to arrange and underwrite the facility.

Initially the WMC Resources Loan Facility will be guaranteed by WMC, WMC Resources and certain other entities that will form part of the WMC Resources Group post-Demerger. Once the Demerger is implemented, the WMC Resources Loan Facility will relate solely to the WMC Resources Group, and WMC will cease to be a guarantor of the facility.

The WMC Resources Loan Facility has two components:

- a US$500 million 364 day term facility, which is intended to be refinanced by a medium to long-term debt capital markets issuance after the Demerger is implemented; and
- a US$600 million syndicated revolving facility with 364 day and three year tranches.

It is intended that the WMC Resources Loan Facility will be partly drawn upon prior to implementing the Demerger to fund the repayment of the commercial paper and bank debt referred to above and any portion of WMC's hedge book that is closed out, as discussed in Section 5.5.4(c).

A further draw-down will occur shortly after the Effective Date to repay the US debt securities repurchased under the tender offer, as detailed in Section 5.5.4(b).

The WMC Resources Loan Facility will contain market standard terms and conditions for facilities of this nature. The terms are summarised in Section 10.17.4.

(ii) Alumina Limited Loan Facility

The Alumina Limited Loan Facility comprises separate bi-lateral 364 day revolving facilities with a small group of major banks which together amount to A$700 million. It is intended that A$600 million will be drawn after the Effective Date to subscribe for additional equity in WMC Resources (as discussed in Section 5.5.4(a)), such equity to be transferred to WMC Shareholders as part of the Demerger. The facilities will contain market standard terms and conditions and comparable pricing for facilities of this nature for companies with an equivalent credit rating to that which Alumina Limited is assigned. However, if Alumina Limited receives a credit rating lower than BBB+, the parties have the right to renegotiate the facilities. If the credit rating assigned to Alumina Limited is lower than BBB, any bank may require the funds advanced by it to be repaid and cancel its facility. Although the Alumina Limited Loan Facility has not yet been entered into, WMC has obtained binding commitments from each of the lenders to arrange the facilities.

Once the Demerger is implemented, it is anticipated that the Alumina Limited Board will consider various alternatives as to how Alumina Limited's debt can be refinanced in a cost efficient manner.

(b) US debt securities

WMC Finance (USA), a wholly owned subsidiary of WMC, is the issuer of the US debt securities, which are guaranteed by WMC. On implementation of the Demerger, WMC Finance (USA) will become a wholly owned subsidiary of WMC Resources.

As part of the financial restructuring taking place to accommodate the Demerger, WMC Finance (USA) will:

- solicit consents from the holders of securities of each series clarifying that, under the Indenture for the relevant series of securities, the Demerger will amount to a transfer of WMC's properties and assets substantially as an entirety to WMC Resources (the Clarifiying Agreements) in return for the payment of a consent fee by WMC Finance (USA); and
- make conditional offers to purchase all of the securities outstanding in each of the four series.

The offers to purchase and the payment of the consent fee will be conditional upon, among other things:

- the Effective Date occurring (ie an office copy of the Court order approving the Share Scheme being lodged with ASIC); and
- for each series, the receipt of requisite consents from the holders of securities of that series to the Clarifying Amendments.

For any series of securities for which the requisite level of consents to the Clarifying Amendments is not obtained, the securities of that series will not be repurchased and will remain outstanding. However, WMC Resources will indemnify WMC (which will then be known as Alumina Limited) for any payment obligations that come due under WMC's (Alumina Limited's) guarantee obligations on the securities of any such series.

From implementation of the Demerger, each series of securities for which the requisite level of consents to the Clarifying Agreements is obtained will be guaranteed by WMC Resources rather than WMC (Alumina Limited), to the extent to which securities of that series remain outstanding. WMC cannot predict at this time what percentage of holders of the US debt securities will consent and tender in response to the conditional offers to purchase. The Share Scheme, however, is not conditional on the outcome of the conditional offers to purchase.

(c) Hedge book

WMC Finance, a wholly owned subsidiary of WMC, has undertaken hedging of US Dollar revenues that relate to the operations of the WMC Resources Group (as it will exist post-Demerger). These hedging contracts extend from 2002 to 2010. A summary of the hedging exposures as at 30 June 2002 is set out in Section 7.13.

It is intended that most of the contracts providing for these hedging exposures will be maintained by the WMC Resources Group after the Demerger. However, as obligations under the contracts are guaranteed by WMC, counterparties' consents to novate these guarantees to WMC Resources are currently being sought. The majority of hedging contract counterparties have agreed to novation of the guarantees. Where individual counterparties do not consent to the novation, novation of the underlying contracts to other counterparties will be sought, the cost of which to WMC Resources is not expected to be material, or the existing WMC guarantee will continue, as described in Section 5.5.4(d).

(d) Other existing obligations

Existing obligations of the WMC Group will, to the extent practicable, move to or remain with the demerged entity to which it relates, either Alumina Limited or WMC Resources. Where WMC currently guarantees the WMC Resources Group's obligations to a third party, that third party's consent to the replacement of WMC's guarantee with a guarantee or other form of substitute security from WMC Resources will be sought. In circumstances where it is not possible or practicable to replace a WMC guarantee, an indemnity will be provided to WMC by WMC Resources. These arrangements will be provided for under the Demerger Deed, which is described in more detail in Section 10.17.2.

5.5.5 Issued share capital and options

As at 30 September 2002, WMC had 1,112,432,443 WMC Shares and 23,609,920 WMC Options on issue. The number of WMC Shares on issue as at the Demerger Date will depend on the number of WMC Options exercised prior to that date, and the number of WMC Options on issue will depend on the number of options which are exercised or lapse prior to the Demerger Date. The Demerger will not affect the number of WMC Shares and WMC Options on issue at the Demerger Date (which will become Alumina Limited Shares and Alumina Limited Options respectively).

The number of WMC Resources Shares and, if the Option Scheme receives the necessary approvals, WMC Resources Options on issue following the Demerger will be the same as the number of WMC Shares and WMC Options on issue respectively, immediately prior to the Demerger Date.

5.5.6 Transitional and commercial agreements
Alumina Limited (as WMC will be known) and WMC Resources will enter into a number of arrangements to facilitate the Demerger and their subsequent ongoing operations, which will be principally provided for under the Demerger Deed and the Transitional Services Agreement, which are described in more detail in Sections 10.17.2 and 10.17.3 respectively.

5.5.7 Employee incentive plans
The impact of the Demerger on WMC's employee share scheme is described in Section 8.2.

5.5.8 Effective date for accounting purposes
For accounting purposes, Alumina Limited and WMC Resources will be treated as being demerged as from the Accounting Effective Date, which will be 30 November 2002 or such other date as may be agreed between Alumina Limited and WMC Resources, with the intention that it be the date of the closest month end preceding the Demerger Date.

5.6 Timetable and expiry date
An indicative timetable appears on page 3 of this Scheme Booklet under the heading 'Important times and dates'. The times and dates in the indicative timetable may change depending on a number of factors, some of which are outside the control of WMC (eg the timing of Court approval of the Schemes). In addition, WMC has the right to vary any or all of the times and dates in the timetable. WMC will announce any such variation to the ASX.

Once the Effective Date is confirmed, WMC will announce to the ASX the timetable for the balance of the Demerger implementation.

If the Effective Date does not occur by 30 April 2003 then the Schemes will lapse and WMC will continue to be a listed company holding both its interest in AWAC and its non-AWAC businesses.

ALUMINA
LIMITED

6. Information on Alumina Limited

6.1 Overview of Alumina Limited
6.1.1 Introduction
As a result of the Demerger, WMC will continue to operate and be listed on the ASX, but the company will be renamed 'Alumina Limited' and will have a significantly different profile. Alumina Limited will, therefore, effectively be a 'new', stand-alone listed Australian entity created as a result of the Demerger.

Alumina Limited's primary asset will be WMC's 40% interest in the series of operating entities forming AWAC (39.25% in the case of Alcoa of Australia). Alcoa will continue to hold the remaining 60% interest in AWAC. AWAC has interests in bauxite mining, alumina refining, alumina-based chemicals and two operating aluminium smelters. It is the largest producer of alumina worldwide, accounting for approximately 23% of the world's alumina production, with a significant proportion in the lowest production cost quartile based on industry estimates for 2001.

Alumina Limited will provide a direct investment opportunity in the world's largest alumina producer.

Alumina Limited will be an independently managed business which will pursue a business strategy designed to grow shareholder value. While the interest in AWAC will be Alumina Limited's primary asset, it is possible that Alumina Limited could, in the future and subject to the restrictions under the AWAC Agreements referred to in Section 6.2.9, pursue other opportunities, should the Alumina Limited Board consider this to be in the best interests of shareholders.

Further details on AWAC's businesses are outlined in Section 6.2.

6.1.2 Business strengths

Alumina Limited's principal business strength will be derived through the quality of the AWAC business, given that Alumina Limited's interest in AWAC will be its primary asset upon implementation of the Demerger. AWAC is a significant global business with:

- a history of strong revenues, profits, dividends and growth;
- large, long life bauxite reserves;
- leading market positions;
- low cost production;
- strong management;
- technological leadership;
- integrated operations; and
- strong future organic growth potential.

Further details of the strengths of the AWAC businesses are set out in Section 6.2.4.

In addition, having relatively modest debt and gearing and with the capability to generate large cash flows through its involvement in bauxite mining, alumina refining, alumina-based chemicals and aluminium smelting, Alumina Limited will be able to participate, subject to the restrictions under the AWAC Agreements referred to in Section 6.2.9, in other appropriate opportunities to grow shareholder returns if the Alumina Limited Board considers that to be in the best interests of shareholders.

6.1.3 Strategy

Initially, Alumina Limited's strategy will be to establish itself as a profitable, stand-alone entity post-implementation of the Demerger. Alumina Limited's strategy will be focused on growing shareholder value principally through ongoing participation in the AWAC businesses. It is also possible that Alumina Limited could seek to pursue opportunities outside of AWAC in the future, although it currently has no plans to do so. The pursuit of such opportunities would be subject to the restrictions under the AWAC Agreements referred to in Section 6.2.9.

The strategic direction and business of AWAC is managed by the Strategic Council, a five member body which is established under, and governed by, the AWAC Agreements. Three members of the Strategic Council are appointed by Alcoa, and two by WMC (Alumina Limited post-Demerger). Subject to the general direction of, and consistent with the decisions of the Strategic Council, Alcoa provides operational management to AWAC. WMC has provided active input into management in such areas as exploration and workplace arrangements.

FIGURE 1 ALUMINA LIMITED HISTORICAL FINANCIAL PERFORMANCE (A$ AND A GAAP)

	1999 Full Year	2000 Full Year	2001 Full Year	2002 1st Half
Equity share of profits after tax from AWAC	216.2	386.8	377.7	119.6
Pro forma results	193.7	366.8	356.6	110.1

FIGURE 2 AWAC HISTORICAL PRODUCTION (100%) AND LME ALUMINIUM PRICE

AWAC Production Performance	**1999 Full Year**	**2000 Full Year**	**2001 Full Year**	**2002 1st Half**
Alumina Production (million tonnes)	[illegible]	[illegible]	[illegible]	[illegible]
Aluminium Production ('000 tonnes)	311	344	373	185.2
LME Aluminium Price (US$/t)	1,363	1,549	1,443	1,368

FIGURE 3 AWAC HISTORICAL FINANCIAL PERFORMANCE (100%)

US GAAP (US$ million)

	1999 Full Year	**2000 Full Year**	**2001 Full Year**	**2002 1st Half**
EBIT				
Alumina	454.5	770.2	516.4	174.9
Aluminium metal	89.1	152.2	148.4	57.2
Chemicals	27.4	18.5	16.3	10.7
Other	(7.9)	(0.8)	(0.6)	20.0
Total EBIT	563.1	940.1	680.5	262.8

Figure 4 summarises the historical cash flow and debt position of the AWAC business from 1995 to 2001.

FIGURE 4 AWAC SUMMARY OF HISTORICAL CASH FLOW (US GAAP)

(US$ million)	1995	1996	1997	1998	1999	2000	2001	1995-2001
Cash flow								
Operating	482.2	527.9	896.2	499.0	622.6	846	574.7	4,448.6
Investing	(194.0)	(96.9)	(210.4)	(259.4)	(236.9)	(239.2)	(111.5)	(1,348.0)
Available cash flow	288.2	431.0	685.8	239.6	385.7	606.8	463.2	3,100.3
Financing								
Net debt (proceeds/repayments)	(27.6)	(35.1)	144.3	33.0	(38.6)	(193.6)	60.6	(57.0)
Dividends and capital returns	(267.9)	(393.1)	(766.9)	(401.1)	(306.8)	(437.3)	(542.2)	(3,115.3)
Effect of exchange rate changes on cash	(3.4)	8.5	(11.1)	(1.5)	0.7	(2.2)	(1.5)	(10.5)
Debt outstanding	(213.4)	(189.5)	(286.8)	(327.2)	(307.4)	(70.0)	(121.9)	-
Cash on hand	170.0	181.3	233.4	103.4	144.4	118.1	98.2	-
Net debt	(43.4)	(8.2)	(53.4)	(223.8)	(163.0)	48.1	(23.7)	-
Equity	2,463.5	2,561.3	1,941.3	1,961.5	2,098.1	2,087.4	1,749.3	N/A
Debt to equity (%)	2	0	3	11	8	N/A	1	N/A

AWAC offers Alumina Limited significant sustainable growth through exposure to global alumina opportunities, expert management and progressive technology.

A summary of AWAC's business strategies is set out in Section 6.2.3.

6.1.4 Summary pro forma financial information

Detailed pro forma financial information for the Alumina Limited Group is included in Section 6.6.

Figure 1 summarises certain pro forma historical financial information for the Alumina Limited Group for the years ended 31 December 1999, 2000 and 2001 as if Alumina Limited had been separately preparing its results. The pro forma historical financial results have been adjusted in each year to exclude non-recurring costs. The pro forma historical results do not purport to represent what the actual results of operations would have been if Alumina Limited had been operating on a stand-alone basis for each of the financial years presented or to project, or to be used as a basis for projecting, Alumina Limited's results for any future period. The historical financial information in Figures 1, 2 and 3 has been prepared for illustrative purposes and should be read in conjunction with the factors outlined in Section 6.6.2(a)(i) to understand the bases, assumptions and limitations underlying the historical information presented.

WMC's interest in AWAC has historically been accounted for under the equity method. Figures 2 and 3 summarise certain production and historical financial information of 100% of AWAC for the years ended 31 December 1999, 2000 and 2001 under US GAAP and in US Dollars in order to provide readers with a more detailed understanding of Alumina Limited's investment in AWAC. Detailed historical and forecast financial information for AWAC is also included in Section 6.6.

6.2 AWAC

6.2.1 Industry and market background

(a) Introduction

(i) Bauxite

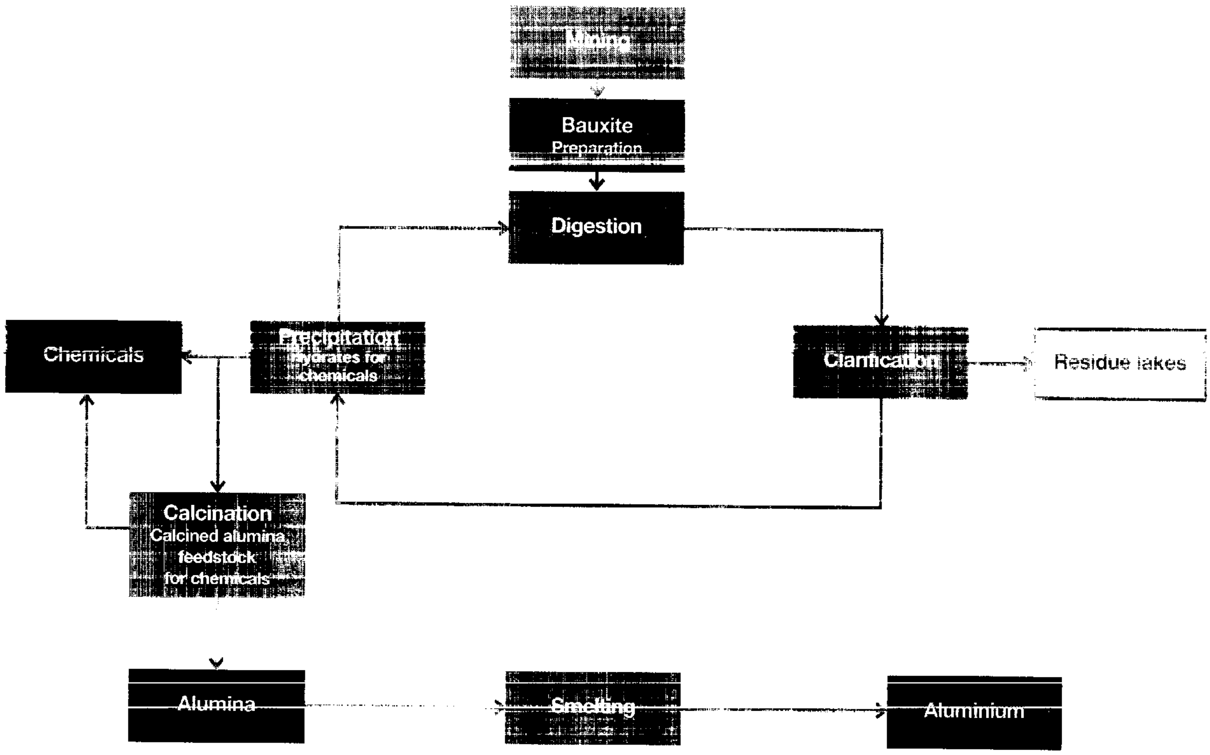
Bauxite ores are the principal initial feed for the production of aluminium metal. Although there are vast resources of aluminium in non-bauxite ores, there is currently no commercially viable process for extracting aluminium from these non-bauxite ores. As refineries which convert bauxite to alumina (prior to smelting to aluminium) are usually finely tuned to the characteristics of specific bauxite feed, substitution of ores is generally not possible without significant production deterioration. This leads to bauxite and alumina facilities being highly integrated with the majority of world bauxite production moving between related parties and the balance generally sold under long-term contracts.

Over 85% of all bauxite mined is used to produce aluminium.

(ii) Alumina

Alumina is the intermediate product arising from refining of bauxite ore prior to smelting into aluminium. Bauxite is refined into alumina which is a white powder containing aluminium oxide. As with bauxite, a sizeable percentage of alumina moves to related parties for smelting with most of the balance

FIGURE 5 PRODUCTION PROCESS FOR ALUMINA AND ALUMINIUM



sold under long-term contracts. There is a small spot market for alumina. Over 90% of alumina-based product globally is converted into aluminium. The remaining production is used mainly to produce alumina-based chemicals.

(iii) Aluminium

Aluminium is made by separating the aluminium and the oxygen in alumina. Aluminium product is greater than 99.5% pure aluminium and is generally produced in the form of ingots, slabs or billets. Aluminium is used in many industries including construction, packaging, transport, machinery and equipment, and electrical and consumer durables.

(iv) Alumina-based chemicals

About 10% of the world's alumina production is used to produce alumina chemicals. These products are used in a wide range of manufacturing processes.

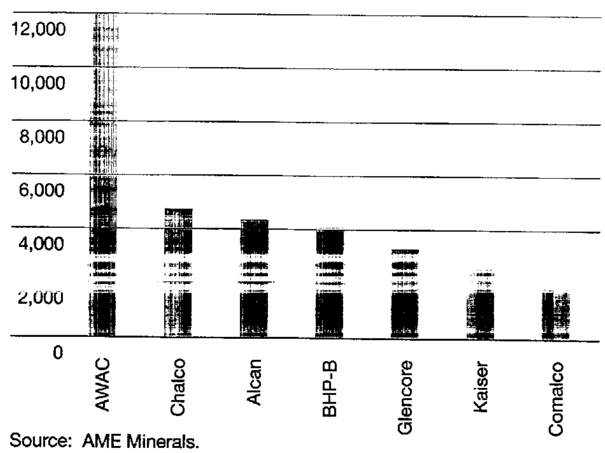
An outline of the steps to produce alumina and aluminium is shown in Figure 5.

(b) Alumina industry

The alumina market is competitive, with many active suppliers and commodity traders, although, in recent times, there has been significant industry rationalisation due to the mergers of Alcoa/Inespal, Alcoa/Reynolds Metals Company and Alcan/Algroup. The majority of products are sold in the form

FIGURE 6 LEADING ALUMINA PRODUCERS

'000 tonnes



Source: AME Minerals.

of smelter-grade alumina with about 10% of total alumina production being used to make alumina-based chemicals.

Alumina supply is critical to aluminium smelter operations, and, although price is important, reliability of supply, quality and delivery are key factors in contract negotiations. Contracts for smelter-grade alumina are usually for a multi-year time period. Pricing mechanisms have changed over time from primarily fixed amounts and terms to where a substantial portion of present day contracts are related wholly or in part to the price of aluminium traded on the LME. Nonetheless, the average price for alumina is less volatile than that for aluminium metal. As alumina cannot be readily stored in the open air without deterioration, the alumina market is required to operate on limited stock levels and, as such, the larger the size of the alumina producer the lower the risk to the alumina purchaser of supply disruption. Figure 6 depicts the world's largest alumina producers.

(c) Aluminium industry

Primary aluminium production grew rapidly from 1994 to 2000, but then declined in 2001 as shown in Figure 7. Recent merger and acquisition activity has substantially changed the complexion of the industry. The supply side is now led by three companies (Alcoa/Reynolds Metals Company, Alcan/Algroup, Russky Aluminy) whose aggregate aluminium output is approximately double that of the next six largest producers combined. Alcoa/Reynolds Metals Company and Alcan/Algroup control over 33% of the western world's primary aluminium production.

(d) Market overview

2000 and 2001 were volatile years for the aluminium and alumina markets.

Demand for primary metal was dampened by slowing growth rates in the US and Europe, partially offset by resilient demand in key markets in Asia.

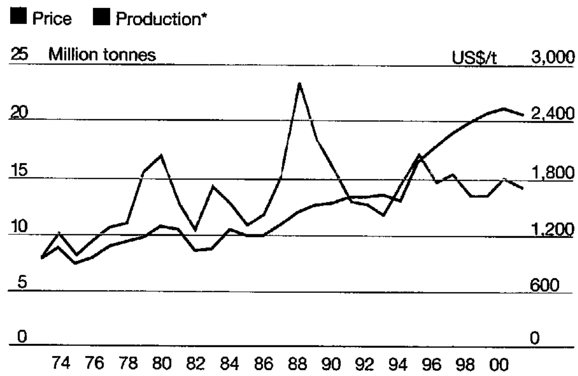
The energy crisis in the western US had a major impact on the supply of aluminium from smelters in the Pacific Northwest. From May 2000, the rapidly rising cost of wholesale electricity resulted in the reduction of available aluminium smelting capacity in the region by approximately 1.6 million tonnes a year (approximately 6% of western world capacity). The energy crisis was primarily the result of structural instability in the deregulated US energy market, a high electricity demand in the northern summer of 2000 due to unseasonably high temperatures and drought in regions dependent on hydro-electric generated power. Currently, it appears unlikely that all the smelters will restart capacity, due to weak aluminium prices and a lack of longer term, low cost power. However, since April 2002 there have been partial restarts of capacity at some smelters.

In 2001, Brazilian metal producers also experienced production cutbacks due to energy rationing caused by drought. Announced cutbacks at Brazil's smelters totalled 300,000 tonnes a year. However, it is believed that full production was restored in mid 2002 after the Brazilian Government agreed to lift power restrictions at the end of February 2002.

From January 2000 aluminium prices declined, reaching a low of US$1,242 per tonne in early November 2001, and recovered to trade most of the first half of 2002 in a range of US$1,340-US$1,400 per tonne. Since mid July, the aluminium price has weakened and has been trading just below US$1,300/tonne on poorer market sentiment resulting from sluggish US and European economic growth, a downturn in equity markets and higher exports of Chinese aluminium production. Alumina contract prices generally range from 10.0-14.0% of the LME three month aluminium metal price.

Distortions in supply during 1999 to 2000 were responsible for spot alumina prices reaching highs of approximately US$440 per tonne in early 2000. Spot alumina prices traded in the range of US$140-US$160 per tonne for the first half of 2002. The spot market is volatile as alumina cannot be easily stockpiled.

FIGURE 7 WORLD ALUMINIUM GROWTH



*Excluding China
Source: IPAI & CRU.

6.2.2 Overview

(a) Establishment of AWAC

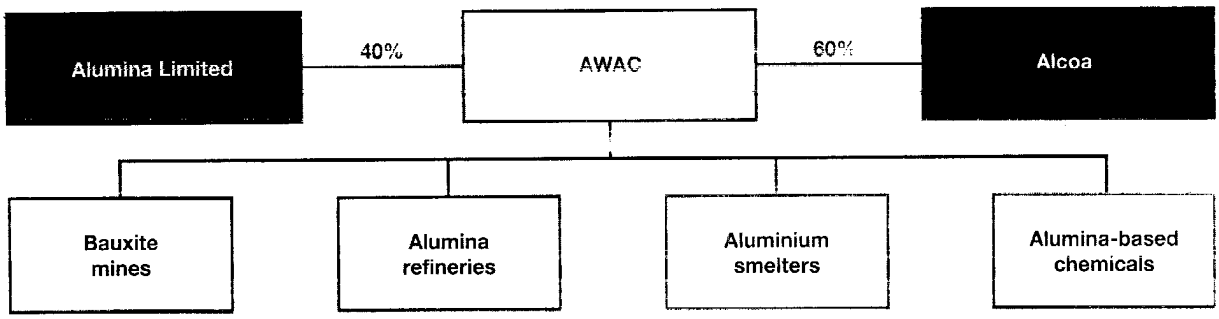
Prior to 1 January 1995, WMC owned a 48.25% interest in Alcoa of Australia, the world's single largest alumina producer and a major producer of primary aluminium and alumina-based chemical products.

On 1 January 1995, WMC and Alcoa combined their respective bauxite, alumina and alumina-based chemicals businesses and investments and some selected aluminium smelting operations to form AWAC. As a result of the transaction, WMC and Alcoa own 39.25% and 60% respectively of Alcoa of Australia, and 40% and 60% respectively of a series of other AWAC entities. After the Demerger, Alumina Limited will own 100% of WMC's interest in AWAC.

(b) Overview of AWAC assets

AWAC has interests in bauxite mining, alumina refining, alumina-based chemicals and two operating aluminium smelters. AWAC's business structure is shown in Figure 8.

FIGURE 8 AWAC STRUCTURE – POST-DEMERGER



Bauxite mines

Australia
– Huntly
– Willowdale
Brazil
– Trombetas
Guinea
– Sangaredi
Jamaica
– Clarendon
Suriname
– Moengo
– Accaribo

Alumina refineries

Australia
– Kwinana
– Pinjarra
Brazil
– São Luis
Jamaica
– Clarendon
Spain
– San Ciprian
Suriname
– Paranam
USA
– Point Comfort

Aluminium smelters

Australia
– Point Henry
– Portland

Alumina-based chemicals

Australia
– Kwinana
– Rockingham
Germany
– Ludwigshafen
India
– Falta
Japan
– Naoetsu
– Iwankuni City
Netherlands
– Rotterdam
Spain
– San Ciprian
USA
– Bauxite (Ark)
– Dalton (Ga)
– Fort Meade (Flo)
– Leetsdale (Pa)
– Vidalia (La)
– Point Comfort (Tx)
– Port Allen (La)
– Wurtland (Ky)
China
– Qingdao

AWAC's operations are referred to in more detail in Sections 6.2.5 and 6.2.6.

AWAC, through various AWAC entities, has varying interests in these assets, including the following:

- 99.25% in Alcoa of Australia, a company that operates bauxite mining, alumina refining, alumina-based chemicals manufacturing and aluminium smelting operations in Australia;
- 100% of refinery assets at Point Comfort, Texas, US;
- a 37% interest in Halco, a bauxite mining consortium that owns a 51% interest in Compagnie Guinée;
- various interests in mining and refining assets in Suriname as described below (in July 2001 it was decided to permanently close and write off the smelter facility in Suriname);
- a 50% interest in mining and refining assets in Jamaica;
- an 18.9% interest in the São Luis refinery in Brazil and its 4.6% interest in the bauxite mining operations of MRN, an international mining consortium. AWAC also owns disproportionate expansion rights to the São Luis alumina refinery;
- 100% of the refinery and alumina-based chemicals assets at San Ciprian, Spain;
- 100% of alumina-based chemicals businesses in the US, the Netherlands and Germany, and major interests in businesses in Japan and India; and
- 100% of bauxite and alumina shipping operations.

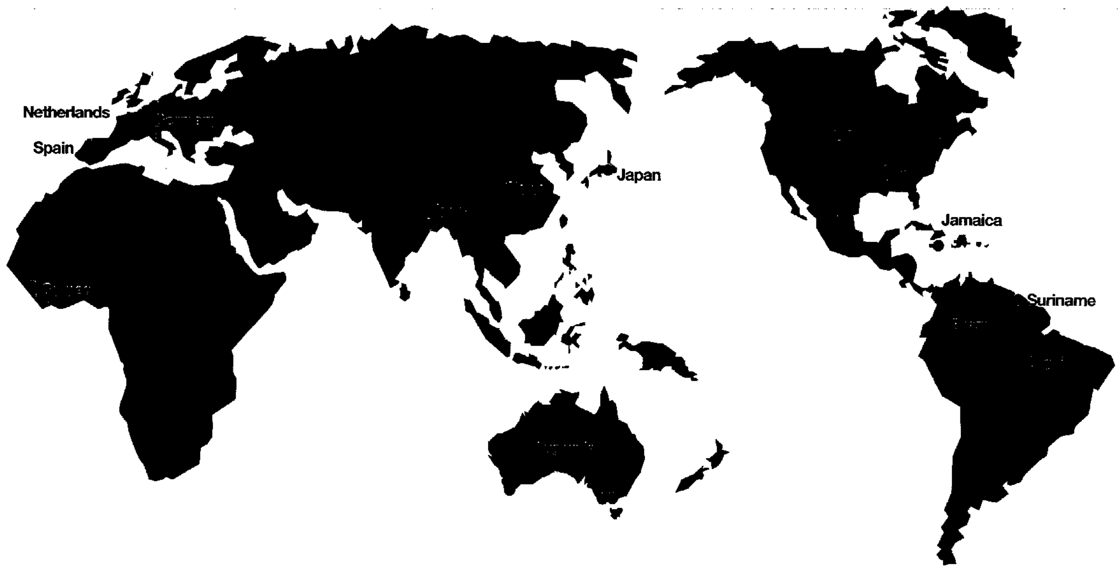
AWAC's operations are located in the countries noted in Figure 9. Details of each of the operations listed are set out in Sections 6.2.5 and 6.2.6.

As a result of the Alcoa's merger with Reynolds Metals Company in 2000, the following assets will also be integrated into AWAC:

- 6% interest in Halco - AWAC already owns 37% of Halco which holds bauxite mining operations in Guinea.
- 5% interest in MRN - AWAC already holds 4.6% of MRN

It is currently anticipated that these assets will be integrated by the end of 2002.

FIGURE 9 AWAC LOCATIONS



The 6% interest in Halco and the 5% interest in MRN have been valued (see Sections 6.2.5(c) and 6.2.5(f)), but ownership has not yet been transferred to AWAC.

As a result of merging with Reynolds Metals Company in 2000, Alcoa also acquired an interest in Juruti, a greenfield bauxite deposit in Brazil. It is WMC's position that the exclusive vehicle and new business sections of the AWAC Agreements (outlined in Section 6.2.9(f)) apply to the Juruti deposit and that Juruti should, therefore, be integrated into AWAC. These sections provide, inter alia, that AWAC is the exclusive vehicle for the pursuit of WMC's and Alcoa's interests in the bauxite, alumina and alumina-based chemicals businesses included within the scope of AWAC, and neither party may compete with AWAC within that scope so long as they maintain an ownership interest in AWAC. The sections also provide that, if either party acquires a new business which has as a secondary component a bauxite, alumina or alumina-based chemicals business included within the scope of AWAC, that component must be offered to AWAC for purchase at its acquisition cost or, if not separately valued, at an independently determined value. If AWAC and the Strategic Council decide not to accept the offer, the component must be divested by Alcoa or WMC (as the case may be) to a third party that is not an affiliate. The relevant sections of the AWAC Agreements are described in Section 6.2.9.

However, Alcoa indicated to WMC for the first time in January 2002 that a potential interpretation of the scope of AWAC, as defined in the AWAC Agreements, may exclude Brazilian bauxite, alumina and alumina-based chemicals operations producing for use in the domestic Brazilian market, so that the exclusive vehicle and new business sections of the AWAC Agreements do not apply to Juruti. WMC maintains that its interpretation of the AWAC Agreements is correct and that Juruti should be included in AWAC. Discussions with Alcoa concerning this issue are ongoing.

(c) Summary of production

The current alumina production capacity of AWAC is approximately 13 million tonnes a year. This is comprised as follows:

FIGURE 10 AWAC ALUMINA PRODUCTION CAPACITY

Million tonnes	
Australia	7.7
US	2.3
Spain	1.3
Suriname	1.0
Jamaica	0.5*
Brazil	0.2

*Production at Jamaica is to be increased to 1.25 million tonnes a year, as discussed in Section 6.2.5(e).

In the year ended 31 December 2001, AWAC produced approximately 11.9 million tonnes of alumina, having reduced production at the Point Comfort and São Luis refineries and shut down the St Croix refinery in response to the cutbacks and shutdowns of aluminium smelters in Brazil and the north-west of the US.

AWAC's alumina production for 2000 was a record 13.3 million tonnes, due to an incremental expansion at the Wagerup refinery and the operation of all refineries, except St Croix (now closed), at, or close to, capacity.

AWAC operates two aluminium smelters in Victoria, Australia, at Portland (55% owned) and Point Henry (100% owned). AWAC's share of production from these smelters was approximately 373,000 tonnes in 2001 compared to 344,000 tonnes in 2000.

AWAC is continuing to rationalise its alumina based chemicals products and operations to concentrate on returns from major commodities such as aluminium fluoride, hydrate, calcines, and refractory and tabular products.

6.2.3 Strategy and growth

AWAC's business strategy can be summarised by three key directives:

- expansion of existing operations through brownfield expansions and increasing capacity through operational improvements gained by de-bottlenecking operations and improving efficiencies;
- continued cost reductions at operations; and
- acquisition of under-performing assets and improving their relative cost position and profitability.

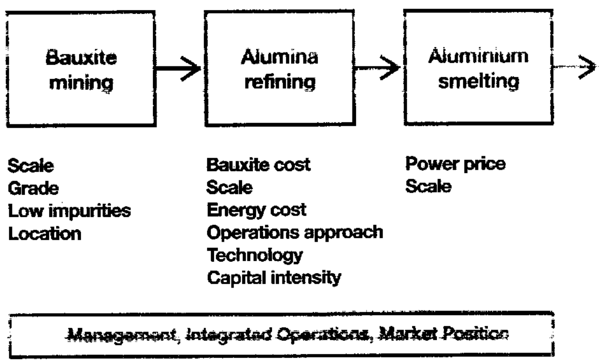
In alumina, potential brownfield expansion opportunities exist at its operations in Wagerup, Pinjarra, Suriname, Jamaica and São Luis, as well as incremental expansion opportunities at most sites. There is also the opportunity to participate in the future development of the alumina industry in China. On 6 November 2001, Alcoa announced that it had finalised agreements for a strategic alliance with Chalco. Under the strategic alliance, it is proposed that Alcoa and Chalco will form a 50/50 joint venture in respect to Chalco's operations at Pingguo, which includes bauxite, alumina and aluminium facilities. Subject to the successful negotiation with Chalco of the joint venture arrangements for Pingguo, the bauxite and alumina interests will be offered for incorporation into AWAC. A further joint venture in alumina-based chemicals between Alcoa and Chalco is also being developed which, if successfully negotiated, will similarly be offered for incorporation into AWAC.

In the aluminium business, there are low cost incremental expansion projects and the potential for a third potline at Portland subject to the supply of suitably priced power.

Cost efficiency improvements at operations are now being achieved through improvements to AWAC's management systems. Among the successes in 2000, AWAC's Point Henry smelter in Victoria substantially reduced ship turnaround times, and achieved productivity improvements and safety outcomes in restarting Potline 1.

The purchase of Inespal's integrated operations in Spain in 1997 is an example of acquiring under-performing assets and improving their relative cost position and profitability. In 2001, AWAC successfully completed a 220,000 tonne a year expansion at San Ciprian. This expansion in capacity has been made possible by new process technology, some of it developed at San Ciprian and some transferred from AWAC alumina plants in other countries.

FIGURE 11 AWAC COMPETITIVE ADVANTAGES



6.2.4 Business strengths

AWAC's principal sources of competitive advantage are depicted in Figure 11.

A short explanation of each of the more significant of these factors follows in this Section 6.2.4

(a) Bauxite sources

AWAC's present sources of bauxite are sufficient to meet the expected requirements of its alumina refining operations for the foreseeable future based on current production rates and refining capacity.

AWAC's various ore bodies rate favourably on a combination of critical factors, such as their grade, low level of impurities and, in the case of Australia, their close proximity to refinery facilities.

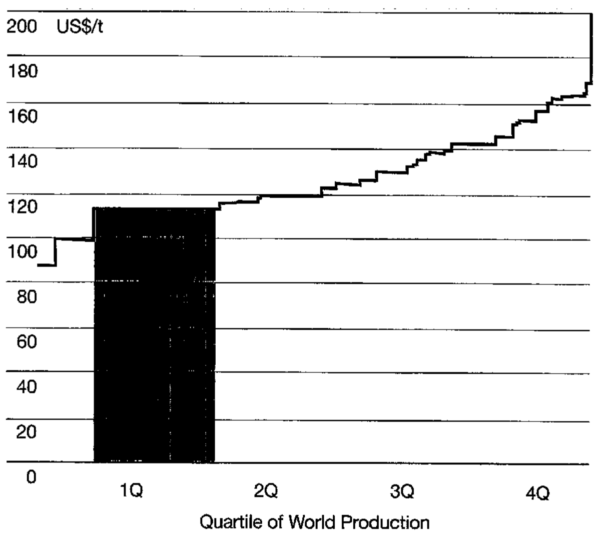
(b) Market position

As shown in Figure 6, AWAC is the world's largest producer of alumina. It is also a major producer of alumina-based chemicals. Due to this leading position, it is able to calibrate its production to market conditions in a disciplined manner.

Approximately 40% of AWAC's alumina production is sold to Alcoa's primary smelting group. The price paid for the AWAC production by the Alcoa smelters (excluding the Alumax smelters acquired by Alcoa in 1998) is determined by applying the average of:

- the prices received by AWAC from the sale of alumina to unrelated third parties; and

FIGURE 12 ALUMINA INDUSTRY ESTIMATED CASH COST CURVE 2001



The costs included in 'cash cost' are set out in the definition of 'Alumina Cash Cost' in the Glossary of cost curve terminology.

Source: AME Minerals, 2002.

- the contract price paid by the Alumax smelters, which has been determined as if the Alumax smelters were still unrelated to Alcoa.

The price paid for the AWAC production by the ex-Alumax smelters is in accordance with the contracts entered into with Alumax by AWAC prior to 1998.

(c) Low cost production

AWAC's aggregate position on the alumina industry estimated cost curve for 2001 is shown in Figure 12. This illustrates that AWAC's alumina production cost position straddles the first and second cost quartiles.

(d) Strong management

Alcoa provides operational management to the AWAC entities. Overall management is subject to the direction of the Strategic Council, comprising five members, two appointed by WMC and three appointed by Alcoa.

Evidence of management's disciplined and successful performance is shown by AWAC's strong historical performance in safety, environment, cost reduction, disciplined and profitable growth and return on capital.

(e) Technological leadership

AWAC continues to use leading technology throughout its businesses in order to increase capacity, reduce the cost of production and operate more efficiently in all stages of the aluminium production process.

(f) Integrated operations

AWAC realises significant synergies through its integration of bauxite, alumina and aluminium operations. The cost of purchase and transport of bauxite is a major factor for many producers, however AWAC benefits from the proximity of its ore source for much of its refining capacity.

6.2.5 Smelter-grade alumina and primary aluminium operations

(a) Australia – Alcoa of Australia

In Australia, AWAC owns 99.25% of Alcoa of Australia, which operates integrated aluminium facilities, including mining, refining and smelting facilities, and also has alumina-based chemicals operations. As referred to in Section 6.1.1, WMC holds 39.25% of Alcoa of Australia and Alcoa holds 60%. The remaining 0.75% is held by companies within the QBE Group.

In 2001, the Australian operations produced 7.8 million tonnes of alumina and 373,000 tonnes of aluminium.

Alumina produced in Australia by AWAC is shipped either to its smelters at Point Henry and Portland in Victoria, Australia or to overseas customers principally in the US, Canada, the Middle East, Europe and South Africa. Bauxite is sourced from its 100% owned Huntly and Willowdale bauxite mines, each located in the Darling Ranges south of Perth, which supply AWAC's three alumina refineries in Western Australia. A third bauxite mine was closed in 1998. Bauxite is transported by rail to the refinery at Kwinana, or by overland conveyor to the Pinjarra and Wagerup refineries. The Kwinana, Pinjarra and Wagerup refineries have capacities of 2.0 million tonnes, 3.4 million tonnes and 2.3 million tonnes, respectively. The Wagerup refinery expansion was completed in October 1999. Although government environmental approvals for further expansion to 3.3 million tonnes have been received, other government approvals which have not yet been sought are required to undertake this expansion. A storage and loading facility which handles the majority of shipping for the Pinjarra and Wagerup refineries is located at the port of Bunbury near Wagerup. Some Pinjarra production is also shipped through the shipping facility at Kwinana, south of Perth.

The rights to operate bauxite mining and alumina refining operations in Western Australia are provided under agreements with the Western Australian Government. The mining leases granted by the Western Australian Government expire in 2044.

AWAC's present sources of bauxite are sufficient to meet the expected requirements of its alumina refining operations for the foreseeable future, based on current production rates and refining capacity.

The bauxite from the Darling Ranges, while low in alumina grade, is also low in reactive silica. This results in low consumption of caustic soda which in turn greatly assists in lowering costs of production.

Alumina refining is energy intensive and AWAC's refineries in Australia use natural gas as their energy source. The natural gas requirements of the refineries are supplied primarily under a contract with parties comprising the North West Shelf Gas Joint Venture. The initial contract was scheduled to expire in 2005 and imposed minimum purchase requirements. In December 1997, these arrangements were extended through a renegotiation of the initial contract and the signing of a new contract running from 2005 through to 2020.

AWAC also produces primary aluminium in Victoria, Australia. The aluminium assets include an aluminium smelter at Point Henry, near Geelong, and a 55% controlling interest in an aluminium smelter at Portland. AWAC's interest in the Portland smelter increased from 45% to 55% in 2000 following the acquisition of Eastern Aluminium's 10% interest in the smelter. The Portland smelter has an annual production capacity of 345,000 tonnes of aluminium and is approximately 240 kilometres west of Geelong. Point Henry has an annual capacity of some 180,000 tonnes.

Electricity for the Portland smelter is purchased under a 30 year electricity supply agreement that expires in 2016. The tariff applicable under the agreement has both a base component, which reflects the cost of power generation and transmission, and a flexible or adjustable component, which provides for adjustments to the base tariff rate based on the LME price for aluminium. The agreement provides a discount for interruption and a demand charge equal to about two-thirds of the total tariff which may be payable whether or not energy is taken.

Approximately 40% of electricity for the Point Henry smelter is supplied by Alcoa of Australia's generating station at Anglesea, with the balance required available under a 30 year electricity supply agreement that expires in 2014. The rates under that agreement change with the LME price of aluminium (similar to the Portland power arrangement described above). The contract includes a standby demand charge for the purchase of electricity for periods when the Anglesea generating station is not operating. An additional energy charge is payable when this power is actually used.

(b) US – Point Comfort refinery

Alcoa World Alumina LLC owns 100% of an alumina refinery at Point Comfort in Texas. The facility is located approximately 210 kilometres south of Houston on Port Lavaca Bay. Point Comfort's port facilities are linked with the Gulf of Mexico via a 35 kilometre channel. The Point Comfort refinery was completed in 1960, expanded in 1997, and has a nominal capacity of 2.3 million tonnes a year. In February 2001, AWAC announced the immediate reduction of the operating rate of the Point Comfort refinery to between 1.6 to 1.9 million tonnes a year. This rate was further reduced in the second half of 2001, to an operating rate of 0.7 to 0.8 million tonnes a year, in response to weak markets. Since then the production rate has returned to a rate of 1.3 to 1.6 million tonnes a year.

Bauxite for the refinery is sourced from an AWAC affiliate in Guinea and is also purchased in the spot market from Jamaica and Guyana. The Point Comfort refinery uses gas-fired cogeneration facilities to supply process heat and power to the refinery, and gas is purchased from local suppliers using a mixture of short and medium-term contracts.

The Point Comfort refinery produces both smelter-grade alumina and alumina hydrates (chemical-grade alumina). Most of the refinery's smelter-grade alumina is sold to smelters in the US. Approximately 20% of the refinery's capacity supplies the industrial chemicals operations at that location.

The Point Comfort refinery is part of an area which has been declared a US Environmental Protection Agency 'superfund' site. For further discussion about this matter, refer to Section 6.2.8(b).

(c) Republic of Guinea – Halco

AWAC has a managing 37% interest (since 1999) in a bauxite mining company, Halco (the Reynolds Metals Company's 6% interest will also be incorporated into AWAC at a cost to Alumina Limited of approximately US$13.6 million which WMC anticipates will occur by the end of 2002). Halco is an international mining consortium that owns 51% of Compagnie Guinée, the manager of a number of bauxite mines at Boké in Guinea, West Africa. The Republic of Guinea owns the remaining 49% of Compagnie Guinée.

The Boké-Sangaredi bauxite mines are located north-west of Conakry in Guinea.

The shareholders of Halco initially take bauxite in proportion to their equity positions under take or pay contracts. Long-term agreements to purchase bauxite mined by Compagnie Guinée expire after 2011. AWAC also purchases bauxite from other Halco equity holders.

(d) Suriname – Suralco

AWAC owns 100% of Suralco, a US based company which holds a joint venture interest in Suriname. Suralco began operations in 1916 and currently has interests in an alumina refinery at Paranam, bauxite mines in north-east Suriname and south of Paranam and hydro-electric facilities at Afobaka Lake.

The 1.9 million tonnes-a-year alumina refinery at Paranam, in the north of Suriname, was constructed in 1968 and sources bauxite from mines in Suriname. The refinery is owned by a joint venture held 55% by Suralco and the remainder by an affiliate of BHP Billiton plc. Suralco acts as manager of the joint venture and operates the refinery. The joint venture parties share alumina production from the refinery in proportion to their shareholdings and are separately responsible for the marketing of their share of this production.

The Moengo mine in north-east Suriname is 100% owned by Suralco. Approximately 1.5 million tonnes of bauxite are sourced each year from the Moengo mine. Bauxite is barged approximately 200 kilometres to the refinery at Paranam.

The Accaribo mine joint venture is located south of Paranam in Suriname. Suralco owns a 24% minority interest in the Accaribo mine. BHP Billiton plc is the majority owner and manages the mine on behalf of the joint venture. Bauxite is trucked to the refinery at Paranam.

When the Accaribo and Moengo mines are depleted, the joint venturers expect to begin bauxite mining at a site adjacent to the Accaribo mine and from a site in the Nassau Mountains which is 100% owned by AWAC.

Hydro-electric facilities at Afobaka Lake in Suriname are also owned and operated by Suralco. The plant was constructed pursuant to the Brokopondo Agreement between Suralco and the Suriname Government which was signed in 1958. The facilities supply electricity to the alumina refinery at Paranam and sell electricity to the Suriname Government.

(e) Jamaica – Jamalco

AWAC owns Alcoa Minerals of Jamaica LLC, a US based company which holds a joint venture interest in Jamaica. The investment comprises a joint venture called Jamalco which is owned 50% by AWAC and 50% by Clarendon, which is a Jamaican Government company. The joint venture is governed by agreements with the Jamaican Government which were finalised in 1988. Jamalco owns and manages bauxite mines, an alumina refinery and port facilities.

The bauxite mines that for many years fed the refinery are located 40 kilometres to the north of the refinery in the Mocho Mountains. The bauxite mining rights are owned by Jamalco. The bauxite mined in the Mocho Mountains is transported to the refinery on a railway owned by the joint venture. Jamalco also manages a port at Rocky Point, located south of the alumina refinery. The port is connected to the refinery by rail. The more recent source of bauxite is from leases in Harmons Valley and the Manchester Plateau. The mining operations on those leases are being undertaken jointly by AWAC and Alpart, a Jamaican bauxite mining joint venture owned by Kaiser Aluminum (65%) and Hydro Aluminium of Norway (35%) with mining activity carried out by a contractor on behalf of the joint venture.

Jamalco's alumina refinery, completed in 1972, is located 72 kilometres west of Kingston. The refinery's nominal capacity is 1.0 million tonnes a year. Each joint venturer is responsible for marketing its share of production. On 27 April 2002, AWAC announced that it had reached an agreement with Clarendon to expand the Jamalco refinery by 25% to 1.25 million tonnes a year at a cost of US$115 million. At the same time the Jamaican Government announced the removal of a bauxite levy effective from 2003, which coincides with the planned mechanical completion of the expansion, with increased production due to commence in 2004. The removal of this levy, which has been in place for 28 years, and the expansion are expected to lower costs by approximately 30%. A further expansion of the Jamalco refinery of 700,000 tonnes a year is currently being evaluated, which will significantly lower cost of production at this site.

The refinery produces smelter-grade alumina. Energy for the refinery is provided by oil powered turbines. Any surplus power produced is sold into the Jamaican public electricity grid and the refinery can draw power from the grid if necessary.

(f) Brazil – Abalco

Abalco, an AWAC entity in Brazil, is a participant (18.9%) in a consortium that owns the Alumar alumina refinery at São Luis in north-eastern Brazil. The other consortium participants are Alcoa Aluminio SA (35.1%), BHP Billiton Metais SA (36%) and an affiliate of Alcan Aluminio Do Brazil SA (10%). Alcoa Aluminio is the operator of the consortium which is managed on a production and cost sharing basis. Abalco has special rights in any expansion of the Alumar refinery.

The refinery has a nominal production capacity of 1.3 million tonnes of smelter-grade alumina a year and WMC believes there are opportunities to expand beyond this production capacity. Approximately half of the output is consumed at an adjacent smelter with the remainder supplied to other Brazilian smelters. The major source of energy for the refinery is low sulphur steaming coal purchased from Colombia and Venezuela.

The consortium has long-term bauxite purchase contracts with MRN, which has mines located at Trombetas within the State of Para in northern Brazil. Abalco holds a 4.6% interest in MRN. The remaining interest in MRN is jointly owned by affiliates of Alcan, Companhia Brasileira de Aluminio, Companhia Vale do Rio Doce, BHP Billiton plc, RC Norsk Hydro and Reynolds Metals Company (the Reynolds Metals Company's 5% interest will be incorporated into AWAC at a cost to Alumina Limited of approximately US$27.3 million, which WMC anticipates will occur by the end of 2002). MRN's mines produce approximately 8.0 million tonnes of bauxite each year. Bauxite is transported approximately 1,400 kilometres by ship to the refinery.

A maritime terminal owned by the consortium and equipped with an alumina ship loader and bulk materials ship loader is situated adjacent to the refinery. These facilities are used to ship both bauxite and steaming coal into the refinery and alumina out.

(g) Spain – San Ciprian refinery

AWAC owns and operates the San Ciprian alumina refinery, which is located on the eastern coast of Spain. AWAC acquired the refinery in February 1998 from Alcoa for US$113 million following Alcoa's acquisition of the principal alumina and aluminium assets of Spain's state owned aluminium producer, Inespal.

The San Ciprian refinery was commissioned in 1980. It has an annual production capacity of 1.3 million tonnes having completed a 0.22 million tonne expansion in March 2001. Unlike AWAC's other refineries, San Ciprian employs a high temperature and pressure technology. Bauxite for the refinery is shipped from the Boké mine in Guinea. Steam for the refinery is generated by the plant's own oil fired boiler with electrical power coming from the national grid.

Approximately 70% of alumina produced at the San Ciprian refinery is metallurgical grade, which is supplied primarily to Alcoa's smelters in Spain. The balance of production is non-metallurgical grade alumina that is largely sold as commodity hydrated alumina to AWAC's chemicals business and to other chemical manufacturers in Europe. A small portion of the non-metallurgical grade alumina is also sold as calcined aluminas. The location of San Ciprian within the European Union allows commodity-grade alumina to be sold within Europe without attracting the relatively high tariffs imposed on non-European suppliers.

[illegible] Alumina based chemicals

AWAC is a major producer of alumina-based chemicals. The majority of chemical-grade alumina for AWAC's chemical plants is sourced from the Point Comfort, San Ciprian and Kwinana alumina refineries. AWAC sells industrial chemicals to customers in a broad spectrum of markets for use in refractories, ceramics, abrasives, polymer additives, chemicals processing and other speciality applications.

Alumina chemicals products can be segmented into two principal markets: commodity products, which include hydrated aluminas and aluminium flouride; and specialty products, which include high performance refractories such as tabular alumina and calcium aluminate cements, activated aluminas and calcined aluminas. The major market for

FIGURE 13 AWAC CHEMICAL PLANTS

LOCATION	PRODUCTS	AWAC OWNERSHIP
North America		
Bauxite, Arkansas	tabular, calcined, hydrated, cements	100.00%
Point Comfort, Texas	hydrated aluminas, aluminium fluoride, calcined aluminas	100.00%
Fort Meade, Florida	aluminium fluoride	100.00%
Vidalia, Louisiana	activated aluminas, catalysts, absorbents	100.00%
Dalton, Georgia	ground hydrates	100.00%
Leetsdale, Pennsylvania	intermediate processing	100.00%
Port Allen, Louisiana (the HiQ plant was closed July 2001)	catalysts, absorbents	[illegible]
Wurtland, Kentucky	brown fused alumina, white fused alumina	50.00%
Europe		
Rotterdam, The Netherlands	tabular aluminas, calcium aluminate cements	100.00%
Ludwigshafen, Germany	calcined aluminas, tabular aluminas, spinel	100.00%
San Ciprian, Spain	hydrated aluminas, calcined aluminas	100.00%
Asia		
Iwakuni, Japan	tabular alumina	75.00%
Naoetsu, Japan	ground hydrates	80.50%
Falta, India	intermediate processing	60.00%
Qingdao, China	ground hydrates	100.00%
Australia		
Rockingham, Australia	fused materials	33.08%
Kwinana, Australia	calcined aluminas, hydrated aluminas	99.25%

AWAC's alumina-based chemicals is refractories, which represent in excess of 35% of total alumina-based chemicals revenues.

At 31 December 2001, AWAC had interests in the 17 alumina-based chemicals plants worldwide, as set out in Figure 13.

6.2.7 Shipping

AWAC owns and operates a shipping operation that provides transportation services to AWAC's alumina business and to third parties, including Alcoa. Operating both owned and chartered vessels, the shipping business transports dry and liquid bulk cargoes, including bauxite, alumina, caustic soda, fuel oil, petroleum, coke and limestone.

AWAC owns seven combination carriers. AWAC operates two large carriers between Australia and the US carrying alumina to smelters on the west coast of the US and back filling with raw materials such as petroleum, coke and caustic soda for the Alcoa of Australia operations. AWAC operates three smaller vessels in the Caribbean carrying alumina from Suriname and Jamaica to New Orleans on the south coast of the US or Baltimore on the north coast of the US. These ships are also back filled with raw materials for the Suriname and Jamaican operations. AWAC also charters carriers for the transport of bauxite, alumina and aluminium (for both AWAC and Alcoa) between its various global operations. AWAC also operates two vessels which transport alumina from the Alcoa of Australia refineries in Western Australia to the Alcoa of Australia smelters in Victoria.

6.2.8 General information

(a) Employees

At the end of 2001, AWAC had approximately 11,000 employees in its operations.

(b) Environment

Alcoa of Australia is recognised as an industry leader in environmental matters, particularly landcare and rehabilitation. In 1990, Alcoa of Australia became the first mining company in the world to be recognised by a United Nations 'Global 500' award for environmental achievement. It has also received environmental excellence awards from the Western Australian Government.

AWAC's Point Comfort alumina refinery is part of an area which has been declared a US Environmental Protection Agency 'superfund' site. In December 2001, the Agency issued its Record of Decision selecting the final remedial approach for the site, which has been fully reserved by AWAC. Alcoa is negotiating a consent order with the Agency under which it will undertake to implement the remedy. WMC is indemnified by Alcoa against environmental liabilities in relation to activities undertaken at the Point Comfort refinery prior to 1 January 1995. This indemnity is specifically extended to the contamination that gave rise to the Point Comfort site's 'superfund' status. Alcoa has also agreed that it will be 100% responsible for remediating the contamination, as well as natural resource damages, which gave rise to the placement of the site on the National Priorities List and the entry of the Administrative Order on Consent issued on 31 March 1994, and any subsequent Order issued relating to this contamination.

The AWAC Agreements provide that to the extent AWAC sustains an extraordinary liability (as defined in Section 6.2.9(k)), Alcoa and WMC must, to the extent of their pre-formation ownership interest, indemnify AWAC. Pursuant to an amendment agreement dated 31 December 1995, the purchase price of WMC's interest in AWAC was modified to satisfy, with limited exceptions, WMC's indemnity obligations for pre-formation liabilities relating to Alcoa of Australia. Further details are provided in Section 6.2.9(k).

As discussed in Section 6.2.11, concerns have been expressed by employees and nearby residents of the Wagerup and Kwinana refineries regarding the effects of emissions from the refineries on their health and the local environment.

Alcoa of Australia has stated publicly that there has been extensive monitoring and analysis of emissions from the Wagerup liquor burner, which has confirmed that it operates below the emission levels prescribed by established health and safety and environmental limits. The results of emissions monitoring are independently audited.

Alcoa of Australia has also publicly advised that emissions from the liquor burner at Wagerup have been reduced by more than 95% since it was installed in 1996, and further emission reduction programs are being pursued at the refinery. In response to community concern, Alcoa of Australia proposed and agreed with the Western Australian Government to lower emission levels as a condition of its licence to operate. These lower levels were applicable from the end of June 2002. A capital expenditure program of A$25 million was substantially completed in June 2002 in connection with achieving these reduced emission levels, and Alcoa of Australia has also embarked on a detailed emission study.

At present, Australia does not have in place regulatory requirements to reduce greenhouse gas emissions. However, it is possible Australia will ratify the Kyoto Protocol, which would require Australia to limit greenhouse gas emissions to 8% over 1990 levels by 2008-2012. Even if the Kyoto Protocol is not ratified, the Australian Government may still introduce regulations to reduce greenhouse gas emissions to pursue achievement of the Kyoto Protocol targets. To date the Government has, however, given no indications as to the nature or timing of any such regulations.

At present, it is not possible to predict the impact that future government regulation may have on Alumina Limited. It is possible, however, that it may increase AWAC's capital expenditure and production costs, or may impact on methods of production, depending on the nature of the regulatory requirements introduced. WMC cannot assess the nature, magnitude or timing of such costs, including whether these costs would have a material impact on the financial performance of AWAC and, consequently, Alumina Limited.

Section 6.5.4 discusses regulatory risks associated with AWAC's operations and their potential to affect AWAC's, and hence Alumina Limited's, financial performance.

(c) Health and safety

AWAC's long-term goal is to have zero workplace injuries and illnesses. AWAC's safety management systems are aimed at achieving this goal through continued improvement in the identification, assessment and control of health and safety risks.

As discussed in Sections 6.2.8(b) and 6.2.11, concerns have been expressed by employees and nearby residents of the Wagerup and Kwinana refineries regarding the effects of emissions from the refineries. The complaints relating to those concerns are discussed further in Section 6.2.11.

In February 2002, Dr Mark Cullen, Chief Medical Officer of Alcoa and Professor of Medicine and Public Health at Yale University, produced a report on the health issues associated with the Wagerup refinery. Dr Cullen concluded that, based on the known effects of plant emissions and existing data and patterns of existing data, the threat of serious injury from the refinery is negligible. Dr Cullen further stated that there has been no long-term health risk to the vast majority of Wagerup employees and, when emissions have been reduced as per Alcoa of Australia's emission reduction programs discussed in Section 6.2.8(b), short-term irritation and other chemical sensitivities should also be negligible. Dr Cullen stated that he was confident that health and safety at the Wagerup refinery is at the highest level.

In 2001, an independent forum of medical practitioners, convened by the Western Australian Department of Health and headed by Professor D'Arcy Holman, considered the health issues associated with the emissions at the Wagerup refinery. Its report concluded that although a medical problem existed which was believed to be linked to the refinery, the exact cause of the problem could not be identified. It noted that the refinery operated within all the regulated safety limits of emissions and the conditions of its licence at the time.

Alcoa of Australia has acknowledged that the emissions from the Wagerup refinery have short-term health effects, such as nasal irritation. Nine current and former employees have reported suffering continuing longer term health impacts, including five with a condition known as multiple chemical sensitivity. No other long-term health effects have been reported by employees or nearby residents of Wagerup.

A program to rehabilitate Alcoa of Australia employees who feel they have been impacted by odours or emissions from the Wagerup refinery has been implemented. Alcoa of Australia has also commenced a program of acquiring property surrounding the Wagerup refinery from those who feel they may be affected by the refinery's operations and has established a community consultation program to serve as a forum for closer liaison between Alcoa of Australia and the local community.

In April 2002, the Healthwise Cancer and Mortality Study Interim Report (the **Interim Healthwise Report**) was released. The Interim Healthwise Report contains the interim findings of a long-term health study of Alcoa of Australia employees jointly conducted by Monash University and The University of Western Australia. Preliminary results of the study found that overall mortality rates were significantly lower among Alcoa of Australia employees than the general population, although the incidence of respiratory cancer and melanoma was higher than the general population. However, the Interim Healthwise Report emphasised the preliminary nature of its findings and the small numbers involved in the study, and noted that the study is ongoing. The independent investigators and the advisory board conducting the Healthwise study have publicly expressed concern that the preliminary results of the study have been misinterpreted and stated that further research is required before strong conclusions can be reached.

6.2.9 Significant contracts that govern the AWAC relationship

On 21 December 1994, Alcoa and WMC finalised and executed the AWAC Agreements establishing and governing the operation of AWAC, with the Formation Date of AWAC being 1 January 1995. The main AWAC Agreements are the agreements known respectively as the 'Formation Agreement' and the 'Charter of the Strategic Council'. Key aspects of the AWAC Agreements are set out below. Copies of the main AWAC Agreements are available on WMC's website (www.wmc.com). A reference below to WMC is also a reference to Alumina Limited (as WMC will be known from the Listing Date).

(a) Enterprise
AWAC is comprised of a series of affiliated operating entities in which Alcoa has a 60% interest and WMC a 40% interest (39.25% interest in Alcoa of Australia). Alcoa acquired 9% of Alcoa of Australia and WMC acquired a 40% interest in the other Alcoa affiliated operating entities and assets included within AWAC, upon its formation. WMC has acquired a 40% interest in AWAC entities and assets acquired (such as that of San Ciprian) since AWAC's formation.

(b) Consideration
On 1 January 1995, WMC paid to Alcoa approximately US$386 million and transferred 9% of Alcoa of Australia to Alcoa. WMC contributed an additional sum of approximately US$120 million to AWAC which was utilised during the course of initial establishment and operation of AWAC and for further acquisitions. Alcoa was also to receive additional compensation based upon the future earnings of AWAC's alumina-based industrial chemicals operations if the earnings exceeded performance targets for the period 1995-1999 (inclusive). Since the growth plan for the alumina-based chemicals business was not achieved, this additional compensation was not required to be paid by WMC.

(c) Scope
The scope of AWAC includes the following:

Bauxite and alumina: the exploration, searching and prospecting for and the mining of bauxite and other aluminous ores as well as the refining and other processing of these ores into alumina and other necessary but ancillary facilities.

Industrial chemicals: the research, development, production, marketing and sale of industrial chemicals, comprised initially of the output of the existing Alcoa and Alcoa of Australia facilities for industrial alumina-based chemicals and other agreed mineral-based chemicals or as may be agreed from time to time.

Integrated operations: the ownership and operation of certain primary aluminium smelting, aluminium fabricating and other necessary but ancillary facilities that are run as part of an integrated operation at certain of the locations included within AWAC.

(d) Formation
The formation of AWAC was completed on 1 January 1995.

(e) Role of the parties
(i) Industrial leader
Under the general direction of the Strategic Council, Alcoa is the 'industrial leader' and provides the operating management of AWAC and of all affiliated operating entities within AWAC, unless Alcoa requests WMC to manage a particular operation.

(ii) Strategic Council
The Strategic Council is the principal forum for Alcoa and WMC to provide direction and counsel to the AWAC entities in respect of strategic and policy matters. The Alcoa and WMC representatives on the boards of the AWAC entities are required, subject to their general fiduciary duties, to carry out the directions and the decisions of the Strategic Council. The Strategic Council has five members, three appointed by Alcoa (of which one is Chairman) and two by WMC (of which one is the Deputy Chairman). Decisions are made by majority vote except for matters which require a 'super majority' vote, which is a vote of 80% of the members appointed to the Strategic Council.

The following decisions require a super majority vote:
- a change of the scope of AWAC;
- a change in the dividend policy;
- sale of all or a majority of the assets of AWAC;
- equity calls on behalf of AWAC totalling in any one year in excess of US$1 billion; and
- loans to Alcoa, WMC or their respective affiliates by AWAC.

The Strategic Council meets as frequently as the Chairman after consultation with the Deputy Chairman determines, but meetings of the Council must be held at least twice a year. The Deputy Chairman may require additional meetings to be held.

(iii) Other management and personnel roles
WMC is entitled to representation in proportion to its ownership interest on the board of each entity in the AWAC structure, including Alcoa of Australia. In addition to the Strategic Council meetings, 'Operation' meetings (with representatives from Alcoa and WMC) are held typically four times a year (usually two in Australia and two at operations/offices outside Australia). From time to time, WMC may second to AWAC employees whose skills or experience will support the operation of AWAC.

(f) Exclusive vehicle
AWAC is the exclusive vehicle for the pursuit of WMC's and Alcoa's (and their affiliates as defined) interests in the bauxite, alumina and inorganic industrial (alumina-based) chemicals businesses included within the scope of AWAC, and neither party can compete, within that scope, with AWAC so long as they maintain an ownership interest in AWAC.

If either party acquires a new business which has as a secondary component a bauxite, alumina or inorganic industrial chemicals business included within the scope of AWAC, that component must be offered to AWAC for purchase at its acquisition cost or, if not separately valued, at an independently determined value. If the companies within AWAC and the Strategic Council decide not to accept the offer, the component must be divested by Alcoa or WMC (as the case may be) to a third party that is not an affiliate.

Smelting is not subject to these exclusivity provisions, although there are certain smelting assets in AWAC, primarily those in Alcoa of Australia in which WMC already had an interest at the time AWAC was formed.

Section 6.2.2(b) discusses Alcoa's suggestion that a potential interpretation of AWAC's scope and the exclusive vehicle provisions excludes Brazilian bauxite, alumina and alumina-based chemicals operations producing for use in the Brazilian market. WMC maintains that this interpretation does not apply to limit AWAC's scope or the exclusive vehicle provisions of the AWAC Agreements.

It should be noted that the AWAC Agreements do not expressly address the position of an acquirer of WMC or Alcoa, where that acquirer already operates a bauxite, alumina or industrial (alumina-based) chemicals business. Such an acquirer would be an 'affiliate' of WMC or Alcoa (as relevant) and therefore the exclusive vehicle provisions of the AWAC agreements would apply. However, the agreements are silent on the action that WMC or Alcoa (as relevant) and the acquirer must take. The relevant business could be offered to AWAC for purchase, with the value to be agreed. Alternatively, the acquirer might divest itself of the relevant business or undertake some other action consistent with the exclusive vehicle provisions of the AWAC Agreements.

(g) Capital requirements

The cash flow of AWAC and borrowings are the preferred sources of funding for the needs of AWAC. Should the aggregate annual capital budget of AWAC require an equity contribution from Alcoa and WMC, the following limits apply:

(i) With respect to amounts up to US$500 million in annual equity requested to be contributed in total by Alcoa and WMC to AWAC (including amounts requested pursuant to Sections 6.2.9(g)(ii) and 6.2.9(g)(iii)), each party must contribute its proportionate share based on its current ownership in AWAC. If either party does not contribute its proportionate share, the other party may make up the contribution, in addition to its own contribution, and the non-contributing party's interest in AWAC will be diluted in accordance with an agreed formula.

(ii) With respect to annual equity requests in excess of US$500 million but less than US$1 billion, each party must declare within 30 days of when the equity request is made if it has the ability to fund its share of the request and, if so, each party must contribute its proportionate share. Should WMC be unable to contribute the full amount of the equity in the year required, the parties will work together to find alternative interim external financing arrangements reasonably acceptable to WMC for AWAC or for WMC, or WMC may choose to have its interest in AWAC diluted in accordance with the formula noted in Section 6.2.9(g)(i). If alternative external financing is not acceptable to WMC, Alcoa may fund the WMC proportionate share and this contribution will be deemed to be a loan by Alcoa to WMC at the current market rate for Alcoa's long-term borrowings. WMC must repay the amount contributed on its behalf in a period not to exceed one year. If either party does not contribute its share or WMC does not repay the loan after one year and contribute its share, the dilution provision referred to in Section 6.2.9(g)(i) applies.

(iii) With respect to annual equity requests in excess of US$1 billion approved by a super majority vote described in Section 6.2.9(e)(ii), each party must contribute its proportionate share. However, if WMC is unable to contribute the full amount of the equity in the year required, the parties must work together to find alternative financing arrangements reasonably acceptable to WMC for AWAC or for WMC. If WMC does not contribute the balance of its full proportionate share, Alcoa may make, and must be compensated for, all or part of the remaining contribution in WMC's place. However, if this occurs, WMC's interest in AWAC will only be diluted in accordance with the dilution provision referred to in Section 6.2.9(g)(i) in respect of Alcoa's contribution to the capital requirements up to US$1 billion. If Alcoa elects to proceed, Alcoa and WMC will review the mechanism to compensate Alcoa for its excess contribution, which may include a disproportionate allocation of returns associated with the excess contribution.

(h) Dividend policy

AWAC must distribute by way of dividends, in each financial year, at least 30% of the net income of the prior year of each of the entities comprising AWAC, unless the Strategic Council agrees by a super majority vote to pay a smaller dividend. AWAC must also endeavour to distribute dividends above 30% of the net income of AWAC, consistent with prudent financial management and in the context of the strategic and business objectives of AWAC. A table of AWAC's historical dividend payments is contained in Section 6.9.

(i) Leveraging policy

The affiliated operating entities within AWAC must maintain a limit of debt (net of cash) in the aggregate equalling not more than 30% of total capital, where total capital is defined as the sum of debt (net of cash) plus any minority interest plus shareholder equity.

(j) Subsequent review

Upon the eighth anniversary of the Formation Date (ie 1 January 2003) or 30 days thereafter, if either party believes that a material inequity has resulted to one or both of the parties as a result of significant, irreversible circumstances or events that were unforeseen by that party at the time of entering into the AWAC Agreements and which substantially alter the value of the original contribution by either party or both parties, the party asserting the existence of the inequity can provide written notice to the other party. Such notice triggers a procedure in the AWAC Agreements for making an adjustment, should the parties agree. However, if Alcoa and WMC cannot agree to the adjustment, no adjustment will be made. The threshold amount for assessing a material inequity is US$200 million and the maximum amount of an adjustment is US$400 million. The provision is not intended to address normal fluctuations in production costs or alumina, industrial chemicals or aluminium prices, nor to reopen risks that were valued between the parties at the time of forming AWAC.

(k) Pre-formation liabilities

Where AWAC sustains an extraordinary liability (described below), Alcoa and WMC must, to the extent of their pre-formation ownership interest, indemnify, reimburse and hold harmless AWAC for such extraordinary liability. Certain matters including litigation, environmental and industrial hygiene matters, and non-compliances with government regulations or permits are identified and responsibility allocated in the AWAC Agreements. An extraordinary liability is:

- a liability to a third party claim at law or in equity;
- a claim by any government or governmental agency;
- an environmental liability; or
- an industrial disease or personal injury,

which relates to an act or omission that occurred totally or partially during a period prior to Formation Date.

To be subject to the indemnity a claim or a series of quarterly related claims (other than those specifically identified and referred to in the AWAC Agreements) must exceed an initial threshold amount of US$250,000. For liabilities that involve both activities or operations before and after the formation of AWAC, the liabilities are allocated by applicable methods as provided in schedules to the AWAC Agreements or, if none of those methods are relevant, by a fair and reasonable allocation of the responsibility for the extraordinary liability (based on an assessment of the respective contributions to the extraordinary liability by pre-formation and post-formation activities among AWAC, Alcoa and WMC).

(l) WMC pre-payment for Alcoa of Australia liabilities

By an amending agreement dated 31 December 1995, Alcoa's purchase price for WMC's 9% of Alcoa of Australia was adjusted, with such adjustment being in full satisfaction of WMC's indemnity obligations for environmental 'extraordinary liabilities' (as defined in the AWAC Agreements and described above) that should reasonably have been known, or for known environmental extraordinary liabilities, at plants in Australia, except for the cost of reclaiming spent potlining stored at Portland. Alcoa assumed obligations to indemnify WMC for any such extraordinary liabilities.

(m) Dispute resolution

The AWAC Agreements' mechanism prescribes for the resolution of 'all disputes, differences, controversies or claims' between the parties in relation to AWAC. The mechanism employs an escalating procedure for resolution.

(n) Transfer of interests

Rights of first refusal apply in relation to WMC's and Alcoa's interests in AWAC, or their affiliated holding interests in AWAC.

In addition, without the other party's consent, neither party can transfer its interests in AWAC to a 'competitor'. For these purposes, a competitor is any person engaged in the mining of bauxite, the processing of alumina or inorganic chemicals, or the production of primary aluminium, either directly itself or indirectly through any company in which it holds, legally or beneficially, either 10% or more of the issued capital or 10% or more of the voting power.

Any increase or decrease in AWAC interests must be proportionate across all entities in AWAC unless the increase or decrease was the involuntary consequence of government action, in which case WMC and Alcoa must consult as to the appropriate course of action.

There is no change of control clause triggered by an upstream change of control of WMC or Alcoa.

6.2.10 Funding of AWAC

AWAC finances its activities from cash flow of the affiliated operating entities and from borrowings. The AWAC Agreements limit leveraging to a maximum ratio of debt (net of cash) to total capital of 30% (a super majority vote of the Strategic Council is required to go beyond this limit – see Section 6.2.9(e)(ii)). WMC expects that AWAC would use its borrowing capacity to meet its financing needs, such as funds needed for expansion commitments. Should the aggregate annual capital budget of AWAC require an additional contribution from Alumina Limited and Alcoa, the parties contribute their proportionate share subject to the provisions set out in the AWAC Agreements which are described in Section 6.2.9(g).

6.2.11 AWAC litigation

In the ordinary course of its business, AWAC is involved in a number of lawsuits and claims, both actual and potential, including some that it has asserted against others. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. It is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies.

As mentioned in Section 6.2.8(b), AWAC's Point Comfort alumina refinery is part of an area which has been declared a US Environmental Protection Agency 'superfund' site. Section 6.2.8(b) provides further details regarding the 'superfund' site.

In Western Australia, there have been workers' compensation claims made and, in four instances, common law proceedings brought by a small number of Alcoa of Australia employees claiming that exposure to odours and emissions from the liquor burner at the Wagerup refinery has led to them suffering adverse health effects, including a condition known as multiple chemical sensitivity. Alcoa of Australia is defending these claims and is in discussions with union representatives to address employee issues relating to them. A workers' compensation claim and a common law action have also been brought by one employee at the Kwinana refinery, although Alcoa of Australia is currently seeking a ruling from the Supreme Court of Western Australia on the legal effect of a settlement reached with the employee to discontinue these claims.

There has also been recent publicity in respect of complaints by some nearby residents of the Wagerup refinery that there is a link between their various health problems and odours and emissions from the refinery and, in particular, from the liquor burner. Legal proceedings have been filed by some nearby residents of the Wagerup refinery in the District Court in Western Australia claiming unspecified damages and alleging that emissions from the Wagerup refinery have harmed their health. As at the date of this Scheme Booklet, no other legal proceedings have been filed in respect of these complaints.

In response to community concern, the Legislative Council of Western Australia Standing Committee on Environment and Public Affairs has initiated an inquiry into the complaints associated with the Wagerup refinery. Alcoa of Australia has participated in the public hearings. The inquiry is ongoing and a date for release of the Committee's findings has not yet been set.

Section 6.2.8(c) provides further details on the health issues associated with the Wagerup and Kwinana refineries. Section 6.2.8(b) discusses emission issues related to these refineries.

6.3 General business information

6.3.1 Auditor

WMC's current auditor, PricewaterhouseCoopers, will continue to act as Alumina Limited's auditor after the Demerger.

6.3.2 Employees

The majority of Alumina Limited's personnel will be employed prior to the Demerger, including some who are current employees of the WMC Group. Prior to the Demerger, Alumina Limited and WMC Resources will enter into a Transitional Services Agreement for a period of six months from the Demerger Date. Among other things, the Transitional Services Agreement will enable Alumina Limited to access the services of skilled and experienced WMC Resources personnel during the initial establishment period. Further details regarding the Transitional Services Agreement are set out in Section 10.17.3.

6.4 Alumina Limited Directors and senior management

6.4.1 Alumina Limited Board

(a) Role

The Alumina Limited Board, working with senior management, will be responsible to the shareholders of Alumina Limited for the company's overall business performance. It will approve the Alumina Limited Group's goals and directions, strategic plans and performance targets. The Alumina Limited Board will ensure that appropriate policies, procedures and systems are in place to manage risk, optimise business performance and maintain high standards of ethical behaviour and legal compliance.

(b) Board composition and meetings

It is intended that the persons named in the table below will, from the Demerger Date, replace the current members of the WMC Board, and comprise the initial board of Alumina Limited (as WMC will then be known). For this purpose WMC Shareholders will be asked at the General Meeting to vote on separate resolutions to elect each of the persons named below to the Alumina Limited Board (at the time of being asked to vote on the resolutions, WMC will still be known by its current name). If elected, on the Demerger Date the new directors will be appointed to the Alumina Limited Board, and the current WMC Directors will resign. The resolutions are explained in the notice convening the General Meeting in Section 16.

As can be seen from the table below, it is intended that the initial Alumina Limited Board will comprise a non-executive chairman, three other non-executive directors and one executive director. Under WMC's constitution, which will become Alumina Limited's constitution following the Demerger, the WMC Board (to be known as the Alumina Limited Board from the Listing Date) may determine the number of directors, provided that the board does not have fewer than six nor more than 12 members. To enable the initial Alumina Limited Board to be comprised as described, WMC Shareholders will be asked at the General Meeting to vote on a resolution to amend WMC's constitution to reduce the minimum number of board members to three. The reasons for this resolution are more fully explained in the notice convening the General Meeting in Section 16.

When appointing new directors following the Demerger, the Alumina Limited Board will seek relevant experience, diverse perspectives and complementary skills. A balance between independent business experience and relevant industry knowledge will also be sought. All directors are required to be natural persons and a majority of directors are required to ordinarily reside within Australia.

Alumina Limited's most senior employee, the Chief Executive Officer, will be selected by the Alumina Limited Board and is subject to annual performance reviews by the non-executive directors. The Chief Executive Officer recommends policy and strategic direction for board approval and is responsible for managing day-to-day operations. If elected to the Alumina Limited Board, the Chief Executive Officer will also be the company's Managing Director. Mr Marlay will be appointed the Chief Executive Officer of Alumina Limited on the Demerger Date.

The Alumina Limited Directors (other than the Managing Director) will be subject to retirement by rotation, one-third retiring each year by order of seniority of election (or the number nearest to one-third if the number of directors is not a multiple of three), and may not continue to hold office without re-election after the third annual general meeting following their last election by the shareholders. Eligible retiring directors may offer themselves for re-election by the shareholders. Non-executive directors retire, by agreement, at the annual general meeting following their reaching 72 years of age.

After being elected by the shareholders, a director who is appointed a Managing Director by the board is not required to retire by rotation. The Alumina Limited Directors may appoint a director either to fill a casual vacancy or as an addition to their numbers.

Proposed Alumina Limited Board

Name	Position	Summary of experience
Executive director		
Mr John Marlay BSc GAICD	Chief Executive Officer	Joined WMC in August 2002, following role as Head of Strategy for RMC Group plc in London. Mr Marlay was previously Executive General Manager Business Integration, Hanson plc from 2000-2001, and Executive General Manager, Europe for Pioneer International Ltd from 1997-2000. He has held senior management roles with James Hardie Industries Limited and Esso Australia Ltd.
Non-executive directors		
Mr Donald M Morley BSc MBA FAusIMM	Chairman	Director of WMC as the Director of Finance from 1983 until April 2001, Chief Financial Officer from April 2001-April 2002 and an Executive Officer of WMC since May 2002. Mr Morley will retire from his executive duties on 31 October 2002.
Mr Peter A F Hay LLB	Director	Chief Executive Officer and member of the board, and former National Executive Chairman, of the national law firm Freehills; Director of Pacifica Group Limited; and former Chairman of the board of Freehill Hollingdale & Page (Melbourne).
Mr Ronald J McNeilly BCom MBA	Director	Deputy Chairman BHP Steel Limited; Executive Director Global Markets BHP Billiton Limited from 2001-2002; Executive Director and President BHP Minerals from 1999-2001; Director Ausmelt Limited and Chairman-elect; Director G.H. Michell & Sons Holdings Pty Ltd; Chairman Melbourne Business School Limited; Past Director of BHP Billiton Limited, QCT Resources Limited and Tubemakers of Australia Limited.
Mr Mark R Rayner BSc (Hons) ChemEng FTSE FAusIMM FIEA FAICD	Director	Director of Pasminco Limited since 1989 and Chairman since 1992; Director of Mayne Nickless Limited since 1995 and Chairman since April 1997; Director of Boral Ltd since February 1996; Director of National Australia Bank Limited 1985-2001 and Chairman from 1997-2001.

Senior Managment

Name	Position	Summary of Experience
Mr Bob D J Davies CMA (Canadian designation)	Chief Financial Officer	Responsible for finance, treasury, investor relations and tax. Mr Davies has been with WMC for over six years and is currently General Manager – Treasury and Tax, also being responsible for investor relations and risk managment. Mr Davies previously held the position of Treasurer at WMC, has held various corporate and operations finance roles over a 20 year period with Utah International and then BHP in Canada, US, Chile and Australia.

(c) Committees

Specific board committees will assist the full Alumina Limited Board. Initially, the Alumina Limited Board will establish an audit committee, a compensation committee and a directors nomination committee, each to be comprised of the non-executive directors on the Alumina Limited Board.

In addition, ad hoc board committee meetings may be occasionally convened to address board issues when it is not practical to organise a full board meeting.

6.4.2 Senior management

The senior management structure for Alumina Limited is in the process of being finalised. Alumina Limited's Chief Executive Officer will be Mr Marlay (as discussed above) and its chief financial officer will be Mr Davies, currently General Manager – Treasury and Tax of WMC. It is expected that all remaining key senior management appointments will be made in advance of the Demerger Date so that Alumina Limited will only require limited transitional services from WMC Resources under the terms of the Transitional Services Agreement described in Section 10.17.3. WMC will publicly announce all other senior management appointments as and when they are made.

6.4.3 Alumina Limited representatives on the Strategic Council of AWAC

As discussed in Section 6.2.9(e)(ii), WMC appoints two members to the Strategic Council, which manages the strategic direction and business of AWAC. WMC's current representatives on the Strategic Council are Mr Morgan and Mr Morley. Mr Morgan will be replaced upon the implementation of the Demerger with a nominee appointed by the new Alumina Limited Board, namely Mr Marlay. WMC's current representatives on the boards of the various AWAC entities will also be replaced with Alumina Limited Board representatives, as necessary.

6.4.4 Remuneration

(a) Non-executive director fees

Remuneration for non executive directors is determined by the Alumina Limited Board and divided among the directors by the Alumina Limited Board, although Alumina Limited's constitution provides that the aggregate remuneration paid to Alumina Limited Directors in any year must not exceed a maximum amount previously approved for that purpose by shareholders. The maximum aggregate remuneration approved for directors is currently A$950,000. The initial remuneration for each non-executive Alumina Limited Director following the Demerger will be A$85,000. The initial remuneration for the Chairman, Mr Morley, will be A$212,500.

In respect of Messrs Hay, McNeilly and Rayner, proposed initial members of the Alumina Limited Board, fees will be paid in respect of service provided to WMC (Alumina Limited as it will then be known) from the date of their selection as Alumina Limited Directors-elect by WMC in March 2002, even though they will not assume office until the Demerger Date. This recognises each director's contribution to the Demerger process over the period leading up to implementation of the Demerger.

(b) Non-executive director retirement benefits

Non-executive directors under the age of 75 receive a superannuation guarantee contribution which is currently nine per cent of their fees. The directors will not receive any other retirement benefits.

(c) Executive director and senior executive remuneration

Executives will receive competitive remuneration packages which include: a base salary; additional benefits such as superannuation, annual performance related incentives, and termination entitlements.

The Alumina Limited Board will review these remuneration packages and other employment terms annually. This review will be based on performance goals set at the start of the year, relevant market information and independent expert advice.

6.5 Risk factors relating to Alumina Limited

This Section 6.5 describes some of the risks that could affect Alumina Limited. The factors below should be considered in connection with any forward-looking statements in this Scheme Booklet. The risks below are not the only ones Alumina Limited faces – some risks may not be known to Alumina Limited, and some that WMC currently believes to be immaterial could subsequently turn out to be material. One or more or a combination of these risks could materially impact Alumina Limited's business, revenues, operating income, net income, net assets, liquidity or capital resources.

As Alumina Limited's investment in AWAC will generate, at least initially, almost all of its profit and cash flow, risk factors which affect AWAC will have an impact on Alumina Limited. Accordingly, many of the risk factors below relate to the operations of AWAC.

6.5.1 General risks associated with investing in shares
Although Alumina Limited Shares are currently traded on the ASX as WMC Shares, Alumina Limited will have a significantly different profile to WMC so that the trading history of WMC Shares will not be directly relevant to Alumina Limited Shares. The price of Alumina Limited Shares will be subject to many influences that may affect the broad trend in the stock market or the share prices of individual companies. There can be no assurance that an active trading or liquid market will develop for Alumina Limited Shares. The price at which Alumina Limited Shares trade on the ASX may be affected by a number of factors unrelated to Alumina Limited's financial and operating performance and over which Alumina Limited has no control. Factors such as currency exchange rates, alumina prices, the level of industrial production, changes in government fiscal, monetary and regulatory policy, investor attitudes, stock market fluctuations in Australia and other stock markets around the world, changes in interest rates and inflation, and variations in general market or economic conditions could all have an adverse effect on the price of Alumina Limited Shares.

This Scheme Booklet contains forward-looking statements that involve certain assumptions that are subject to potential risks and uncertainties. Actual events and results, including Alumina Limited's future dividends, returns on capital and results of operations, could differ materially from those anticipated.

6.5.2 Exchange rate fluctuations
Alcoa of Australia contributes the majority of AWAC's earnings. While a significant proportion of Alcoa of Australia's costs are incurred in Australian Dollars, sales are denominated in US Dollars. The US Dollar/Australian Dollar exchange rate has recently risen from the historic lows experienced over the past two years. AWAC's future profitability, and hence that of Alumina Limited, may be adversely affected by a strengthening of the Australian Dollar against the US Dollar.

In the past, AWAC entered foreign exchange hedging contracts to manage its exposure to the US Dollar/Australian Dollar exchange rate. This practice was discontinued in early 2001, and hence a decreasing proportion of AWAC's Australian Dollar costs will be hedged in future years. Approximately 81% of costs are expected to be hedged in 2002 at an exchange rate of approximately US$0.61, and 49% of costs are expected to be hedged in 2003 at an exchange rate of approximately US$0.57.

6.5.3 Commodity price risk
AWAC's revenue is derived from sales of alumina, alumina-based chemicals and aluminium. The price that can be obtained for these commodities is influenced by the price of aluminium in the world market, and in particular, the LME price of primary aluminium. World aluminium prices are affected by numerous factors outside Alumina Limited's control, including the overall performance of world economies and the related cyclicality in particular industries that are significant consumers of aluminium.

The development of new alumina refineries and increased production by new or existing alumina producers may create overcapacity, which could reduce future prices of alumina, alumina-based chemicals and aluminium, thereby adversely affecting AWAC's, and hence Alumina Limited's, profitability.

AWAC's, and hence Alumina Limited's, financial performance and ability to service liabilities, pay dividends, undertake capital expenditure and finance future acquisitions would be adversely affected by a sustained material fall in the prices of alumina, alumina-based chemicals and aluminium.

6.5.4 Regulatory risks
Governments extensively regulate AWAC's mining operations. National, state and local authorities in Australia and other countries in which AWAC operates regulate the mining industry with respect to matters such as employee health and safety, permitting and licensing requirements and environmental compliance, plant and wildlife protection, reclamation and restoration of mining properties after mining is completed, and the effects that mining has on groundwater quality and availability. Numerous governmental permits and approvals and leases are required for AWAC's mining operations. AWAC is required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed exploration or production activities may have upon the environment. The costs, liabilities and requirements associated with these regulations may be costly and time-consuming and may delay commencement or continuation of exploration, expansion or production operations. Failure to comply with the laws regulating AWAC's businesses may result in sanctions such as fines or orders requiring positive action by AWAC which may involve capital expenditure or the curtailment of operations. This relates particularly to environmental regulations.

The possibility exists that new legislation or regulations may be adopted that may materially adversely affect AWAC's mining operations or AWAC's cost structure. New legislation or regulations or more stringent interpretations or enforcement of existing laws and regulations may also require AWAC's customers to change operations or incur increased costs. These factors and legislation, if enacted, could have a material adverse effect on AWAC's, and hence Alumina Limited's, financial condition and results of operations.

6.5.5 Political risks

AWAC operates in a number of countries, some of which have a higher political risk than Australia. Political activities in these countries may be destabilising and disruptive to AWAC's operations. The impact of any such disruption could range from a minor increase in operating costs to a material adverse impact such as the closure of an operation. AWAC continues to monitor each of the political environments in which it operates.

6.5.6 Uncertainty of development projects and exploration risk

AWAC's ability to sustain or increase its current level of production, and therefore its (and hence Alumina Limited's) 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. No assurance can be given that the planned development and expansion projects will result in the entire anticipated additional production or that there will be continued success developing additional operations. The economics of any project are based upon, among other factors, estimates of reserves and resources, recovery rates, production rates, capital and operating costs and future commodity prices.

6.5.7 Operating risks

AWAC's mining and processing operations are subject to conditions beyond its, or Alumina Limited's, control that can delay deliveries or increase the cost of mining at particular mines for varying lengths of time. These conditions include weather and natural disasters, unexpected maintenance or technical problems, key equipment failures, disruptions to or other problems with infrastructure, variations in geological conditions and increases in the cost of key inputs or the non-availability of key inputs. In addition, industrial disruptions, work stoppages, refurbishments and accidents at operations can result in production losses and delays in the delivery of product, which may adversely affect profitability. A key risk in the cost of production of alumina is the volatile price of caustic soda. Approximately one tonne of caustic soda is used for every 13 tonnes of alumina produced. Accordingly, an increase in caustic soda prices has the potential to affect profitability. For example, since the beginning of 2000, the price for caustic soda has varied from US$70 per dry metric tonne (fob US Gulf) in the third quarter of 2000, to US$265 per dry metric tonne (fob US) Gulf) in final quarter of 2001. In the first half of 2002 the price of caustic soda was approximately US$155 per dry metric tonne (fob US Gulf).

6.5.8 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 recognised under Australian law.

The High Court in the Mabo Decision in 1992 said that Aboriginal and Torres Strait Islander people who have maintained a continuing connection with their land according to their traditions and customs may hold native title. Proving a continuing connection usually involves showing that traditional laws and customs have passed down through generations of Aboriginal or Torres Strait Islander people to the present day.

The native title of a particular group will depend on the traditional laws and customs of those people. Recent decisions have indicated that native title may change over time.

Native title may exist in areas where it has not been extinguished (removed). Native title cannot invalidate anyone else's validly granted or validated rights but, following the High Court decision in 1996 in *The Wik Peoples v State of Queensland*, it is clear that native title may co-exist with other forms of tenure where that tenure is not exclusive.

In August 2002, the High Court held in the Ward Decision that there could be partial extinguishment of native title rights and that there are no native title rights to, or interests in, minerals in Western Australia. The decision that there are no native title rights to minerals in Western Australia is of significance to Alumina Limited as Alcoa of Australia operates bauxite mines and alumina refineries in Western Australia. The High Court also held that a mining lease under the relevant Western Australian legislation extinguished any native title right to control access to land, or to ask permission to use, or have access to, land but does not necessarily extinguish all native title rights.

At this stage, WMC cannot make any assessment of the impact of the Ward Decision on its operations or the current claimant applications for native title over the Alumina Limited Group's operations (referred to below).

In response to the Mabo Decision the Australian Government enacted the *Native Title Act 1993* (Cth) allowing, among other things, the States and Territories to enact their own native title legislation.

There are current claimant applications for native title determinations in the Federal Court of Australia over areas that include Alcoa of Australia's operations.

WMC cannot make any assessment as to whether 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 existing and future Alcoa of Australia interests. Accordingly, the impact of native title is being monitored but cannot be determined at this time.

6.5.9 Supply agreements
AWAC's revenue from supply agreements depends on a variety of factors such as price adjustments and other contract provisions. The modification or termination of a substantial portion of AWAC's supply agreements could adversely affect AWAC's, and hence Alumina Limited's, results and financial performance, to the extent that AWAC is unable to renew contracts or find alternate buyers for AWAC's production at the same level of profitability.

6.5.10 Loss of key personnel
AWAC manages its business with a number of key personnel, the loss of whom could have a material adverse effect on its business. AWAC's, and hence Alumina Limited's, future success will depend on AWAC's continued ability to attract and retain highly skilled and qualified personnel. There can be no assurance that key personnel will continue to be employed by AWAC or that AWAC will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on AWAC's, and hence Alumina Limited's, business. These same issues exist with respect to Alumina Limited's key personnel, the loss of whom could have a material adverse effect on Alumina Limited's business and its ability to manage its investment in AWAC.

6.5.11 AWAC arrangements
As discussed in Section 6.2.9(g), AWAC may make an annual capital request of up to US$1 billion following approval by a majority vote of AWAC's Strategic Council. Alumina Limited will be required to fund its share of the request. If Alumina Limited is unable to obtain equity or debt funding to make this contribution, it may ultimately run the risk of its interest in AWAC being diluted. While the WMC Board believes Alumina Limited will be able to fund its share of any contemplated capital requests, there is a risk that Alumina Limited will be unable to fund a capital request which is not presently contemplated but which may be made in the future, and that its interest in AWAC will be diluted accordingly.

6.5.12 Alumina Limited cash flows
Alumina Limited's profit and cash flows will be generated, at least initially, primarily from distributions made by AWAC, by way of dividend or capital return. The Strategic Council determines the timing and magnitude of AWAC dividends and capital returns, subject to the relevant provisions of the AWAC Agreements set out in Section 6.2.9(h). Alumina Limited cannot unilaterally determine AWAC's dividend policy or the quantum or timing of dividends to be paid by AWAC. However, the practice of AWAC, confirmed by the Strategic Council in September 2002, has been to distribute 100% of cash flow from the AWAC entities. WMC expects AWAC to continue this practice while it is consistent with the prudent financial management of AWAC.

6.6 Financial information on Alumina Limited

6.6.1 Overview of financial information
This Section 6.6 presents the following pro forma financial information for Alumina Limited and summary financial information for 100% of AWAC:

(a) *Alumina Limited financial information:*
- pro forma consolidated historical results for the years ended 31 December 1999, 2000 and 2001 and pro forma consolidated forecast results for the years ending 31 December 2002 and 2003 (in A$ and A GAAP) (Table 1);
- pro forma consolidated historical cash flows for the years ended 31 December 1999, 2000 and 2001 and pro forma consolidated forecast cash flows for the years ending 31 December 2002 and 2003 (in A$ and A GAAP) (Table 3); and
- pro forma consolidated statement of net assets as at 30 June 2002 (in A$ and A GAAP) (Table 4).

(b) *AWAC financial information:*
- historical results for 100% of AWAC for the years ended 31 December 1999, 2000 and 2001 and forecast results for 100% of AWAC for the years ending 31 December 2002 and 2003 (in US$ and US GAAP) (Table 5); and
- historical cash flows for 100% of AWAC for the years ended 31 December 1999, 2000 and 2001 (in US$ and US GAAP) (Table 6); and
- statement of net assets of 100% of AWAC as at 30 June 2002 (in US$ and US GAAP) (Table 7).

(c) *Reconciliation of financial information:*
- reconciliation of the reported WMC consolidated historical results to the abovementioned pro forma Alumina Limited consolidated historical results (Table 8); and
- reconciliation of the abovementioned pro forma consolidated historical and forecast results for Alumina Limited (in A$ and A GAAP) to the abovementioned pro forma historical and forecast results for 100% of AWAC (in US$ and US GAAP) (Table 9).

6.6.2 Alumina Limited - Financial information

(a) Introduction

(i) Historical financial information

The pro forma historical financial information has been extracted from WMC's audited financial statements for the years ended 31 December 1999, 2000 and 2001 and the Half Year Report for the six months ended 30 June 2002, and has been adjusted from the financial information previously reported by WMC to exclude the results of entities comprising the WMC Resources Group following the Demerger and the impact of non-recurring items.

The pro forma historical financial information has been prepared for illustrative purposes only for use in this Scheme Booklet and should be read in conjunction with:

- the risk factors described in Sections 4.5 and 6.5;
- the management discussion and analysis of the historical financial information set out in this Section 6.6.2; and
- the Investigating Accountant's Report on historical financial information set out in Section 12,

in order to understand the bases, assumptions, and limitations underlying the historical financial information presented.

The pro forma historical results and cash flows have been presented before borrowing costs, financing activities and income tax. The entities that will comprise the Alumina Limited Group currently operate under a different corporate structure with significantly different capital structure and income tax circumstances, and hence reporting net borrowing costs, financing activities and income tax is not considered to be meaningful or appropriate. Accordingly, this information has not been included in the pro forma historical information below.

(ii) Forecast financial information

The forecast financial information has been prepared for illustrative purposes only for use in this Scheme Booklet. It is based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions, which, as at the date of this Scheme Booklet, are expected to take place, including the key assumptions set out in this Section 6.6.2.

The forecast financial information should be read in conjunction with:

- the risk factors described in Sections 4.5 and 6.5;
- the managment discussion and analysis of the forecast financial information set out in this Section 6.6.2:
- the Investigating Accountant's Report on forecast financial information set out in Section 12;
- the description of key assumptions underlying the forecast information set out in this Section 6.6.2; and
- an analysis of the sensitivity to key commodity price and exchange rate assumptions set out in this Section 6.6.2,

in order to understand the bases, assumptions, and limitations underlying the forecast financial information presented.

WMC has used due care and attention in the preparation of this forecast financial information and considers the assumptions to be reasonable when viewed as a whole. However, this information is not fact and readers are cautioned not to place undue reliance on the forecast financial information.

The assumptions set out in Section 6.6.2(c)(iii) represent estimates of 2002 and 2003 commodity prices and US Dollar/Australian Dollar exchange rates at the date of this Scheme Booklet, having regard to spot commodity prices and exchange rates, average commodity prices and exchange rates in year 2002 to date, historical long-term average commodity prices and exchange rates and WMC's own industry knowledge.

The assumptions have been cross-checked for reasonableness against consensus forecasts of mineral prices and exchange rates prepared by leading international financial institutions.

Forecasts are, by their nature, subject to a variety of business, economic and competitive risks and uncertainties, many of which will be outside the control of Alumina Limited and its directors. Events and circumstances often do not occur as anticipated, and therefore actual results are likely to differ from the forecasts, and the differences may be material. Accordingly, the WMC Directors cannot and do not give any assurance that the forecasts will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with material consequential impact on the forecast financial information. The sensitivity analysis in this Section 6.6.2 (Table 2) summarises the sensitivity of forecast NPAT for the year ending 31 December 2003 after changes in certain key commodity price and exchange rate assumptions.

The forecasts are included as required by Australian company law. The preparation of the forecast financial information and the investigating accountant's review thereof has been undertaken in accordance with Australian auditing standards and such information should not be relied upon by those unfamiliar with such standards.

The forecast financial information has not been prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American

Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

(b) Pro forma consolidated historical results for the years ended 31 December 1999, 2000 and 2001 (in A$ and A GAAP)

(i) Basis of preparation

Table 1 summarises the pro forma historical results of the businesses that comprise Alumina Limited for the years ended 31 December 1999, 2000 and 2001 as if Alumina Limited had been separately preparing its results. It also includes the pro forma forecast results for the years ending 31 December 2002 and 2003. The basis of preparation of the forecasts, assumptions adopted, management discussion and analysis and other important factors to take into consideration are discussed in Section 6.6.2(c).

The pro forma historical results do not purport to represent what the actual results of operations would have been if Alumina Limited had been operating on a stand-alone basis for each of the financial years presented or to project, or to be used as a basis for projecting, Alumina Limited's results for any future period.

(ii) Information for US shareholders

The pro forma historical financial information included in this Scheme Booklet does not purport to be in compliance with Article 11 of Regulation S-X of the Rules and Regulations of the SEC. Under Article 11, pro forma income statements must be presented assuming the transaction had been consummated at the beginning of the first fiscal year presented and may only include adjustments which give effect to events that are:

- directly attributable to the transaction;
- expected to have a continuing impact on the entity; and
- factually supportable.

The normalisation adjustment in the pro forma financial information set out in Table 1 would not be permissible under the SEC's Rules and Regulations on pro forma financial presentations. The adjustment reflected arose from the belief that the underlying items are non-recurring and that, although required to be recorded in the historical financial statements under A GAAP, are more appropriately presented in the pro forma financial information as 'normalised' and therefore eliminated. This would not be permitted under Article 11 of Regulation S-X. Although the WMC Directors believe that the item normalised will itself be non-recurring (at least at the magnitude previously experienced), there can be no assurance that similar items will not recur or that such items or a similar item will not have an impact on a future year's results of operations or financial condition.

(iii) Management discussion and analysis of historical results of Alumina Limited – General

The pro forma historical results of the Alumina Limited Group for the years ended 31 December 1999, 2000 and 2001 are primarily comprised of the equity share of profits from AWAC.

The equity share of profits from AWAC within the Alumina Limited Group results set out in this Section 6.6.2 are presented in accordance with A GAAP, and revenues and costs denominated in US Dollars have been translated to Australian Dollars using average exchange rates for the relevant period.

AWAC reports under US GAAP and in US Dollars and the majority of AWAC's revenues and certain costs are denominated in US Dollars. Therefore management's discussion and analysis of the historical profits of AWAC in this Section 6.6.2(b) is in US GAAP and US Dollars.

(iv) Managment discussion and analysis of historical results of Alumina Limited – 12 month period ended 31 December 2001 compared to 12 month period ended 31 December 2000

EBIT: Alumina Limited factors – The decrease in the equity accounted contribution from AWAC during the year is discussed below. The average US Dollar/Australian Dollar exchange rate decreased from US$0.59 to US$0.52, resulting in a positive impact on the Alumina Limited Group EBIT. The A GAAP EBIT in 2001 was also impacted by an A$14.8 million decrease in Alumina Limited's equity share of stock option expenses charged by Alcoa to AWAC.

EBIT: Underlying AWAC factors (100% basis) – EBIT before significant non-recurring items decreased by US$152.8 million to US$787.4 million in 2001, compared to US$940.2 million in 2000. The reduction in 2001 was attributable to a decline in alumina sales volumes, and higher unit costs offset in part by increased chemical sales.

Following a review of AWAC's assets, several plants were written off in the first half of 2001. The plants were:

- the St Croix refinery in the Virgin Islands which had been idle since January 2001 and was permanently closed in July 2001;
- the Port Allen HiQ plant, a specialty chemicals operation in Louisiana, US, which had been idle since December 2000; and
- the Suralco smelter in Suriname which has a capacity of 30,000 tonnes a year and its associated anode production facility at the Point Comfort refinery in the US which had been idle since March 1999.

The 2001 historical results presented in Section 6.6.3 have been adjusted to exclude the impact of the costs associated with these write-offs and associated provisions as they are considered to be significant non-recurring items.

AWAC sells approximately 40% of its alumina production to Alcoa's primary smelting group, with remaining sales usually under three to five year contracts which are referenced to the LME aluminium price. Less than 10% of production is sold into the spot alumina market. Alumina production for 2001 fell by approximately 10.3% to 11.9 million tonnes as a response to lower alumina demand as global economies slowed. The reduction was effected through the closure of the St Croix refinery and a reduction in production at the Point Comfort refinery to one third of its capacity. Increased power prices in the US Pacific Northwest led to the shutdown of 1.5 million tonnes of aluminium smelter capacity contributing to an overall decline in demand for alumina.

AWAC's aluminium production increased to a record 372,700 tonnes due to:

- higher production from Point Henry after restarting idle capacity; and
- an increase in AWAC's share of production at Portland following an increase in its equity interest from 45% to 55% in September 2000.

Unit cost of sales of alumina in 2001 were 4% higher due to the lower production at the Point Comfort refinery, higher costs in the fourth quarter at Jamalco following a labour strike and higher caustic soda prices. These factors were partially offset by lower US Dollar costs at Australian refineries due to the appreciation of the US Dollar relative to the Australian Dollar although currency hedging eroded some of these potential benefits.

The cash price for aluminium reached the previous year high of US$0.79 per pound in February 2001. The price then declined progressively throughout 2001 as the economic outlook deteriorated with further downward pressure on prices towards the end of the year from expectations of a slowdown in the US economy. Prices had fallen to US$0.60 per pound at year end with LME stocks increasing from a near 10 year low in January 2001 of 322,000 tonnes to approximately 800,000 tonnes at 31 December 2001.

More than 90% of world production of alumina is sold under long-term contracts which typically have alumina prices based on a percentage of the recent aluminium metal prices. The spot market for alumina is very limited with prices tending to be volatile. The spot alumina market has a very limited impact on the average realised alumina prices for AWAC.

(v) Management discussion and analysis of historical results of Alumina Limited – 12 month period ended 31 December 2000 compared to 12 month period ended 31 December 1999

EBIT: Alumina Limited factors – The increase in profit contribution from AWAC during the year is discussed below. The average US Dollar/Australian Dollar exchange rate decreased from US$0.66 to US$0.59, resulting in a positive impact on the Alumina Limited Group EBIT.

EBIT: Underlying AWAC factors (100% basis) – EBIT increased by US$377.1 million to US$940.2 million in 2000 due to higher alumina prices, increased volumes and lower unit costs.

During the period, AWAC continued to rationalise its alumina chemicals products and operations to concentrate on returns from major commodities such as aluminium fluoride, hydrate, calcines and refractory and tabular products.

Alumina production for 2000 increased to a record 13.3 million tonnes, due to an incremental expansion at Wagerup and the operation of all refineries, except St Croix, at full capacity. Aluminium production increased with the restart of idle capacity at Point Henry and Portland, and the acquisition of Eastern Aluminium (thereby increasing Alcoa of Australia's interest in Portland by 10% to 55%) in September 2000.

The cash price for aluminium reached a four year high of US$0.79 per pound in January 2000. Prices then faced downward pressure with expectations of a slow down in the US economy, but recovered to US$0.71 per pound by year end. LME stocks declined 63% during the year to reach 322,000 tonnes in January 2001, representing a near 10 year low and less than one week's global consumption.

During 2000, an unexpected shutdown of refinery capacity resulted in alumina spot prices rising to around US$450 per tonne in the first quarter before ending the year at US$175 per tonne. This volatility in the spot market price of alumina had a limited impact on the realised price received by AWAC as most alumina sales are through long-term contracts which are tied to LME aluminium prices rather than to spot market alumina prices or are on a cost plus basis.

(c) Pro forma consolidated forecast results for the years ending 31 December 2002 and 2003

(i) Basis of preparation

The pro forma forecast results set out above have been prepared on a basis consistent with the accounting policies outlined in the Annual Report. The pro forma forecast results

TABLE 1 PRO FORMA CONSOLIDATED RESULTS OF ALUMINA LIMITED

A GAAP (A$ million)

	PRO FORMA HISTORICAL[1] Year ended 31 December			PRO FORMA FORECAST[1] Year ending 31 December	
	1999	2000	2001[2]	2002[3]	2003
Equity share of profits after tax	216.2	386.8	377.7	263.0	375.9
Amortisation of equity goodwill[4]	(17.7)	(17.7)	(17.7)	(17.7)	(17.7)
Corporate costs	(4.8)	(2.3)	(3.4)	(8.2)	(8.2)
Pro forma results before borrowing costs and tax	**193.7**	**366.8**	**356.6**	**237.1**	**350.0**
Net borrowing costs				(18.6)	(19.5)
Income tax (expense)/benefit				-	-
Pro forma net profit attributable to members of Alumina Limited				**218.5**	**330.5**
Basic earnings per share (A$)[5]				$0.20	$0.30

(1) *A description of the assumptions underlying the forecasts for Alumina Limited is included in Section 6.6.2(c).*

(2) *The 2001 equity share of profit after tax from AWAC has been adjusted by A$80.9 million to exclude the equity share of the write down of AWAC refining and chemical assets and associated provisions. The assets written off were:*
- *the St Croix refinery in the Virgin Islands which had been idle since January 2001 and was permanently closed in July 2001,*
- *the Port Allen HiQ plant, a specialty chemicals operation in Louisiana, US, which had been idle since December 2000, and*
- *the Suralco smelter in Suriname which has a capacity of 30,000 tonnes per year and its associated anode production facility, at the Point Comfort refinery, US which had been idle since March 1999.*

(3) *The pro forma forecast results for the year ending 31 December 2002 have been prepared as if the Alumina Limited Group had existed in its post-Demerger form from, and the pro forma transactions and events described in Sections 6.6.2(c)(i) had occurred on, 1 January 2002. The pro forma forecast results for the year ending 31 December 2002 comprise pro forma historical results for the six months ended 30 June 2002 and pro forma forecast results for the six months ending 31 December 2002.*

Alumina Limited's reported result for the year ending 31 December 2002 will be different to the forecast provided in this table as the effective accounting date of the Demerger is expected to be 30 November 2002 (see Section 5.5.8). All profits or losses generated prior to the Demerger Date by WMC subsidiaries on or before the Demerger Date will be reflected in the actual consolidated earnings of Alumina Limited for the year ending 31 December 2002.

(4) *The equity goodwill amortisation charge of A$17.7 million relates to the amortisation charge on amounts for goodwill recognised in forming AWAC in January 1995 which are being amortised over 20 years.*

(5) *Based on the number of WMC Shares outstanding as at 30 June 2002 of 1,112,419,643.*

should be read in conjunction with the matters set out in Section 6.6.2(a)(ii) to understand the bases, assumptions, and limitations underlying the forecast financial information presented.

The pro forma forecast results have been presented to net profit after tax. The pro forma forecast results for the year ending 31 December 2002 and 2003 have been adjusted to:

- reflect the pro forma transactions and events described below; and
- exclude any gains or losses on the disposal of entities required to effect the Demerger.

The pro forma forecast result for the year ending 31 December 2002 comprises pro forma historical financial information for the six months ended 30 June 2002 and pro forma forecast financial information for the six months ending 31 December 2002.

In order to present a meaningful full year comparison, the 2002 forecast results (and the pro forma 2002 forecast cash flows set out below) have been prepared as if the following pro forma transactions and events, which are to take place on or before the Demerger Date, had occurred as at 1 January 2002:

- the settlement of inter-company debts between companies that will be subsidiaries of Alumina Limited and those that are to become part of the WMC Resources Group as a result of the Demerger by converting the net amount owing to equity; and
- the allocation of approximately A$20.8 million of cash and A$600 million of existing WMC debt to Alumina Limited (see Section 5.5.4).

The actual reported results will differ from this forecast for the reasons outlined in note 2 to Table 1.

(ii) Management discussion and analysis of forecast results of Alumina Limited – 12 month periods ending 31 December 2002 and 31 December 2003

Alumina Limited's share of AWAC profits after tax is recognised on an equity accounted basis. Alumina Limited's equity share of profits after tax from AWAC is forecast to be A$263.0 million in 2002, a 30% decline on the 2001 actual result of A$377.7 million (after adjusting for non-recurring items). In 2003, Alumina Limited's equity share of profits after tax from AWAC is forecast to improve to A$375.9 million. The key driver of the increased earnings in 2003 is a forecast recovery in aluminium prices and the consequent increase in contract alumina prices received and higher production volumes.

Alumina Limited costs in the form of amortisation and corporate costs are forecast to be A$17.7 million and A$8.2 million respectively in 2002 and 2003.

Total AWAC profit after tax (after adjusting for non-recurring items) is forecast to decrease by 27% to US$374.9 million in 2002 and to increase to US$557.4 million in 2003.

(iii) *Key assumptions underlying the Alumina Limited forecasts*

In forecasting Alumina Limited earnings for 2002 and 2003, the WMC Directors have made the following key assumptions:

(A) ALUMINA LIMITED SPECIFIC ASSUMPTIONS

- Total corporate costs are forecast to be A$8.2 million a year consisting of:
  - incremental corporate costs of Alumina Limited operating as an independently listed company, including directors' and officers' costs, office accommodation, share registry and ASX fees, and public reporting, estimated to be A$4.8 million a year; and
  - ongoing corporate costs, estimated to be A$3.4 million a year. WMC Resources will initially provide Alumina Limited with various transitional services until these services can be provided internally by Alumina Limited. These services will be provided in accordance with the terms of the Transitional Services Agreement described in Section 10.17.3.
- Borrowing costs, representing debt interest costs, are at an average floating rate of 3.25% a year for the year ending 31 December 2002 and 3.75% a year for the year ending 31 December 2003. The increasing rate is a function of an expected increase in US Dollar interest rates.
- No income tax is forecast to be paid by Alumina Limited as dividends received from AWAC are assumed to continue to be fully franked or tax exempt. The Alumina Limited forecasts also assume that other revenue will not be material and as a result insufficient to offset expected operating costs, and that the tax deductibilty of these costs will therefore not be fully utilized.
- US GAAP adjustments for the year ended 31 December 2002 include nine months of actual US GAAP adjustments to 30 September 2002 and three months of forecast US GAAP adjustments. The forecast US GAAP adjustments for the three months to 31 December 2002 and the year ending 31 December 2003 assume that there are no significant changes to market conditions from 30 September 2002 throughout the forecast period.

(B) AWAC SPECIFIC ASSUMPTIONS

Forecast 2002 and 2003 results for AWAC (on a 100% basis) are set out in Section 6.6.3(b) (Table 5). In forecasting AWAC earnings for 2002 and 2003, the WMC Directors have made the following key assumptions:

1 REVENUE ASSUMPTIONS:

In forecasting AWAC revenue, the following alumina and aluminium production has been assumed.

Production

AWAC (100% basis)	PRO FORMA FORECAST 2002	PRO FORMA FORECAST 2003
Alumina ('000 tonnes)	12,440	12,930
Aluminium ('000 tonnes)	376	382

AWAC's alumina production in 2002 is forecast to exceed 2001 production by 4.5% with production at all refineries except Kwinana forecast to be higher. Three refineries, Point Comfort, San Ciprian and Jamalco account for over 80% of the increase. Production at the Point Comfort refinery, the swing producer in the AWAC portfolio, fell to around one-third of its capacity in the latter months of 2001 but increased to over 50% in the first half of 2002 with further increases forecast in the second half. Production from Jamalco was artificially low in 2001 as a result of a labour strike that occurred in the final quarter of the year. Finally, the impact of the expansion at San Ciprian from 1.1 to 1.3 million tonnes a year will be fully evident in 2002. With respect to aluminium production, a small increase of approximately 1% is forecast in 2002 emanating primarily from the Portland smelter.

Alumina production is forecast to increase a further 4% in 2003 with production increases from all refineries with the exception of Kwinana. Accounting for two-thirds of this increase is the Point Comfort refinery which is forecast to operate at 75-80% of capacity. Excluding the Point Comfort refinery the most significant increases in production are anticipated at Wagerup and San Ciprian. A further 1.6% increase is also forecast for aluminium production.

Commodity Price Assumptions

In the forecasting AWAC revenue, the following commodity prices (nominal US$) have been assumed:

	PRO FORMA FORECAST 2002	PRO FORMA FORECAST 2003
LME Aluminium (US$/pound)	0.61	0.67

The majority of AWAC alumina external sales are under long-term contracts with pricing based on the LME aluminium price. Contracts expiring during the forecast period are assumed to be renewed on similar terms. Sales to Alcoa owned smelters (excluding sales to ex-Alumax smelters) are based on a weighted average of external sales (see Section 6.2.4(b). The price paid for the AWAC production delivered to the ex-Alumax smelters is in accordance with the contracts entered into with Alumax by AWAC prior to 1998. The forecast increase in prices reflects an anticipated strengthening in global economic growth into 2003 with a consequent increase in demand for aluminium.

2 COSTS

Unit production costs are forecast to fall by approximately 1% year on year in both 2002 and 2003 in real terms due to the impacts of cost reduction programs and economies of scale. The forecasts assume that no significant new currency hedging contracts will be put in place during the forecast period.

3 TAXATION

Taxation assumptions reflect a forecast effective tax rate of 30% for Australian entities and an average 35% effective tax rate for non-Australian based entities, and also adjustments for tax losses which are not expected to be utilised in the near future, for the years ending 31 December 2002 and 2003.

(C) GENERAL ASSUMPTIONS FOR ALUMINA LIMITED AND AWAC

The WMC Directors have also made the following general assumptions for the Alumina Limited and 100% AWAC forecasts in addition to those outlined above:

- an increase in the Consumer Price Index of 3% a year over the forecast period;
- the following US Dollar/Australian Dollar exchange rates:

	PRO FORMA FORECAST 2002	PRO FORMA FORECAST 2003
US Dollar/Australian Dollar Exchange Rate	0.542	0.58

- no changes of a material nature to Alumina Limited's accounting policies or to Australian Accounting Standards, Statements of Accounting Concepts or other mandatory professional reporting requirements including Urgent Issues Group Consensus Views and the Corporations Act which could have a material effect on Alumina Limited's forecast financial results and cash flows;
- no significant changes in legislation, regulatory requirements or government policy, or to the political or economic environment in Australia and the markets in which AWAC and Alumina Limited operate;
- no significant industrial, contractual, competitive or political disturbances impacting Alumina Limited and the continuity of its operations;
- no material environmental losses or material legal claims;
- no material acquisitions or disposals of businesses or assets by AWAC;
- no significant change to the competitive landscape of the industries in which Alumina Limited will have an interest; and
- no change in taxation legislation which will have a material impact on Alumina Limited's forecast financial results and cash flows.

(iv) *Sensitivity analysis of Alumina Limited pro forma forecasts*

The forecasts are sensitive to variations in a number of key commodity price and exchange rate assumptions. The table below highlights the impact of certain variations in commodity prices and the exchange rate on pro forma forecast NPAT for 2003 as presented in Table 1.

Care should be taken in interpreting these sensitivities as they consider movements on an isolated basis. In most cases, changes in key assumptions are interdependent. Further, in the normal course of business, management would be expected to respond to any adverse changes in these key variables to minimise the net effect on Alumina Limited's financial performance.

The sensitivity for a US$0.03 movement in the aluminium price has been performed using forecast realised prices for AWAC. The alumina price is aligned to aluminium prices. The sensitivity of NPAT to a US$0.03 movement in the aluminium price also includes the impact of this movement on the alumina price.

TABLE 2 SENSITIVITY ANALYSIS – ALUMINA LIMITED

A GAAP (A$ million)	IMPACT ON PRO FORMA FORECAST NPAT Year ending 31 December 2003
Commodity Prices	
+/- US$0.03/pound movement in aluminium price	35.6
Exchange Rates	
+ US $0.02 movement in US Dollar/ Australian Dollar exchange rate	(25.6)
- US $0.02 movement in US Dollar/ Australian Dollar exchange rate	27.5

Commodity prices for Alumina Limited's products are quoted in US Dollars. In addition, certain costs borne by Alumina Limited are denominated in US Dollars. Consequently Alumina Limited's results are impacted by the US Dollar/Australian Dollar exchange rate. An appreciation of the Australian Dollar relative to the US Dollar would be expected to have a net adverse effect on Alumina Limited's results.

TABLE 3 **PRO FORMA CONSOLIDATED CASH FLOWS OF ALUMINA LIMITED**

A GAAP (A$ million)

	PRO FORMA HISTORICAL Year ended 31 December			**PRO FORMA FORECAST Year ending 31 December**	
	1999	**2000**	**2001**	**2002**	**2003**
Dividends received from AWAC	166.9	274.4	377.0	256.4	375.9
Operating costs	(4.8)	(2.3)	(3.4)	(8.2)	(8.2)
Payment for purchase of MRN and Halco shares[1]	-	-	-	(72.2)	-
Net cash flow before borrowing costs, tax and financing activities	**162.1**	**272.1**	**373.6**	**176.0**	**367.7**
Net borrowing costs				(18.6)	(19.5)
Income taxes paid				-	-
Net cash flow after tax and before financing activities				**157.4**	**348.2**

(1) Relates to payment for Alumina Limited's share of AWAC's acquisition of Reynolds Metals Company's 5% interest in MRN and 6% interest in Halco (referred to in Sections 6.2.5(c) and 6.2.5(f)) in US Dollars.

Table 2 presents the impact on pro forma NPAT for 2003 of a US$0.02 movement in the US Dollar/Australian Dollar exchange rate in 2003.

(d) Pro forma historical cash flows for the years ended 31 December 1999, 2000 and 2001 and pro forma forecast cash flows for the years ending 31 December 2002 and 2003 for Alumina Limited (in A$ and A GAAP)

(i) Basis of preparation

Table 3 summarises the pro forma historical cash flows of the businesses that comprise Alumina Limited for the years ended 31 December 1999, 2000 and 2001 as if Alumina Limited had been separately preparing its results and the pro forma forecast cash flows for the years ending 31 December 2002 and 2003.

The pro forma forecast cash flows have been presented to net cash flows before financing activities.

In order to present a meaningful full year comparison, the 2002 forecast cash flows have been prepared as if the pro forma transactions identified [illegible] occurred as at 1 January 2002.

(ii) Management discussion and analysis of historical and forecast cash flows of Alumina Limited

Alumina Limited cash flows are primarily driven by dividends received from AWAC. Further details of historical dividends and capital returns paid by AWAC, and AWAC's obligations to pay dividends, are set out in Section 4.6.2 and 6.9.

The forecast dividend from AWAC for 2002 is based on an initial dividend of A$127.6 million paid to Alumina Limited in May 2002, and a second dividend of A$70.6 million paid in September 2002. It is anticipated that AWAC will pay a further dividend to Alumina Limited of approximately A$58.2 million in December 2002. The forecast dividend for 2003 is based on Alumina Limited's equity share of the forecast profit after tax for AWAC for 2003 and assumes that 100% of AWAC profits after tax will be paid as dividends during 2003.

Alumina Limited does not expect to pay income taxes as dividends received from AWAC are expected to be fully franked or tax exempt.

TABLE 4 **PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS OF ALUMINA LIMITED**

A GAAP (A$ million)

	NET ASSETS ATTRIBUTED TO ALUMINA LIMITED As at 30 June 2002	PRO FORMA ADJUSTMENTS	PRO FORMA NET ASSETS As at 30 June 2002
Cash(1)	51.4	20.8	72.2
Investments in Associates	1,605.8	-	1,605.8
Other assets	3.4	-	3.4
TOTAL ASSETS	**1,660.6**	**20.8**	**1,681.4**
Interest bearing liabilities(2)	-	600.0	600.0
Other liabilities	5.7	-	5.7
TOTAL LIABILITIES	**5.7**	**600.0**	**605.7**
NET ASSETS/ SHAREHOLDERS' EQUITY	**1,654.9**	**(579.2)**	**1,075.7**

(1) *The cash balance is held in Western Mining Corporation (US) and will be utilised to fund Alumina Limited's share of AWAC's acquisition of Reynolds Metals Company's 5% interest in MRN and 6% interest in Halco. The total payment required of A$72.2 million will be funded by transferring A$20.8 million of existing cash within the WMC Group to Alumina Limited after the Effective Date (see Section 5.5.4). Refer to description of pro forma transactions above.*

(2) *The pro forma adjustment reflects A$600 million of existing WMC debt allocated to Alumina Limited after the Effective Date (see Section 5.5.4). Refer to description of pro forma transactions above.*

e) *Pro forma consolidated statement of net assets as at 30 June 2002 (in A$ and A GAAP)*

(i) *Basis of preparation*

Set out in Table 4 is a summary pro forma consolidated statement of net assets for Alumina Limited, which has been prepared based on the balance sheet of WMC as at 30 June 2002. The pro forma statement of net assets has been prepared as if the following transactions and events, which are to take place on or before the Demerger Date, had occurred as follows as at 30 June 2002:

- the settlement of inter-company debts between companies that will be subsidiaries of Alumina Limited and those that are to become part of the WMC Resources Group as a result of the Demerger by converting the net amount owing to equity;
- the allocation of approximately A$20.8 million of cash and A$600 million of existing WMC debt to Alumina Limited (see Section 5.5.4);
- the steps required to effect the Demerger described in Section 5.1.2, including the internal restructuring of the WMC Group as described in Section 5.5.1, with internal asset transfer prices determined by reference to their fair values at 30 June 2002; and
- as described in Section 5.1.2, the payment by WMC (which will then be known as Alumina Limited) of the Share Scheme Dividend of A$0.73 per WMC Share and the reduction to its share capital by the Reduction Amount of A$2.78 per share, both of which are automatically applied in consideration for the transfer of one WMC Resources Share for each WMC Share. Based on the number of WMC shares on issue at 30 June 2002 (being 1,112,419,643), this results in a residual share capital balance for Alumina Limited of approximately A$125 million. The share capital balance at the Demerger Date may vary as a result of WMC Options being exercised after 30 June 2002.

6.6.3 AWAC financial information

(a) *Introduction*

WMC's interest in AWAC has historically been accounted for under the equity method. The equity accounted pro forma historical and forecast results for Alumina Limited provide limited information regarding the underlying financial strength of the AWAC business. To ensure that readers have a more detailed understanding of Alumina Limited's investment in AWAC, historical results of 100% of AWAC for the years ended 31 December 1999, 2000 and 2001, forecast results of AWAC for the years ending 31 December 2002 and 2003, and the consolidated statement of net assets of AWAC as at 30 June 2002 for AWAC, are presented in this Section 6.6.3.

The AWAC financial information in this Section is presented under US GAAP in US Dollars as indicated.

The pro forma historical financial information of AWAC has been extracted from AWAC's combined statements of income and cash flows of AWAC (in US$ and US GAAP) for the years ended 31 December 1999, 2000 and 2001, and the combined balance sheets as at 30 June 2002, and has been adjusted to exclude the impact of non-recurring items. The pro forma forecast financial information of AWAC (in US$ and US GAAP) has been prepared based on the assumptions set out in Section 6.6.2(c).

The forecast financial information presented in this Section 6.6.3 has been prepared by the WMC Directors for use in this Scheme Booklet and should be read in conjunction with:

- the risk factors described in Sections 4.5 and 6.5;
- the management discussion and analysis of the forecast financial information set out in Section 6.6.2;
- the Investigating Accountant's Report on forecast financial information set out in Section 12;
- the description of key assumptions underlying the forecast information set out in Section 6.6.2; and
- the sensitivity analysis on key commodity price and exchange rate assumptions set out in Section 6.6.2,

to understand the bases, assumptions and limitations underlying the forecast financial information presented.

(b) 100% of AWAC – Historical combined results for the years ended 31 December 1999, 2000 and 2001 and forecast combined results for the years ending 31 December 2002 and 2003 (in US$ and US GAAP)

Table 5 summarises the historical reported results of 100% of AWAC for the years ended 31 December 1999, 2000 and 2001, and the forecast results for 100% of AWAC for the years ending 31 December 2002 and 2003, under the US GAAP and in US Dollars.

TABLE 5 HISTORICAL AND FORECAST COMBINED RESULTS OF 100% OF AWAC

US GAAP (US$ million)

	HISTORICAL Year ended 31 December			FORECAST Year ending 31 December	
	1999	**2000**	**2001**	**2002[1]**	**2003**
EBITDA					
Alumina	574.7	892.5	709.0	528.1	734.9
Aluminium Metal	118.1	182.1	176.6	140.0	180.1
Chemicals	51.2	41.2	58.0	33.4	46.4
Other	(7.8)	(0.7)	7.8	32.7	9.1
Total EBITDA[5]	**736.2**	**1,115.1**	**951.4**	**734.2**	**970.5**
Amortisation	12.4	12.0	9.8	10.0	10.0
Depreciation	160.7	162.9	154.2	146.6	154.3
Total amortisation and depreciation	**173.1**	**174.9**	**164.0**	**156.6**	**164.3**
EBIT					
Alumina	454.5	770.2	590.8	415.2	616.4
Aluminium Metal	89.1	152.2	148.4	113.1	151.5
Chemicals	27.4	18.5	40.5	16.6	29.2
Other	(7.9)	(0.7)	7.7	32.7	9.1
Total EBIT[5]	**563.1**	**940.2**	**787.4**	**577.6**	**806.2**
Significant non-recurring items[2]	-	-	(107.0)		-
Net borrowing costs[3]	0.8	(2.2)	1.1	-	-
Profit before tax	**563.9**	**938.0**	**681.5**	**577.6**	**806.2**
Income tax expense	(152.7)	(317.6)	(272.7)	(202.7)	(248.8)
Profit after tax	**411.2**	**620.4**	**408.8**	**374.9**	**557.4**
Less minority interests' share[4]	(0.4)	(1.6)	(0.9)	-	-
Profit after tax and minority interests	**410.8**	**618.8**	**407.9**	**374.9**	**557.4**

(1) *The forecast results for the year ending 31 December 2002 include six months of actual results to 30 June 2002 and six months of forecast results.*

(2) *Significant non-recurring items relate to the write down of AWAC refining and chemical assets and associated provisions. Alumina Limited's equity share of significant non-recurring items after tax (A$80.9 million) has been excluded from Alumina Limited's pro forma EBIT as discussed in Note 2 to Table 1.*

(3) *Net borrowing costs for 2002 and 2003 are forecast to be negligible based on anticipated cash holdings and interest bearing liabilities.*

(4) *Minority interests' share in 2002 and 2003 has not been forecast.*

(5) *WMC uses EBIT and EBITDA as measures of financial performance. EBIT and EBITDA are not measures of financial performance under US GAAP and are not alternatives to US GAAP net income, cash flows or liquidity as measures of financial performance.*

(c) Historical combined cash flows for 100% of AWAC for the years ended 31 December 1999, 2000 and 2001 (in US$ and US GAAP)

Table 6 summarises the historical reported cash flows of 100% of AWAC for the years ended 31 December 1999, 2000 and 2001 under US GAAP and in US Dollars.

TABLE 6 HISTORICAL COMBINED CASH FLOWS OF 100% OF AWAC

US GAAP (US$ million)

	HISTORICAL Year ended 31 December		
	1999	**2000**	**2001**
Operating activities			
Net Income (after minority interests)	410.8	618.8	407.9
Adjustment to reconcile net income to cash from operations:			
Depreciation, amortisation and impairment	173.1	174.9	163.9
Reduction (Increase) in: Receivables	(51.8)	(86.6)	46.9
Inventories	93.8	(9.9)	(72.0)
Increase (Reduction) in: Current liabilities	29.7	59.8	(23.1)
Other working capital	21.3	11.5	39.4
Net change in non-current assets and liabilities	(26.9)	(41.8)	(44.5)
Other items(1)	(27.4)	119.3	56.2
Cash from operating activities	**622.6**	**846.0**	**574.7**
Financing activities			
Dividends paid and return of capital to partners	(306.5)	(437.1)	(541.8)
Change in debt	(38.6)	(193.6)	60.1
Additions to minority interest	–	–	0.5
Dividends paid to minority interests	(0.3)	(0.2)	(0.4)
Cash used for financing activities	**(345.4)**	**(630.9)**	**(481.6)**
Investing activities			
Capital expenditure	(184.3)	(139.9)	(111.5)
Acquisition of subsidiaries	(3.0)	(99.3)	–
Net loans to related party	(49.6)	–	–
Investments	–	–	–
Changes in minority interest	–	–	–
Cash used for investing activities	**(236.9)**	**(239.2)**	**(111.5)**
Effect of exchange rate changes on cash	0.7	(2.2)	(1.5)
Cash generated/(used)	**41.0**	**(26.3)**	**(19.9)**
Cash and cash equivalents			
Cash and cash equivalents at beginning of period	103.4	144.4	118.1
Cash and cash equivalents at end of period	144.4	118.1	98.2
Net change in cash and cash equivalents	**41.0**	**(26.3)**	**(19.9)**

(1) Includes equity earnings net of dividends, non-cash special items, change in deferred income taxes, minority interest and reduction/increase in taxes, including taxes on income.

TABLE 7 COMBINED STATEMENT OF NET ASSETS OF 100% OF AWAC

US GAAP (US$ million)

	NET ASSETS As at 30 June 2002
Current assets	
Cash	89.3
Receivables	280.5
Inventories	376.1
Other current assets	106.1
Total current assets	**852.0**
Non-current assets	
Investments	71.6
Machinery and equipment	2,007.5
Other non-current assets	361.1
Total non-current assets	**2,440.2**
TOTAL ASSETS	**3,292.2**
Current liabilities	
Payables	251.7
Debt	107.7
Current tax provision	77.0
Other current liabilities	216.4
Total current liabilities	**652.8**
Non-current liabilities	
Debt	9.4
Deferred tax liabilities	357.7
Other non-current liabilities	264.3
Total non-current liabilities	**631.4**
TOTAL LIABILITIES	**1,284.2**
Minority interest	5.5
NET ASSETS / SHAREHOLDERS' EQUITY	**2,002.5**

(b) *Combined statement of net assets of 100% of AWAC as at 30 June 2002 (in US$ and US GAAP)*

Set out in Table 7 is a summary combined statement of net assets for 100% of AWAC as at 30 June 2002 presented under US GAAP and in US Dollars.

6.6.4 Reconciliations of financial information

(a) *Reconciliation of reported WMC historical results to pro forma Alumina Limited historical results*

Table 8 reconciles the reported consolidated net profit after tax of WMC to the pro forma consolidated results of Alumina Limited for the years ended 31 December 1999, 2000, and 2001.

Adjustments have been made to exclude the impact of significant non-recurring items from the pro forma historical results of Alumina Limited. WMC believes that normalisation adjustments enable a more meaningful analysis of Alumina Limited's underlying financial performance.

TABLE 8 RECONCILIATION OF REPORTED CONSOLIDATED PROFIT AFTER TAX OF WMC TO PRO FORMA CONSOLIDATED RESULTS OF ALUMINA LIMITED

A GAAP (A$ million)

	HISTORICAL Year ended 31 December		
	1999	**2000**	**2001**
Reported consolidated net profit after tax of WMC	**275.8**	**764.9**	**401.7**
Less: profit after tax attributed to WMC Resources	82.1	398.1	126.0
Pro forma consolidated profit after tax attributed to Alumina Limited	**193.7**	**366.8**	**275.7**
Significant non-recurring items:			
Equity share of write down of AWAC refining			
and chemical assets and associated provisions	-	-	80.9
Pro forma consolidated results of Alumina Limited (Table 1)	**193.7**	**366.8**	**356.6**

(b) *Reconciliation of pro forma consolidated results of Alumina Limited (in A$ and A GAAP) to combined results of AWAC (in US$ and US GAAP)*

Table 9 reconciles the Alumina Limited equity share of profits after tax to AWAC's historical profit after tax for years ended 31 December 1999, 2000 and 2001 and for the forecast years ending 31 December 2002 and 2003.

TABLE 9 RECONCILIATION OF ALUMINA LIMITED CONSOLIDATED RESULTS (A$ AND A GAAP) TO AWAC COMBINED RESULTS (US$ AND US GAAP)

($ million)

	HISTORICAL Year ended 31 December			FORECAST Year ending 31 December	
	1999	**2000**	**2001**	**2002[1]**	**2003**
Alumina Limited's equity share of AWAC profits					
after tax (A$ and A GAAP) (Table 1)	**216.2**	**386.8**	**377.7**	**263.0**	**375.9**
Less non-recurring items					
Equity share of write down of AWAC assets and					
associated provisions after tax	-	-	(80.9)	-	-
US GAAP adjustments					
Pension funds[2]	(1.8)	3.1	11.5	5.3	-
Stock option expense[3]	33.3	25.3	10.5	3.5	-
Gas transmission[4]	5.0	7.4	5.1	3.3	3.3
Other	3.5	2.6	(2.1)	(0.2)	-
Tax effect of US GAAP adjustments	(11.7)	(9.6)	(10.4)	(3.5)	(1.0)
Equity share of AWAC profits after tax under US GAAP (A$)	**244.5**	**415.6**	**311.4**	**271.4**	**378.2**
Adjustment to gross up equity share of AWAC profits					
to 100% of AWAC profits under US GAAP (A$)	377.9	641.5	476.3	420.3	582.8
100% of AWAC profit under US GAAP (A$)	**622.4**	**1,057.1**	**787.7**	**691.7**	**961.0**
Average exchange rates	0.6600	0.5854	0.5178	0.5420	0.5800
AWAC profit after tax (US$ and US GAAP) (Table 5)	**410.8**	**618.8**	**407.9**	**374.9**	**557.4**

(1) *Pro forma forecast US GAAP adjustments for 2002 include nine months of actual US GAAP adjustments for the nine months to 30 September 2002 and three months of forecast US GAAP adjustments. The forecast US GAAP adjustments for the three months to 31 December 2002 and the year ending 31 December 2003 assume that there are no significant changes to market conditions from 30 September 2002 throughout the forecast period.*

(2) *The accepted practice for pension funds under A GAAP is to account for company contributions on a cash rather than an accruals basis. This is contrary to US GAAP thus an adjustment is made to record the balance in line with the recognition provisions of FAS 87 'Employers Accounting for Pensions'.*

(3) *The stock option expense adjustment represents the cost of stock options issued under the Alcoa long-term incentive plan which are not required to be recognised as an expense under US GAAP.*

(4) *The gas transmission adjustment represents the reversal of the A GAAP amortisation and interest expense for the period to ensure consistent treatment with US GAAP.*

6.7 Funding

Prior to the Demerger, Alumina Limited will establish the A$700 million Alumina Limited Loan Facility, of which approximately A$600 million will be used to suscribe for additional equity in WMC Resources prior to the Demerger, as described in Section 5.5.4(a). Alumina Limited will transfer all of the WMC Resources Shares subscribed for to WMC Shareholders in implementing the Demerger Proposal such that Alumina Limited will not hold any WMC Resources Shares after the Demerger. Once the Demerger is implemented, it is anticipated that the Alumina Limited Board will consider various alternatives as to how Alumina Limited's debt can be refinanced in a cost efficient manner.

It is currently anticipated that Alumina Limited will not be required to access significant additional debt in the immediate future. However, it is expected that Alumina Limited will have access to approximately A$100 million under the undrawn, standby component of the Alumina Limited Loan Facility.

6.8 Material litigation

Other than the litigation discussed in Section 6.2.11, there are no material pending legal proceedings relating to the Alumina Limited Group as at the date of this Scheme Booklet.

6.9 Dividends

Payment of dividends will be determined by the Alumina Limited Board after taking into consideration a number of factors, including AWAC's financial results, the level of dividends paid by AWAC, strategic objectives, anticipated capital contributions required by AWAC, general business conditions, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the ability to pay dividends and any other factors the Alumina Limited Board may consider relevant. It is the intention of the Alumina Limited Board, to the extent practicable, to fully distribute to Alumina Limited shareholders all fully franked dividends received by Alumina Limited from AWAC.

The practice of AWAC, confirmed by the Strategic Council in September 2002, has been to distribute 100% of cash flow from the AWAC entities. WMC expects AWAC to continue this practice while it is consistent with the prudent financial management of AWAC.

The AWAC Agreements provide that AWAC must distribute by way of dividends in each financial year at least 30% of the net income of the prior year of each of its constituent entities, unless the Strategic Council agrees by a vote of 80% of the appointed members to pay a smaller dividend. In addition, the AWAC Agreements provide that WMC and Alcoa must endeavour to distribute dividends above 30% of the net income of AWAC consistent with prudent financial management and in the context of the strategic and business objectives of AWAC.

As shown in Figure 14, in the period since the formation of AWAC on 1 January 1995 until 30 June 2002, slightly in excess of 100% of AWAC's net income (determined pursuant to US GAAP) has been distributed, either in the year it was generated or in a subsequent year, by way of dividend or capital return. Over the same period, 85% of dividends paid by AWAC have been fully franked.

Alumina Limited's share of the initial 2002 dividend paid by AWAC in May 2002 was A$127.6 million, of which A$120 million was franked. Alumina Limited also received a further dividend of A$70.6 million, which was fully franked, in September 2002. It is anticipated that AWAC will pay a further dividend in December 2002, of which Alumina Limited's share is expected to be approximately A$58 million, approximately A$36 million of which is expected to be franked.

The payment of dividends by AWAC in respect of future financial years will similarly be determined by the Strategic Council in the context of the AWAC Agreements' distribution principles as applied to that financial year.

FIGURE 14 AWAC DIVIDENDS RECEIVED AND CAPITAL RETURNS

Date	FULLY FRANKED(1) (A$ million)	DIVIDEND UNFRANKED(2) (A$ million)	TOTAL (A$ million)	PROPORTION OF DIVIDEND RECEIVED FULLY FRANKED (%)	CAPITAL RETURNED (A$ million)	TOTAL DIVIDEND AND CAPITAL (A$ million)	DIVIDEND AND CAPITAL RETURN PAYOUT RATIO(3) (%)
1995							
12 April	29						
30 June	33						
28 September	39						
28 December	31						
Total	**133**	**8**	**142**	**94%**	**–**	**142**	**80%**
1996							
9 April	39						
14 May	39						
30 June	39						
27 September	39						
December	31						
Total	**188**	**8**	**196**	**96%**	**–**	**196**	**97%**
1997							
26 March	31						
27 June	39						
26 September	39						
22 December	39						
Total	**149**	**7**	**156**	**96%**	**240**	**396**	**193%**
1998							
19 March	39						
26 June	39						
25 September	29						
23 December	39						
Total	**147**	**68**	**215**	**68%**	**42**	**257**	**112%**
1999							
26 March	39						
28 June	29						
26 November	49						
23 December	39						
Total	**157**	**10**	**167**	**94%**	**–**	**167**	**75%**
2000							
7 January	20						
23 June	157						
15 September	20						
Total	**196**	**78**	**274**	**72%**	**–**	**274**	**71%**
2001							
28 February	157						
26 June	157						
Total	**314**	**63**	**377**	**83%**	**–**	**377**	**133%**
First Half 2002							
2 May	120						
Total	**120**	**7**	**127**	**95%**	**–**	**127**	**104%**
TOTAL	**1,406**	**249**	**1,655**	**85%**	**282**	**1,937**	**106%**

(1) *Fully franked dividends are from Alcoa of Australia. Figures shown in this table may not add due to rounding.*

(2) *Unfranked dividends are from non Alcoa of Australia entities and generally are not received on the same dates as the fully franked dividends.*

(3) *The dividend and capital return payout ratio is calculated with reference to 100% AWAC in US GAAP terms.*

6.10 Rights and liabilities attaching to Alumina Limited Shares

Alumina Limited Shares are fully paid ordinary shares in Alumina Limited (as WMC will be known from the Listing Date). As is the case with WMC, Alumina Limited Shares will be the only class of shares on issue in Alumina Limited following the Demerger.

The rights and liabilities attaching to the Alumina Limited Shares, as at the date of this Scheme Booklet, are the same as the rights and liabilities currently attaching to the WMC Shares, and are:

- set out in Alumina Limited's constitution (ie WMC's constitution); and
- in certain circumstances regulated by the Corporations Act, the Listing Rules and the general law.

This Section 6.10 contains a summary of the rights and liabilities attaching to the Alumina Limited Shares. This summary does not purport to be exhaustive nor to constitute a definitive statement of the rights and liabilities of shareholders of Alumina Limited, which can involve complex questions of law arising from the interaction of Alumina Limited's constitution and statutory, common law and Listing Rule requirements. To obtain a definitive assessment of the rights and liabilities which attach to those shares in any specific circumstances, investors should seek their own advice.

6.10.1 Issue of further shares

Without prejudice to any special rights previously conferred on the holders of shares, any share in the capital of Alumina Limited may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the Alumina Limited Directors may from time to time determine and the rights attaching to shares of a class other than ordinary shares shall be expressed at the date of issue. All unissued shares shall be under the control of the Alumina Limited Directors who may in their discretion grant calls or options thereon, issue option certificates in respect thereof, or allot or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and for or at such time as they think fit.

6.10.2 Modification of rights

All or any of the rights and privileges attached to any class of shares may be varied or abrogated, and any repayment of capital in respect of any class of shares may be effected, by special resolution approving the proposed variation, abrogation or repayment passed at a special meeting of the holders of shares of that class or by consent in writing signed by the holders of at least three-fourths of the issued shares of that class within two calendar months from the date of such special meeting. However, no approval or consent shall be required in respect of the redemption of any redeemable shares in accordance with the terms of their issue.

In either case, members with at least 10% of the votes in the class whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to have the variation or cancellation set aside.

6.10.3 Transfer of ordinary shares

The Alumina Limited Shares quoted on the ASX are transferable by:

- a written transfer in the usual or common form or in any form the Alumina Limited Directors may prescribe or in a particular case accept, duly stamped (if necessary), being delivered to Alumina Limited;
- a proper instrument of transfer, which is to be in the form required or permitted by the Corporations Act or the SCH Business Rules; or
- any other electronic system established or recognised by the Listing Rules in which Alumina Limited participates in accordance with the rules of that system.

The Alumina Limited Directors may, subject to the requirements of the Corporations Act and the Listing Rules, refuse to register any transfer of shares in the following circumstances:

- if the registration would infringe any applicable laws or the Listing Rules;
- if the transfer concerned shares over which Alumina Limited has a lien; or
- if permitted to do so under the Listing Rules.

6.10.4 Forfeiture and lien

If any member fails to pay any sum payable on or in respect of any shares, either for allotment money, calls or instalments, on or before the day appointed for payment, the Alumina Limited Directors may, at any time thereafter whilst any part of the sum remains unpaid, serve a notice on the member requiring them to pay the sum or so much of the sum as remains unpaid together with interest accrued and all expenses incurred by Alumina Limited by reason of the non-payment, and if the requirements of the notice are not complied with, any shares in respect of which the notice has been given may, at any time thereafter before payment of the sums due pursuant to the notice, be forfeited by a resolution of the Alumina Limited Board.

6.10.5 Alteration of share capital

Alumina Limited may, by resolution passed in general meeting, alter its share capital in any manner provided by the Corporations Act, including reducing its share capital.

6.10.6 General meetings and notices

Each shareholder is entitled to receive notice of general meetings of Alumina Limited and to receive all notices, financial statements and other documents required to be sent to shareholders under Alumina Limited's constitution. Alumina Limited may serve a notice on a shareholder in the form and in the manner the Alumina Limited Board thinks fit, subject to the Corporations Act and the Listing Rules. The manner of service may include leaving the notice at the shareholder's registered address or sending it to the electronic address (if any) nominated by the member or sending it by prepaid post, telex or facsimile transmission addressed to the member at their registered address.

6.10.7 Voting rights

At a general meeting, subject to a number of specified exceptions, on a show of hands each shareholder present in person or by corporate representative, attorney or proxy has one vote. On a poll, each shareholder present in person or by corporate representative, attorney or proxy shall in respect of each share held by them:

- have one vote for each fully paid share; and
- have a vote in respect of each partly paid share equivalent to the proportion which the amount paid up bears to the total issue price of the share at the date the poll is taken.

6.10.8 Dividends

Subject to the rights of, or restrictions imposed upon, the holders of shares in respect to the payment of dividends, dividends shall be payable on all shares in proportion to the amount of capital credited as paid up in respect of those shares, provided however that no amount paid on a share in advance of calls or the due date for the payment of any instalment shall be treated as paid on that share.

6.10.9 Winding up

If Alumina Limited is wound up, whether voluntarily or otherwise, with the sanction of a special resolution, the liquidator may divide among the contributories in specie or in kind, any part of the assets of Alumina Limited, and may vest any part of the assets of Alumina Limited in trustees upon such trusts for the benefit of the contributories or any of them as the liquidator thinks fit. Any contributory who would be prejudiced by the determination shall have a right to dissent and ancillary rights as if the determination were a special resolution passed pursuant to the Corporations Act.

6.10.10 Partial takeovers

WMC Shareholders will be asked at the General Meeting to approve an amendment to the Alumina Limited constitution (which will be the WMC constitution at the time) to insert a partial takeovers approval provision. If approved, the provisions will regulate proportional takeover bids for shares in Alumina Limited as permitted by the Corporations Act. Full details of the proposed provision are set out in the explanatory notes to the notice convening the General Meeting in Section 16.

6.10.11 Share buybacks

Alumina Limited may buy back shares in itself in accordance with the Corporations Act.

6.10.12 Foreign persons

The Alumina Limited Directors may refuse to allot any share, or subject to the Corporations Act, the Listing Rules and the SCH Business Rules, to register any transfer or transmission of a share, to any person if the allotment, transfer or transmission results in a foreign person, alone or together with any associate or associates, acquiring a substantial interest in Alumina Limited (15% or more of the voting power) or if it results in two or more foreign persons, together with any associate or associates of any of them, acquiring an aggregate substantial interest in Alumina Limited (40% or more of the voting power). The definition of 'foreign persons' and the percentages that constitute a substantial interest or aggregate substantial interest, are as provided by the *Foreign Acquisitions and Takeovers Act 1975* (Cth) and may change over time.

6.10.13 Amending the constitution

The Corporations Act provides that the constitution of a company may be modified or repealed by special resolution passed by the members of that company (ie passed by at least 75% of the votes cast by members entitled to vote on the resolution). The constitution of Alumina Limited does not provide for any further requirements to be complied with to effect a modification of, or to repeal, Alumina Limited's constitution.

6.11 Alumina Limited Options

After the Demerger is implemented, WMC Optionholders will continue to be able to exercise their WMC Options – which will become Alumina Limited Options – and be issued with Alumina Limited Shares.

The terms and conditions that will apply to those Alumina Limited Options will depend on whether the Option Scheme receives the necessary approvals.

Details of the terms and conditions to apply to those Alumina Limited Options if the Option Scheme is approved are contained in Section 5.2, and details of the terms and conditions to apply if the Option Scheme is not approved are contained in Section 4.7.4. Details of the WMC Options on issue as at 1 September 2002 are contained in Section 8.2.3.

7. Information on WMC Resources

7.1 Overview of WMC Resources

7.1.1 Introduction

WMC Resources was incorporated in 1933 and, since 1978, has been a wholly owned operating subsidiary of WMC, holding primarily the WMC Group's nickel interests. After the Demerger, WMC Resources will also hold WMC's remaining non-AWAC businesses. It will be a major diversified resources company listed in Australia and the US. Its main business will be the discovery, development, production, processing and marketing of minerals, metals and chemicals. It will produce nickel, copper, uranium oxide, phosphate fertilizers and a range of other intermediate products from a portfolio of three quality, long-life businesses – the Nickel Business Unit, a fully integrated nickel mining, concentrating, smelting and refining business in Western Australia; Olympic Dam, a copper-uranium business in South Australia; and the Queensland Fertilizer Operations, a high analysis fertilizers production complex at Phosphate Hill, Queensland.

From the mid 1990s, WMC undertook major investment and restructuring to enhance the competitiveness and quality of its non-AWAC minerals businesses. Businesses such as oil and gas, talc and gold were divested. WMC's remaining businesses, namely the Nickel Business Unit, Olympic Dam and the Queensland Fertilizer Operations, have been the focus of major management effort and capital investment with the aim of maintaining their status as quality, cost competitive businesses.

The outcome of these efforts has been that WMC Resources will have a suite of three quality assets, each of which is integrated, has long-life reserves and has a competitive cost position. WMC Resources is, therefore, well positioned to generate sound cash flows over the commodity price cycle.

WMC's strong history and reputation in environmental matters, occupational health and safety and community issues will continue in WMC Resources.

7.1.2 Business strengths

WMC Resources' business strengths include:

- large, long-life reserves in each of its businesses;
- fully integrated production facilities;
- current operations in low political risk jurisdictions;
- minimal environmental issues;
- competitive production costs;
- significant expansion opportunities at existing businesses;
- a focus on environmental, health and safety management;
- a history of exploration success; and
- an experienced management team.

7.1.3 Strategy

The strategy of WMC Resources will be to create shareholder value by finding, acquiring, developing and operating long-life, low cost mineral resource projects.

WMC Resources intends to maximise the value of and to grow each of its key existing businesses (the Nickel Business Unit, Olympic Dam and the Queensland Fertilizer Operations). Detailed outlines of the strategy and growth options for each of these businesses are set out later in this Section 7.

WMC Resources will seek to add to its portfolio of quality resource assets by:

- evaluating its current portfolio of development projects (including further expansion of Olympic Dam and Mount Keith and the development of the Corridor Sands heavy minerals project);
- maintaining a global minerals exploration program, focused on exploring for outstanding copper, gold and nickel deposits; and
- actively evaluating merger, acquisition and joint venture opportunities.

WMC Resources will constantly review its portfolio of assets and will take actions in relation to its assets where necessary to enhance shareholder value. In this regard, the company will continue WMC's strategic review of its Queensland Fertilizer Operations, including the distribution subsidiary, Hi-Fert. The strategic review will examine a range of options for these two businesses and is scheduled for completion in the first half of 2003.

7.1.4 Summary pro forma historical financial and production information

The WMC Resources Group's production results for the years ended 31 December 1999, 2000 and 2001 and the six months ended 30 June 2002 are set out in Figure 15.

FIGURE 15 PRODUCTION SUMMARY

	1999 Full Year	2000 Full Year	2001 Full Year	2002 1st Half Year
Nickel (contained nickel)				
- Concentrate ('000 tonnes)	88	107	105	51
- Matte ('000 tonnes)	80	103	97	42
- Metal ('000 tonnes)	53	61	61	31
Copper ('000 tonnes)	138	200	201	88
Uranium oxide (tonnes)	3,221	4,539	4,379	1,192
Ammonium phosphate ('000 tonnes)	5	326	709	398[1]

(1) Includes 59.1 kt of MAP and 339.1 kt of DAP.

Figure 16 summarises certain pro forma historical financial information for the WMC Resources Group for the years ended 31 December 1999, 2000 and 2001 and the six months ended 30 June 2002 as if WMC Resources had been separately preparing its results. The pro forma historical financial results have been adjusted in each year to exclude non-recurring costs and revenues and the results of discontinued operations. The historical financial information in Figure 16 does not purport to represent what the actual results of operations would have been if WMC Resources had been operating on a stand-alone basis for each of the financial years presented or to project, or to be used as a basis for projecting, WMC Resources' results for any future period. The historical financial information in Figure 16 has been prepared for illustrative purposes and should be read in conjunction with the factors outlined in Section 7.12.2(a)(i) to understand the bases, assumptions and limitations underlying the historical information presented.

FIGURE 16 PRO FORMA HISTORICAL FINANCIAL PERFORMANCE

A$ million

	1999 Full Year	2000 Full Year	2001 Full Year	2002 1st Half Year
Revenue	1,770.6	3,108.0	2,727.8	1,305.6
EBITDA (excluding currency and commodity hedges)	393.5	1,354.5	775.4	313.1
EBIT (excluding currency and commodity hedges)	75.3	925.8	294.2	46.4

7.2 Nickel Business Unit

7.2.1 Nickel industry and market background

(a) Nickel usage

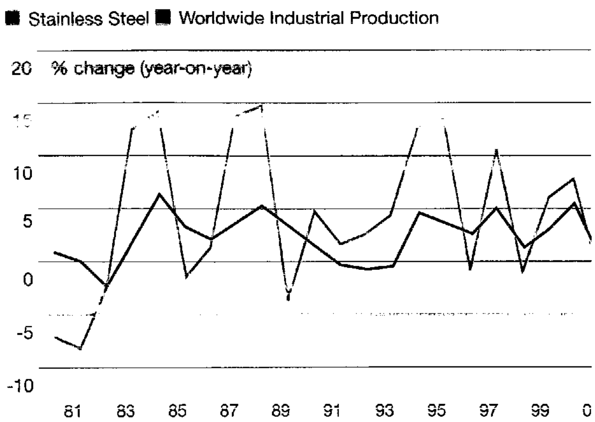
Nickel is used primarily in alloys to impart strength, toughness and corrosion resistance. It is principally used in the production of stainless steel, low alloy steels, nickel-based alloys and for electroplating. Stainless steel accounted for approximately 63% of western world primary nickel demand in 2001 and this percentage is expected to increase as stainless steel production is expected to grow faster than other nickel applications.

In the western world, the rate of growth in demand for stainless steel, whilst volatile, has outstripped the rate of growth in industrial production over the past 20 years, as shown in Figure 17.

(b) Nickel producers

The production of primary nickel is dominated by a relatively small number of major integrated producers. The five leading nickel producers accounted for over 55% of total world primary production in 2001. See Figure 18.

FIGURE 17 **STAINLESS STEEL PRODUCTION vs INDUSTRIAL PRODUCTION (WESTERN WORLD 1980-2001)**



Source: Brook Hunt, 2002

FIGURE 18 **LEADING NICKEL PRODUCERS IN 2001**

RANK	COMPANY	NICKEL CONTAINED IN ORES AND CONCENTRATES '000t	% OF WORLD PRODUCTION
1	Norilsk Nickel	276	21.0
2	Inco	218	16.6
3	WMC	105	7.9
4	Falconbridge	84	6.3
5	Eramet-SLN	67	5.1

Source: Brook Hunt, 2001

(c) Nickel market

The LME is the central price setting market for most nickel.

Nickel prices in 2001 ranged from US$2.00 per pound to US$3.42 per pound and averaged US$2.70 per pound (average daily cash settlement). Nickel price weakness in 2001 was largely attributable to slowing world economic activity and increased mine production.

In the first half of 2002, nickel demand was solid with the rate of demand estimated as being 5.4% higher than in the first half of 2001. Consumption of nickel was supported by the stainless steel sector, where production of stainless steel is estimated to have increased by 4.5% on a year-on-year basis, and enhanced by limited availability of scrap in several markets. During the first half of 2002, the nickel price averaged US$2.98 per pound.

The medium to long-term outlook is positive, with expected continued growth in demand through growth in stainless steel production and recovery in the non-stainless steel sector. Stainless steel production is forecast to grow in the near-term at an average rate of 4.5% a year from 2002 until around 2012, with consequent nickel demand growth at an average rate of 3.8% a year over the same period.

FIGURE 19 **NICKEL PRICE HISTORY (1980-2001)**

Source: CRU, 2002

WMC expects long-term nickel prices in the range of US$2.90 to US$3.25 per pound. Figure 19 depicts historical nickel prices.

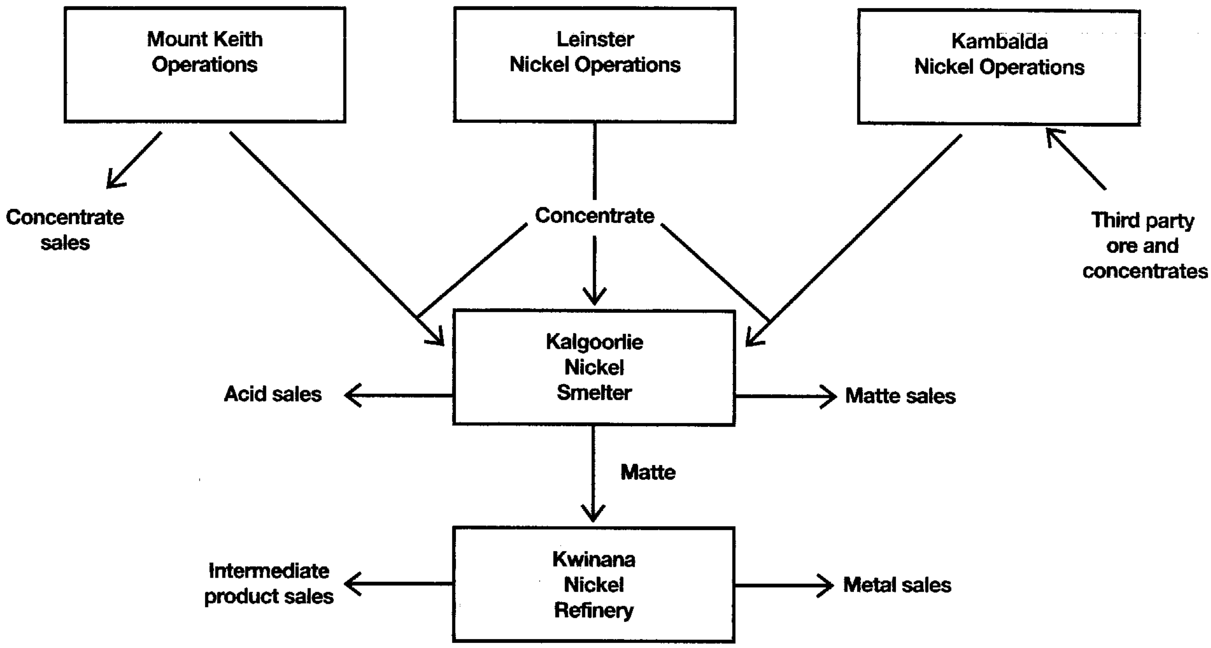
7.2.2 Description of the Nickel Business Unit

(a) Overview

The Nickel Business Unit is a fully integrated nickel business comprising mines, concentrators, a smelter and a refinery. Underground and open-cut mines are operated at Leinster and there is a large scale open-cut mine operation at Mount Keith. Nickel ore is concentrated at both Leinster and Mount Keith. The Nickel Business Unit also operates a concentrator at Kambalda, which treats ore sourced from third parties in the region. Prior to April 2002, the Nickel Business Unit also operated mines in the Kambalda region. Until recently, concentrates were also purchased from third party concentrators outside the Kambalda region and dried at Kambalda for blending as smelter feed. Approximately 13% of the total nickel-in-concentrate is sold to export customers with the balance railed to the Kalgoorlie Nickel Smelter and smelted into matte. Approximately 30% of nickel-in-matte is sold to export customers, with the balance railed to the Kwinana Nickel Refinery, where it is refined to produce nickel briquettes and nickel powder. The refinery also produces a number of intermediate products, including copper sulphide, cobalt-nickel sulphide and ammonium sulphate which it sells to third parties. Figure 20 shows the production chain of the Nickel Business Unit.

The Nickel Business Unit is the world's fifth largest producer of nickel metal. However, as noted in Section 7.2.1(b), allowing for the sale of concentrate and matte products, the Nickel Business Unit is the world's third largest producer of nickel-in-concentrate.

FIGURE 20 PRODUCTION CHAIN OF THE NICKEL BUSINESS UNIT



WMC Resources' estimated Ore Reserves and Mineral Resources in respect of the Nickel Business Unit are set out in Section 7.5.

WMC Resources' operations at the Kalgoorlie Nickel Smelter and the Kwinana Nickel Refinery and its ore concentrating operations at Kambalda are governed by the *Nickel Refinery (Western Mining Corporation Limited) Agreement Act 1968* (WA) while those at the Leinster Nickel Operations are governed by the *Nickel (Agnew) Agreement Act 1974* (WA). These Agreement Acts govern matters such as water rights, the size of the mining tenements, protection of the environment, the provision of infrastructure and the payment of royalties. Mount Keith is not subject to a special ratified agreement with the State of Western Australia and operates in accordance with normal mining and environmental laws.

(b) Strategy and growth

The Nickel Business Unit's current strategic approach can be summarised as follows:

- optimise the performance of existing assets by focusing on improving margins;
- use process improvement technology and de-bottlenecking to increase output at minimum capital cost and reduce unit production costs;
- maintain the business as a low cost major producer;
- grow the business where commercially viable via projects such as Yakabindie and through exploration; and
- restructure the business when appropriate (for example, divesting the mature nickel mines at Kambalda and participating in the anticipated benefits that a small, focused operator can yield from the remaining resources – see Section 7.2.2(d)(iii)).

The Nickel Business Unit has identified several potential growth possibilities including, but not limited to:

- incremental expansions at Mount Keith (see Section 7.2.2(d)(i));
- conversion of existing resources to reserves in order to add further production during the operating life at Leinster (see Section 7.2.2(d)(ii));
- Kalgoorlie Nickel Smelter expansion to 115,000 – 120,000 tonnes a year (see Section 7.2.2(d)(iv));
- Kwinana Nickel Refinery expansion to 70,000 or 80,000 tonnes a year (see Section 7.2.2(d)(v)); and
- Yakabindie and West Musgrave and other exploration potential around its current mining operations (see Section 7.2.2(g)).

The timing and viability of these options has not yet been established. Implementation of these growth options, should they prove to be viable, will require significant capital investment in future years.

(c) Business strengths

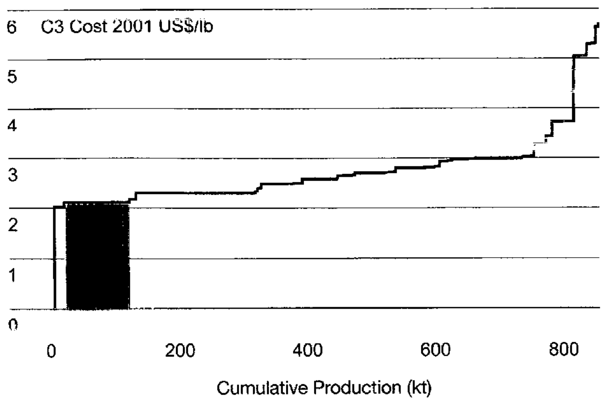
The Nickel Business Unit's principal business strengths are:

(i) Reserves

The Nickel Business Unit has a strong reserve position, with lives of:

- Mount Keith – 30 years; and
- Leinster – 10+ years.

FIGURE 21 NICKEL MINE C3 COST CURVE 2001 (WESTERN WORLD)



'C3' is the Brook Hunt terminology used for classifying fully allocated costs. The costs included in 'C3' are set out in the definition of that term in the Glossary of cost curve terminology. Includes nickel sold as intermediate products.
Source: Brook Hunt, 2001.

This is supplemented by the large resources at Mount Keith, Leinster and Yakabindie and major ground holdings in prospective nickel regions. Further details of WMC Resources' Ore Reserves and Mineral Resources are provided in Section 7.5.

(ii) Low political risk

All of the Nickel Business Unit's operations are sited in Western Australia. By contrast, a significant proportion of world nickel production is sourced from high political risk regions, such as Russia, New Caledonia and Cuba.

(iii) Low cost production

The Nickel Business Unit underwent major restructuring in the 1990s to create and secure its position as one of the lowest cost producers in the world. As shown in Figure 21, for 2001 WMC was in the lowest quartile of the Western World fully allocated cost curve.

(iv) Workforce and productivity

The Nickel Business Unit has an all staff workforce and has almost doubled employee productivity since 1994/1995, as depicted in Figure 22.

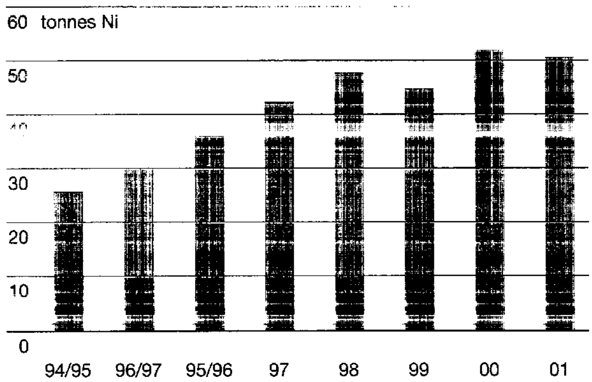
(d) Operations

(i) Mount Keith Operations

Mount Keith is located approximately 450 kilometres north of Kalgoorlie and 80 kilometres north of Leinster. The Mount Keith deposit is a large, low-grade disseminated sulphide ore body averaging approximately 0.6% nickel. It is mined by the open-cut method. The operation was developed by WMC and commissioned in January 1995.

The Mount Keith open-cut mine is mined by conventional drill and blast, load and haul method. The Mount Keith concentrator utilises crushing, grinding and flotation to

FIGURE 22 NICKEL PRODUCED PER FULL TIME EQUIVALENT EMPLOYEE



recover nickel as concentrate. Significant recovery improvements have been achieved in recent years at the concentrator, with recoveries increasing from around 60% in 1998 to over 70% in 2000. Recovery in 2001 was 70.8%. Recovery in 2002 is expected to be slightly lower than 2001. Recovery in future years will vary depending on the composition of the nickel ore processed, and with planned further improvements, is expected to average in excess of 70%.

Concentrate from Mount Keith typically contains 18-22% nickel. Production of nickel-in-concentrate at Mount Keith totalled 47,900 tonnes in 2001. The utilization of the Mount Keith concentrator is currently approximately 95%. Production in 2002 is forecast to be approximately 10% lower than 2001. In the first half of 2002, 21,570 tonnes of nickel-in-concentrate was produced.

The size of the Mount Keith ore body is such that a greater level of production than the current 11 million tonnes of ore throughput a year can be readily supported. A feasibility study examining the option of expanding throughput to 14 million tonnes a year is currently in progress. A prefeasibility study examining the option of further expanding throughput to 16 million tonnes a year has also been completed.

Mount Keith concentrates not contracted for sale are transported by road to Leinster or Kambalda for drying and blending with other concentrates, and are then railed to the Kalgoorlie Nickel Smelter for smelting.

(ii) Leinster Nickel Operations

Leinster is located approximately 370 kilometres north of Kalgoorlie in Western Australia. The Leinster (formerly Agnew) operations were purchased in 1988. The site comprises underground and open-cut mines and a concentrator and is supported by the nearby township of Leinster.

Leinster production in previous years was predominantly sourced from the Perseverance and Rocky's Reward underground mines. However, Rocky's Reward closed in the last quarter of 2000 and was replaced by production from the Harmony open-cut mine, which is expected to stay in production until the end of 2003. Current mine life at Perseverance is in excess of 10 years with significant potential to increase production beyond planned levels.

All ore mined at Leinster is treated in the Leinster concentrator, which has an operating capacity of 2.8 million tonnes of ore a year. The utilization of the Leinster concentrator is currently approximately 90%. The Leinster concentrator utilises crushing, grinding, flotation and flash drying to recover nickel as concentrate. Concentrate from Leinster typically contains about 12% nickel. The Leinster dryer currently treats both Leinster and Mount Keith concentrates.

Concentrate from the Leinster drier is transported by road to Leonora, then by rail to the Kalgoorlie Nickel Smelter.

Various projects are underway at Leinster to improve current nickel recovery rates of approximately 80%. Nickel recovery is expected to increase to over 85% by 2005.

Production of nickel-in-concentrate at Leinster totalled 38,000 tonnes in 2001. Production in 2002 is forecast to be slightly higher than 2001. In the first half of 2002, 19,174 tonnes of nickel-in-concentrate was produced.

(iii) Kambalda Nickel Operations

The Kambalda Nickel Operations are sited 56 kilometres south of Kalgoorlie and comprise high-grade nickel sulphide mines and a concentrator.

Since early 2000, WMC has been selling its various mines in the Kambalda region. A key component of these mine sales is that WMC toll treats ore produced from these mines and purchases the concentrate produced for blending as smelter feed. In addition, WMC sources feed (both ore and concentrate) from other third parties operating mines in the Kambalda region and elsewhere in Western Australia. Since October 2002, all of the Kambalda concentrator's feed has come from third party mines. The Lanfranchi mine complex is the only mine at Kambalda still owned by WMC. Mining ceased at Lanfranchi at the end of March 2002. It is anticipated that the Lanfranchi mine will be sold during 2003.

Ore is treated in the Kambalda concentrator, which has a capacity of 1.5 million tonnes a year. The current utilization of the Kambalda concentrator is approximately 40%. Concentrate from Kambalda, which contains approximately 12-14% nickel, is dried on site and then transported by rail to the Kalgoorlie Nickel Smelter for smelting to nickel matte.

In 2001, 18,700 tonnes of contained nickel-in-concentrate was produced by the Kambalda concentrator, of which 11,200 tonnes was derived from WMC's mines and 7,500 tonnes was purchased from third parties.

Production in 2002 is forecast to be about 25% higher than 2001. In the first half of 2002, approximately 9,700 tonnes of nickel-in-concentrate was produced by the Kambalda concentrator, of which 7,700 tonnes were purchased from third parties and 2,000 tonnes were derived from WMC's mines.

Toll treatment of third party sourced ore is expected to continue until at least 2006, but this supply could possibly extend beyond that time.

(iv) Kalgoorlie Nickel Smelter

The Kalgoorlie Nickel Smelter was constructed by WMC and commenced operation in 1972. It utilises a modified flash smelting process and is used to convert concentrate and high-grade ore to nickel matte which contains 67-74% nickel, 2-3% copper and approximately 1% cobalt. It also produces sulphuric acid from an acid plant which was constructed and commissioned in 1996. Most of this sulphuric acid is sold to nickel laterite operations in the Kalgoorlie area, with some acid being used at Mount Keith and the Kwinana Nickel Refinery.

The smelter underwent a major furnace hearth rebuild in early 1999 and since that time smelter production has been at an annual rate of 97,000-103,000 tonnes of contained nickel, with recoveries to nickel-in-matte of 96-97%. The campaign life for the furnace hearth is expected to be in the order of 10 years. During 2001, the Kalgoorlie Nickel Smelter processed 704,000 tonnes of concentrate to produce 97,000 tonnes of nickel-in-matte.

The smelter has a major maintenance outage every two years. The next outage is scheduled to occur in 2003 and is forecast at 15 days duration.

On 20 February 2002 there was a fire within the sulphuric acid facility at the smelter that was caused by a mechanical failure of a discharge electrode. The broken electrode came in contact with a polypropylene screen deck and initiated an electrical short which caused the screen deck to ignite.

One of four banks of mist precipitators in the acid plant was destroyed. The other three banks were repaired and the acid plant was restarted on 21 March 2002 with the smelter operating at 95% capacity with three banks of precipitators. The fourth bank was replaced in September 2002, returning the smelter to full capacity.

The fire did not damage the smelter. However, due to air quality restraints restricting emissions through the stack there was only minimal production during the acid plant outage. As a result of the fire, production of nickel-in-matte in 2002 is forecast to be approximately 92,000 tonnes, which is 2,000 tonnes lower than previously forecast. In the first half of 2002, 41,704 tonnes of nickel-in-matte was produced. Production for 2003 is forecast to increase to 99,000 tonnes. WMC Resources is currently reviewing whether the production disruption in 2002 will result in it making a business interruption claim under its industrial special risks insurance policy for losses resulting from reduced production.

Studies at the smelter have identified low cost opportunities to expand plant capacity to between 115,000 and 120,000 tonnes a year. These studies are currently being progressed. Any increase in smelter production capacity will be linked to the possible expansion at Mount Keith and potential development of the Yakabindie project.

In order to optimise the processing of concentrate through the smelter, concentrate produced at the Nickel Business Unit operations is blended prior to being shipped to the smelter. To further reduce the unit cost of production, the Nickel Business Unit is exploring ways to improve the quality of concentrates in the future through the application of process improvements and new technology.

The matte produced at the smelter is either refined to metal at WMC's Kwinana Nickel Refinery or sold to third party refiners.

(v) Kwinana Nickel Refinery

The Kwinana Nickel Refinery is situated 30 kilometres south of Perth in Western Australia. The refinery was constructed by WMC and commenced operation in 1970. It uses the Sherritt-Gordon ammonia leach process to convert nickel matte into LME-grade nickel briquettes and nickel powder. It also produces a number of intermediate products, including copper sulphide, cobalt-nickel sulphide and ammonium sulphate (which are sold to third parties.

The capacity of the refinery was increased in 2001 to 67,000 tonnes of nickel metal a year. The refinery has a three week maintenance shutdown every three years. The last shutdown occurred in March 2001. In 2001, 95,000 tonnes of matte was treated to produce 61,300 tonnes of refined nickel metal, inclusive of this shutdown. For the six months ended 30 June 2002, 44,000 tonnes of matte and 2,000 tonnes of concentrate were treated to produce 30,900 tonnes of refined nickel metal.

The reduction in matte produced by the Kalgoorlie Nickel Smelter due to the fire in the acid plant will impact on nickel metal production at the refinery by 2,000 tonnes during 2002, primarily in the first half (forecast 2002 production of 65,000 tonnes reduced from 67,000 tonnes). The refinery is expected to return to full production (67,000 tonnes) in 2003.

During the past seven years, the capacity of the refinery has been increased by nearly 60% from 42,000 tonnes a year. Studies are currently underway to de-bottleneck the refinery capacity to at least 70,000 tonnes a year by 2005. Further expansions, to at least 80,000 tonnes a year capacity, are also being evaluated.

(e) Power and gas

Power for all operations in the Nickel Business Unit is purchased from Southern Cross Energy pursuant to an agreement expiring in 2013. Third party gas fired turbines provide this power at the Kalgoorlie Nickel Smelter and at the Mount Keith, Leinster and Kambalda operations with the power at the Kwinana Nickel Refinery being wheeled from the goldfields through the Western Power network. Under the agreement with Southern Cross Energy, WMC has a take or pay obligation to purchase energy.

In the Goldfields region until 2006, gas is purchased under a long-term contract and is sourced from North West Shelf gas fields and transported by the Goldfields Gas Pipeline. Under its gas transmission agreement with the pipeline owners, WMC has an 80% take or pay obligation. The transmission tariff has recently been increased by the pipeline owners by approximately 30% and WMC Resources is currently disputing this increase in accordance with the dispute resolution procedures under the gas transmission agreement. The Western Australian Independent Gas Pipeline Regulator has made a draft decision regarding tariffs payable by third parties for access to the pipeline suggesting that a lower access tariff to that currently proposed by the pipeline owners should apply. The pipeline owners have commenced proceedings in the Supreme Court of Western Australia seeking a declaration that the Regulator's draft decision does not apply.

Until 2003, gas for the Kwinana Nickel Refinery will be sourced from the north-west of Western Australia via the Dampier to Bunbury natural gas pipelines, pursuant to an agreement under which WMC has a 70% take or pay obligation. WMC is currently negotiating the renewal of this agreement beyond 2003.

(f) Marketing

WMC sells nickel in three forms:

- Concentrate – a maximum of 14,000 tonnes a year of nickel-in-concentrate derived from Mount Keith is sold under contract to OMG Harjavalta Nickel Oy (**OMG Group**) until the end of January 2005. It is currently intended that WMC Resources will not seek to renew the contract and that, thereafter, the concentrate will be processed through the Kalgoorlie Nickel Smelter.

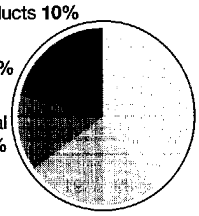
- Matte – WMC currently sells approximately 30% of nickel matte produced at the Kalgoorlie Nickel Smelter to export customers, principally Sumitomo Metals and Mining Company Ltd of Japan (**Sumitomo**) until March 2005. WMC has been supplying Sumitomo with nickel products on a consistent basis since the late 1960s. WMC Resources will seek to renew these agreements prior to their expiry consistent with its past course of dealing with Sumitomo. If, for any reason, one or more of these contracts are not renewed or replaced with new contracts with Sumitomo, WMC Resources will pursue other avenues for the disposition of its nickel matte products and WMC believes ample potential purchasers are available to pick up any lost sales to Sumitomo. WMC also sells approximately 6,000 tonnes a year of nickel-in-matte to OMG Group under a contract which expires in December 2008.
- Metal – nickel metal is sold primarily to stainless steel producers in North America, Western Europe and Asia. Most of WMC's nickel metal sales are made under short to medium-term contractual arrangements.

WMC has strong relationships with its major customers and has a record of minimal bad debts from nickel customers over a long history. WMC Resources intends to continue this approach.

(g) Projects and exploration

In February 2001, WMC purchased the Yakabindie Nickel Project from Rio Tinto at a cost of A$27.1 million. An additional A$15 million will be payable to Rio Tinto by WMC Resources as part of its purchase price for Yakabindie upon gaining approvals, and committing, to mine the property. The project has an estimated resource of 287 million tonnes at 0.56% nickel, including WMC's existing resources at the adjacent mining lease at North Six Mile. This project is located 22 kilometres south of Mount Keith and has long-term potential to complement existing assets and create further development options in the Mount Keith area.

FIGURE 23 **WESTERN WORLD COPPER CONSUMPTION BY END USE (2001)**



Source: Brook Hunt, 2002.

WMC Resources intends to conduct drilling at Yakabindie to further define the resource. This drilling will ultimately form part of a prefeasibility study into the potential development of this resource. Technology developed to increase nickel recovery at Mount Keith will be applied to Yakabindie, combined with maximising synergies from the existing infrastructure at Mount Keith.

WMC Resources also holds prospective nickel ground at West Musgrave in Western Australia and on tenements held around its current mining operations, as discussed further in Section 7.6.2.

All current and future work at Yakabindie, West Musgrave and elsewhere in Australia must be conducted in accordance with applicable heritage legislation which requires, amongst other things, WMC Resources to obtain site heritage clearances prior to developing the resources. While the approval process has been commenced, final approvals to mine are not expected for some years.

7.3 Olympic Dam

7.3.1 Copper industry and market background

(a) Copper usage

Industrial usage of copper derives from its electrical and thermal conductive properties, its durability and strength. Copper has many end uses, as illustrated in Figure 23.

(b) Copper producers

The principal copper producing countries of the world are Chile, the US, Indonesia, Canada and Australia. The five largest individual copper producers (and WMC) are detailed in Figure 24.

FIGURE 24 **LEADING COPPER PRODUCERS IN 2001**

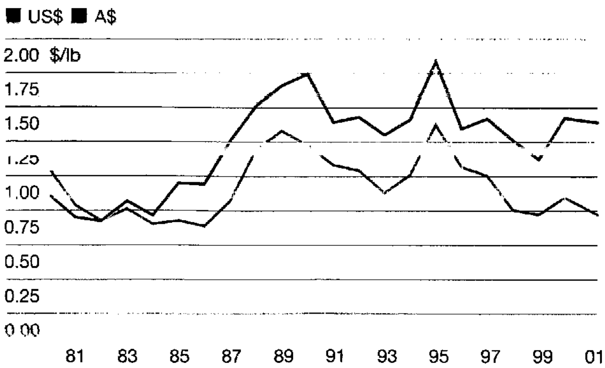
RANK	COMPANY	MINE PRODUCTION 000 TONNES	% OF WORLD PRODUCTION
1	Codelco	1,701	12.4
2	Phelps Dodge	1,068	7.8
3	BHP Billiton	973	7.1
4	Rio Tinto	834	6.1
5	Grupo Mexico	712	5.2
15	WMC	201	1.5

Source: Brook Hunt, 2001.

(c) Copper market

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. Figure 25 depicts historical copper prices.

FIGURE 25 COPPER PRICE HISTORY (1980-2001)



Source: ABMS, 2000; LME, 2001.

The average copper price in 2001 was US$0.72 per pound (US$1,578/tonne). Prices in 2001 were weak due to the world economic slow down and new mine production coming on line.

In response to the decline in prices, key copper producers have shown discipline by announcing in 2001, mine production cuts in excess of 500,000 tonnes. These cutbacks, when offset by increased production from other sources, is forecast to result in a net 1-2% decline in production for 2002 versus 2001. US producers have also been impacted by the continuing strength of the US Dollar and in some cases by higher energy prices. These factors, plus an expected modest recovery in demand, mean that the copper market may return to supply-demand balance in the near term. Over the first half of 2002, copper prices averaged US$0.72 per pound (US$1,582/tonne).

The medium to long-term outlook is positive with demand forecast to grow by 4-5% a year to 2007. Consequently, key analysts have a positive outlook for the copper market and are forecasting long-term copper prices in the range of US$0.85 per pound to US$0.95 per pound.

7.3.2 Uranium industry and market background

(a) Uranium usage

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.

Depending upon overall growth of electricity production from other sources, nuclear power's share is expected to decline over the course of this decade to comprise approximately 14% of total electricity production by 2010, although nuclear demand is expected to grow over this period.

(b) Uranium oxide producers

Production 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. Annual mine production in 2001 was approximately 42,200 tonnes of U_3O_8:

FIGURE 26 WORLD U_3O_8 PRODUCTION (2001)

Rank	Company	Tonnes U_3O_8	% World Production
1	Cameco	8,400	20
2	Cogema	8,000	19
3	Rio Tinto	4,700	11[1]
4	WMC Resources	4,400	10

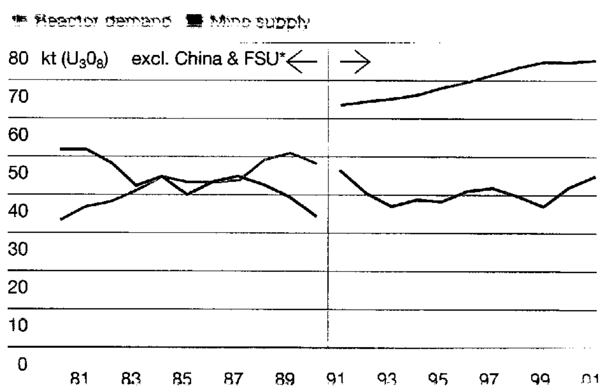
(1) *Includes production by companies in which majority equity interests are held.*

(c) Uranium oxide market

The rapid growth of uranium consumption in the 1970s and 1980s slowed in the 1990s with reduced construction of new power reactors. However, as shown in Figure 27, demand continues to strongly outstrip mine supply requiring continued draw-down of diminishing secondary stockpiles. Former Russian military uranium oxide has been entering the commercial market in increasing quantities since 1995. The maximum recent and expected future rate of such market entry is 24 million pounds of U_3O_8 a year.

In the near term, exports of Russian uranium oxide will probably keep the uranium spot price lower than it would otherwise be, but in the longer term this material will be needed to meet commercial demand and therefore is not expected to materially affect price. However, depending on the level of future commercial uranium oxide prices, the presence of former Russian military uranium oxide may

FIGURE 27 URANIUM SUPPLY AND DEMAND



* 'FSU' refers to the former Soviet Union.

Source: Various including WBMS, WNA, IAEA, UIC and OECD NEA.

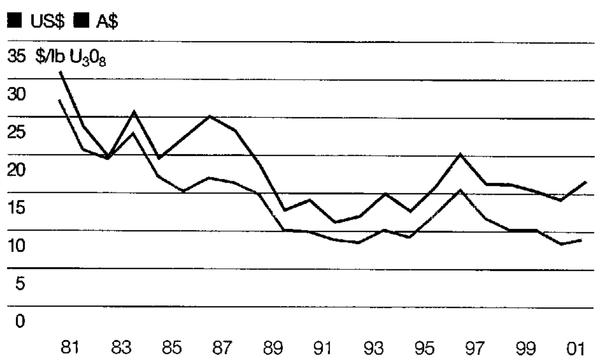
result in the deferral of one or more new mine projects, the development of which are price sensitive. For various reasons, it is unlikely that former US military uranium oxide will become available to the commercial market before 2009.

Key industry analysts forecast spot prices for uranium in the long-term in the range US$12 per pound to US$15 per pound.

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 (3-10 years). In spite of this, the spot market is important as pricing under a significant portion of long-term contracts concluded by suppliers is linked to the spot market. Spot prices in 2001 averaged US$8.84 per pound U_3O_8 and strengthened to reach US$9.50 per pound by year end. During the first half of 2002, the spot price of U_3O_8 averaged US$9.85 per pound.

Figure 28 depicts historical spot prices.

FIGURE 28 URANIUM OXIDE PRICE HISTORY (NUEXCO EXCHANGE VALUE, RESTRICTED PRICE 1980-2001)



Source: Nuexco.

7.3.3 Description of Olympic Dam business

(a) Overview

The Olympic Dam copper, uranium, gold and silver deposit was discovered by WMC in 1975. It is a massive ore body located in South Australia which, on current reserves, is the world's eighth largest copper ore body and the world's largest uranium oxide deposit. It comprises a large number of discrete ore zones throughout an area of several square kilometres, ranging in depth from 350 metres to approximately one kilometre.

The project comprises a fully integrated mine and metallurgical complex with three shafts, major underground facilities and rail systems, a grinding and concentrating circuit, hydrometallurgical plant incorporating solvent extraction circuits for copper and uranium oxide, a copper smelter, a copper refinery and a recovery circuit for precious metals. Olympic Dam produces both LME accredited electrolytic refined copper cathode and electro-won copper, which is not yet LME accredited. WMC expects this accreditation to be sought within the next three years.

A major expansion of the project was completed in 1999 at a cost of A$1.94 billion, which raised potential production capacity to over 200,000 tonnes of refined copper and 4,300 tonnes of uranium oxide a year. At this production rate, it is believed the project would be among the lowest cash cost copper producers in the world.

In early 2001, work commenced to further increase production capacity beyond the levels achieved by the 1999 expansion by removing production bottlenecks and optimising the operating efficiency of the process plant. This project, known as Optimisation 3, has an expected capital cost of A$79 million and is scheduled for completion in December 2002. When Optimisation 3 is completed, the potential production capacity of the process plant will increase to 235,000 tonnes a year of copper and 4,500 tonnes a year of uranium oxide.

Primarily for the reasons discussed in Section 7.3.3(d), Olympic Dam's copper production is expected to be 178,000 tonnes in 2002 and 196,000 tonnes in 2003.

The project is held under an Indenture Agreement with the South Australian Government, ratified by the South Australian Parliament, which provides security of tenure for the Olympic Dam Special Mine Lease to May 2036, with a right of renewal thereafter. The Indenture Agreement governs matters such as water rights, the provision of infrastructure, the payment of royalties and copper production limits.

The past three years' production at Olympic Dam is shown in Figure 29:

FIGURE 29 OLYMPIC DAM PRODUCTION

	1999 Full Year	2000 Full Year	2001 Full Year	2002 1st Half Year
Copper ('000 tonnes)	138	200	201	88
Uranium oxide (tonnes)	3,221	4,540	4,379	1,192
Gold ('000 ozs)	31	70	113	38
Silver ('000 ozs)	245	625	913	321

WMC Resources' estimated Ore Reserves and Mineral Resources in respect of Olympic Dam are set out in Section 7.5.

(b) *Strategy and growth*

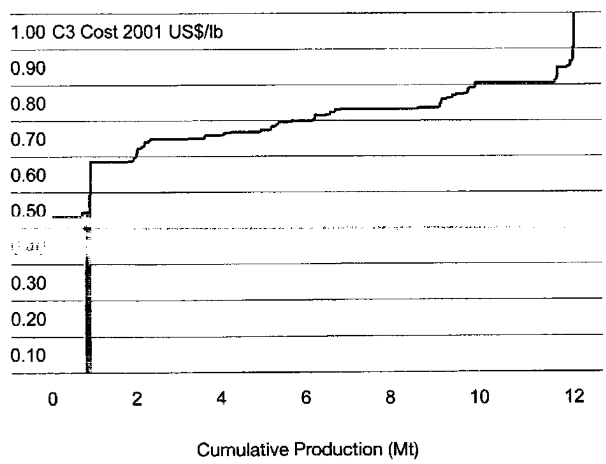
Olympic Dam's current strategic approach can be summarised as follows:

- in the short to medium-term, complete Optimisation 3 and achieve 235,000 tonnes a year of copper production;
- use process improvement, technology and de-bottlenecking to increase output at minimal capital cost and further reduce production costs; and
- review further expansion options.

The size of the Olympic Dam ore body provides the potential to substantially increase the size of the operation. Following a scoping study of expansion options and assessment of possible underground and surface methods and tonnages, as well as hydrometallurgical and pyrometallurgical alternatives to handle the increased production, a wide ranging 12-18 month expansion study is expected to be initiated later in 2002, with a view to expanding copper production rates to between 350,000 and 600,000 tonnes a year.

Environmental approval for 350,000 tonnes a year of production has been received. However, any expansion of Olympic Dam beyond this level will require further environmental approval. Expansion beyond the Optimisation 3 target (referred to in Section 7.3.3(a)) of 235,000 tonnes a year will also require other regulatory and governmental approvals covering a range of operational aspects.

FIGURE 30 COPPER MINE C3 COST CURVE FOR 2001



'C3' is the Brook Hunt terminology used for classifying fully allocated costs. The costs included in 'C3' are set out in the definition of that term in the Glossary of cost curve terminology. WMC data is actual for 2001 (excluding impact of the fire at the Copper and Uranium SX Circuits).

Source: Brook Hunt. 2002.

(c) *Business strengths*

Olympic Dam's principal business strengths are:

- *Reserves and resources* – Olympic Dam has a massive reserve base which can support operations at current levels for at least 70 years. Further conversion of resources to reserves has the potential to increase the reserve base significantly.
- *Low political risk* – Olympic Dam is sited in South Australia and has the protection of an Indenture Agreement with the South Australian Government. Many major copper mines are sited in jurisdictions in Asia and South America with high political risk.
- *Low cost production* – Olympic Dam's 2001 production costs placed it in the lowest quartile of cash cost producers for that year. Figure 30 outlines Olympic Dam's position in 2001 on the world fully allocated cost curve. Olympic Dam's production costs and levels are expected to be adversely affected in 2002 and 2003, as discussed in Section 7.3.3(d), which may affect WMC's position on the world copper cost curve in those years. However, Olympic Dam has the potential to improve production costs after 2003 from ongoing enhancements and potential expansion opportunities.
- *Workforce and productivity* – Workforce productivity was 157 tonnes of copper per full time equivalent employee in 2001. This has increased by 60% since 1998.

(d) *Operations*

The Olympic Dam underground mining operation is the largest in Australia and utilises two shafts. The underground mine is highly mechanised, 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.

Ore is hoisted to the surface where it is fed to one of two grinding circuits. After grinding, the resultant slurry passes to a flotation circuit where a series of flotation stages and a further regrinding activity 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. The yellow-cake is then calcined to produce uranium oxide concentrate, which is packaged in drums for export sales.

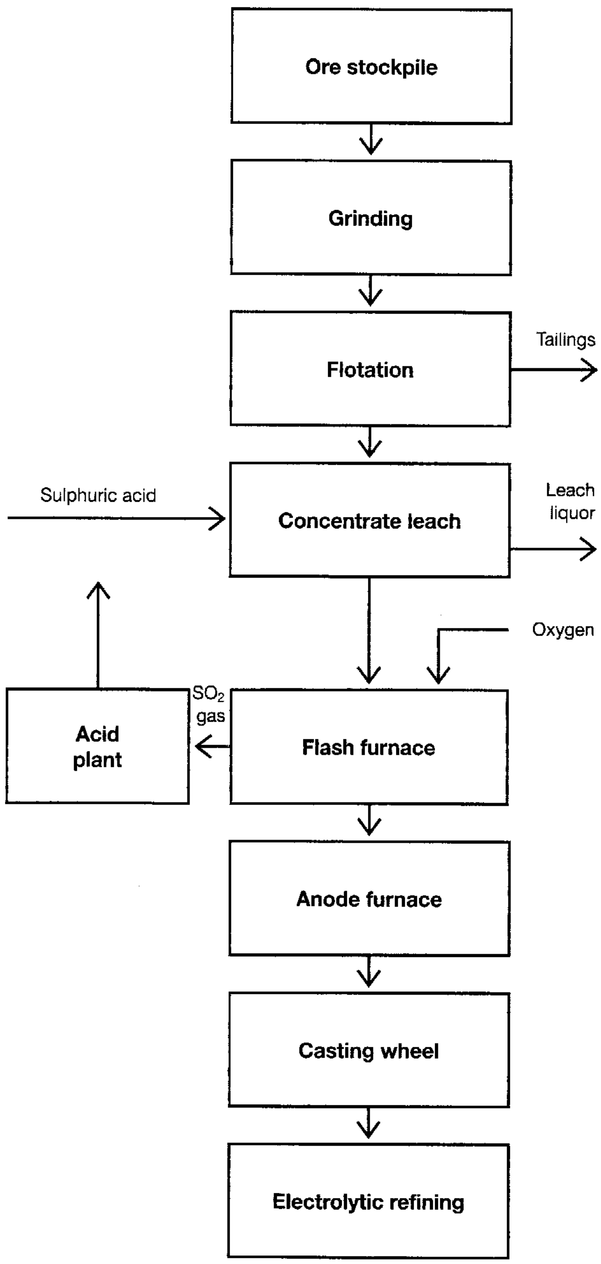
After drying, copper concentrate is fed to an Outokumpu flash furnace smelter, which produces blister copper and flash furnace slag. In 2001, the through-put of the smelter was 407,000 tonnes of concentrate. With the completion of Optimisation 3 and after the major maintenance shutdown in 2003 the smelter's capacity is expected to increase to over 500,000 tonnes of concentrate a year.

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.

Figures 31 and 32 show the production processes for copper and uranium at the Olympic Dam operations.

Power for the Olympic Dam operations is supplied via a 275kV powerline from Port Augusta, with power supplied currently under contract until July 2006 by TXU Electricity Limited and transmitted by Electranet in accordance with the *National Electricity Code* and the *Electricity Act 1996* (SA) (as amended).

FIGURE 31 PRIMARY COPPER STREAM

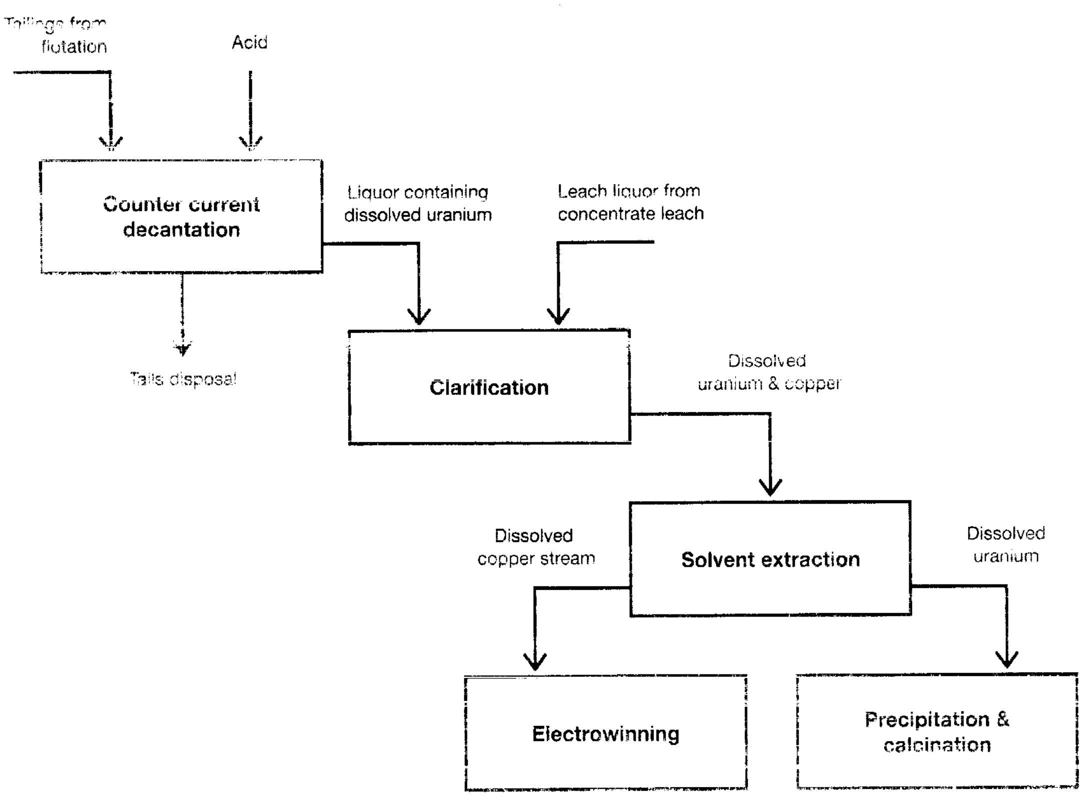


Water supply for Olympic Dam is accessed from bore fields which draw from the Great Artesian Basin in South Australia. The operation has licences from the relevant authorities to allow a draw-down (aquifer pressure) estimated to be the equivalent of 42 megalitres a day of which 33 megalitres a day is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

In 1999, the project experienced a fire in the copper solvent extraction circuit (**Copper SX Circuit**) which resulted in a loss of approximately 7,150 tonnes of copper production. A further fire in an area containing both the Copper SX Circuit and the uranium solvent extraction circuit (**Uranium SX Circuit**) occurred in 2001. This later fire has led to a forecast loss of production of approximately 20,000 tonnes of copper and 2,500 tonnes of uranium oxide between October 2001 and April 2003. Investigations are not conclusive but indicate that static electricity discharge at a location where polyethylene piping carries a kerosene like solvent was the probable cause of the fire. Results of these investigations have been considered as part of the redesign and rebuild of the Copper SX circuit with a view to minimising any future risk of fire. The rebuild of both the Copper SX circuit and the Uranium SX circuit is expected to cost approximately A$250 million. The Uranium SX circuit is scheduled to be operable in December 2002 and fully commissioned in January 2003, and the Copper SX Circuit is scheduled to be operable in April 2002 with commissioning to be completed in May 2003. The rebuild cost and cost of lost production will be partially offset by insurance proceeds which include proceeds for business interruption and material damage. The amount of insurance recovery is subject to discussions between WMC and its insurance providers. The lead insurer has formally accepted liability with regard to the event but the total amount to be received in relation to the claim is currently unable to be determined.

In July 2002, WMC announced that a review of the smelting operations at Olympic Dam had identified deterioration in excess of expectations in the furnace roof and sidewall refractory, and in adjacent taphole cooling jackets, which will require increased maintenance and consequential down time that will impact ongoing production levels and costs. The review also found that it would be prudent from an operating risk perspective to advance plans to reline the furnace, which was previously scheduled for a smelter shutdown in the second quarter of 2004. The reline will now be brought forward to the second half of 2003 after a campaign life of over four and a half years. Relining the furnace will take approximately 40 days, impacting copper production, cash generation and costs. Uranium production will only be marginally impacted with milling, leaching and solvent extraction circuits operating throughout the smelter shutdown. The cash costs of relining the direct-to-blister furnace, including cooling jacket replacement and

FIGURE 32 SECONDARY COPPER AND URANIUM STREAM



improvements, are estimated to be A$50 million. Associated refurbishments and repairs to the smelter, anode furnaces, slag furnace and sulphuric acid plant, normally scheduled to coincide with each smelter reline, are expected to cost an additional A$40 million. Additional modifications to improve the capability of the gas handling system and acid plant will also be undertaken at the same time at an estimated cost of A$30 million. Future furnace campaigns are expected to be of 4-6 years duration.

The review of the smelting operation also identified opportunities to improve smelter performance which include increased concentrate grade, feed preparation and gas handling improvements and potential to increase overall utilisation. In addition, the Optimisation 3 project will include the installation of a larger concentrate burner.

Production of copper at Olympic Dam will be impacted by the reline of the furnace, production constraints leading up to the reline and the completion of the rebuild of the Copper SX Circuit. As a result, copper production is forecast to be 178,000 tonnes for 2002 and 196,000 tonnes for 2003.

With the completion of Optimisation 3 and after the major maintenance shutdown in 2003, copper production rates are planned to achieve full capacity rates of 235,000 tonnes of refined copper a year by the end of 2003.

(e) *Marketing*

Marketing of Olympic Dam production is undertaken by WMC. Proportional revenue from the various products produced at Olympic Dam is approximately 70% copper, 25% uranium oxide and 5% gold with silver being negligible.

Copper sales are approximately 15% to Australia, 73% to Asia and 12% to Europe. Sales terms are generally based on LME pricing. Contracts are generally short-term. Olympic Dam electro-refined cathode is registered as LME Grade A under the brand name OLYDA.

Uranium oxide production from the project is generally sold on long-term contracts (3-10 years) to major nuclear power utilities in the US, France, Japan, the United Kingdom, Sweden, Finland, Belgium and Canada. Pricing is a mixture of base prices adjusted by Consumer Price Index escalation or formulae comprising several pricing indices including some spot prices. No Olympic Dam production is currently sold on the spot market.

All WMC's customer commitments are expected to be met despite the loss of production following the fire in the Copper SX Circuit and the Uranium SX Circuit and limited smelter availability. WMC has purchased and borrowed some uranium to meet its obligations, whilst some customers have volunteered to defer deliveries.

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

7.4 Queensland Fertilizer Operations

7.4.1 Fertilizers industry and market background

(a) Fertilizers usage

Fertilizers provide nutrients for soil and plants in a form that is readily available for uptake. Fertilizers are typically required to replace nutrients extracted from the soil as a result of cropping and pastoral activity and to enhance crop and pasture productivity and remedy natural nutrient deficiencies in soil.

(b) Fertilizer production

The world's largest phosphate reserves are sited in Morocco and China, however a large proportion of these reserves is not yet developed. The US has approximately 4% of global phosphate rock reserves but accounts for 27% of world phosphate rock production.

The cost competitiveness of phosphate fertilizer producers is dependent upon input costs (principally ammonia and phosphate rock) and distribution costs. Low cost producers tend to be large vertically integrated producers and the high cost producers typically rely on external supply of either phosphoric acid or phosphate rock. Ocean freight rates are also a key element given the low unit product value.

Production costs for the US Gulf operators have been increasing due to declining rock quality and stricter environmental conditions.

(c) Fertilizer market

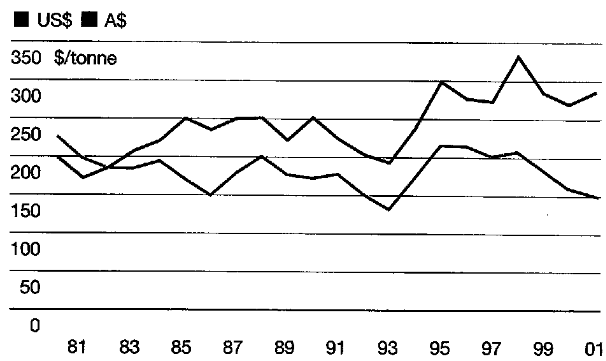
High analysis fertilizers based on phosphoric acid are increasing their market share due to their high nutrient content and savings in storage, handling, transportation and application costs.

About half of the high analysis fertilizers produced is traded internationally because production is concentrated in a small number of countries. International trade is based on the supply from the two major production regions, the US Gulf and North Africa. The North African producers generally export to Western Europe, the North American producers to Asia, South America, Australia and New Zealand.

Most high analysis fertilizers pricing is based on US Gulf prices. DAP prices have been depressed in recent years due to weak demand and over-supply. DAP prices in 2001 averaged US$147 a tonne (free on board US Gulf).

Due to price weakness and increasing costs, there have been recent significant production cutbacks in North America. Prices strengthened during the first half of 2002 to average US$154 a tonne and finished the period at US$167 a tonne. Key analysts use long term DAP forecast prices of approximately US$180 a tonne. Figure 33 depicts historical US Gulf DAP prices.

FIGURE 33 DAP PRICE HISTORY FREE ON BOARD TAMPA PRICE (1980-2001)



Source: Fertecon, 2001; British Sulphur Consultants, 2002.

7.4.2 Queensland Fertilizer Operations

(a) Overview

WMC acquired major phosphate deposits at Phosphate Hill, Queensland, 160 kilometres south-east of Mount Isa, in 1980 through its acquisition of Broken Hill South Limited. The construction of a high analysis fertilizers production complex on site did not become viable until the late 1990s when natural gas became available to the region.

The Queensland Fertilizer Operations is a vertically integrated production facility which utilises phosphate rock from its own deposits, sulphuric acid derived from the Mount Isa smelting facilities of MIM Holdings Limited and the Korea Zinc refinery in Townsville, and ammonia from natural gas.

In 2002, production from the Queensland Fertilizer Operations, principally DAP, will be both sold in Australia (74%) and exported to Asian markets (26%). The Queensland Fertilizer Operations is Australia's largest fertilizer production facility and is the only Australian producer of DAP.

Construction of the Queensland Fertilizer Operations was completed at the end of 1999, and commissioning of the project was completed in 2000/2001. In December 2001 the plant produced at an annualised rate of approximately 965,000 tonnes a year of high analysis fertilizers for the first time. For the full 2001 year, production from the Queensland Fertilizer Operations' plant was 709,445 tonnes of fertilizers. In the first half of 2002, the Queensland Fertilizer Operations produced 339,069 tonnes of DAP and 59,108 tonnes of MAP. Production for the full 2002 year is forecast to be approximately 800,000 tonnes.

WMC Resources' estimated Ore Reserves and Mineral Resources in respect of the Queensland Fertilizer Operations are set out in Section 7.5.

The property and associated plant and equipment at the Queensland Fertilizer Operations had a net written down value of A$879 million as at 30 June 2002. In accordance with A GAAP, the carrying value of the Queensland Fertilizer Operations for WMC Resources will be an amount equal to the fair value of the operations at the time of the Demerger. On acquisition, WMC Resources will record the Queensland Fertilizer Operations at a fair value which is less than WMC's carrying value of the operations immediately prior to the Demerger. For the purposes of WMC Resources' pro forma statement of net assets, the fair value of the Queensland Fertilizer Operations' property, plant and equipment was determined to be A$532.5 million as at 30 June 2002.

The factors affecting this estimation of fair value and the implications of the relevant A GAAP requirements are detailed in Section 7.12.2(f).

(b) Strategy and growth

The current principal strategic objectives for the Queensland Fertilizer Operations are:

- consolidate operating performance at or above nameplate capacity;
- optimise and de-bottleneck to reduce operating costs and obtain additional low-cost production;
- develop domestic and export markets;
- increase production of MAP based products; and
- review further expansion options.

The size of the Phosphate Hill deposit is such that there are opportunities for future expansions. Small capital projects and de-bottlenecking are planned to increase production to 1.06 million tonnes a year in the next few years. A prefeasibility study for the de-bottlenecking process was completed in September 2002. This study has also identified opportunities for a further expansion of capacity to approximately 1.3 million tonnes a year.

Investigations are currently underway into increasing the percentage of MAP produced and into the possible introduction of sulphur fortified MAP for which there may be a price premium.

As referred to in Section 7.1.3, WMC is currently undertaking a strategic review of its Queensland Fertilizer Operations, including its distribution subsidiary, Hi-Fert. The strategic review, which will be continued by WMC Resources post-Demerger, will examine a range of options for these two businesses and is scheduled for completion in the first half of 2003.

(c) Business strengths

The Queensland Fertilizer Operations has the following principal business strengths:

(i) Reserves

The Phosphate Hill reserve of 91 million tonnes at 24.2% P_2O_5 will sustain operations for 35 years at current production rates.

(ii) Geology

The Phosphate Hill deposits are shallow and amenable to mining by excavation and trucks without drilling and blasting. The deposits are low in heavy metals such as cadmium, which provides a significant competitive advantage over many producers, especially in the US.

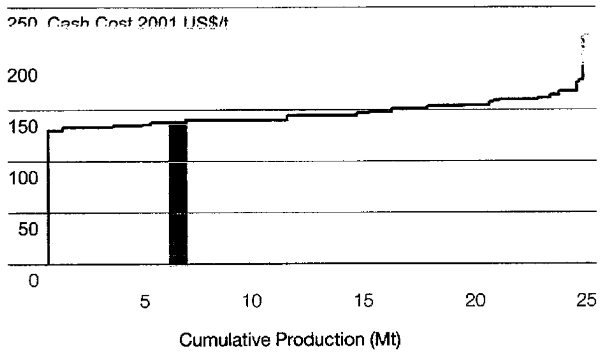
(iii) Input location

Sulphur, phosphate and ammonia are all in close proximity, which reduces transportation and third party costs.

(iv) Low cost position

Queensland Fertilizer Operations is expected to become the lowest cash cost producer of DAP in the world. The Queensland Fertilizer Operations' unit cash costs for 2001 (shown in Figure 34) reflect production rates significantly below those planned for 2002 and beyond.

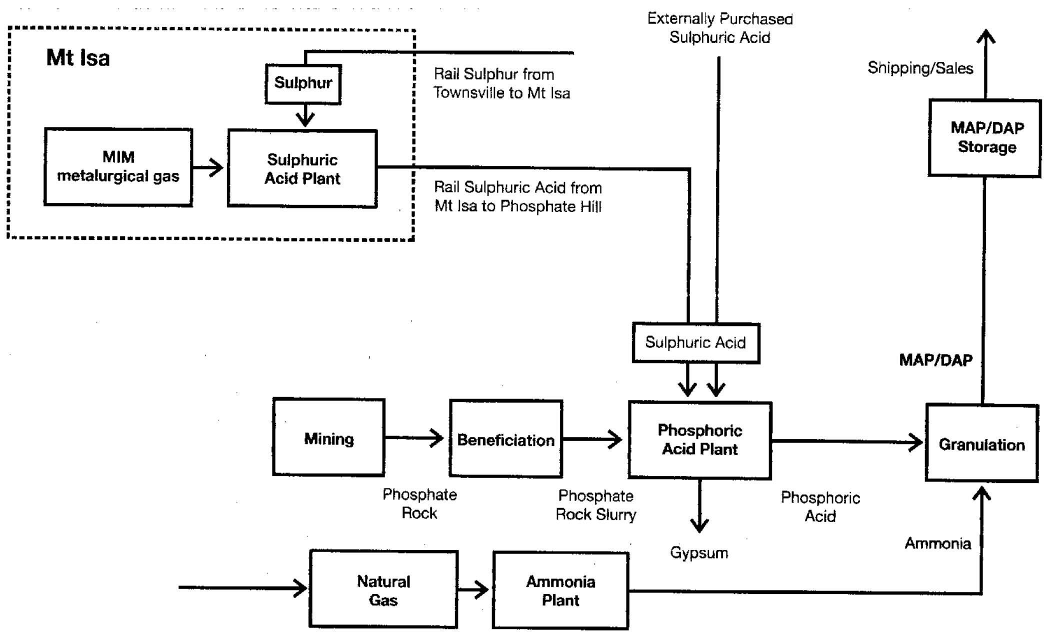
FIGURE 34 DAP CASH COST CURVE FOR 2001



The costs included in 'Cash Cost' are set out in the definition of 'DAP Cash Cost' in the Glossary of cost curve terminology.

Source: British Sulphur Consultants, 2001.
Cost curve includes the cost of freight to the nearest export port (as appropriate).
WMC data is actual for 2001 and based on plant operating at 73% of capacity.

FIGURE 35 QUEENSLAND FERTILIZER OPERATIONS CHAIN



(v) Freight advantage

In supplying the Australian and Asian markets, the Queensland Fertilizer Operations has a significant freight advantage over US Gulf producers.

(d) Operations

The principal activities at Phosphate Hill are conducted on Mining Lease 5543 which expires on 31 October 2035. Currently, mining is from three open-cut mines using excavators and trucks. Ore is treated through a beneficiation plant which has a four stage process of crushing, washing and de-sliming, grinding, and thickening and slurry storage.

Sulphuric acid is a key component in the production of ammonium phosphate and restrictions on, or interruptions to, the supply of sulphuric acid directly impact production levels at the Queensland Fertilizer Operations. WMC's Mount Isa acid plant, which is located adjacent to MIM Holding Limited's Mount Isa smelter, is the primary source of sulphuric acid for the Queensland Fertilizer Operations. The acid plant takes available sulphur dioxide produced by MIM's smelter and converts it to sulphuric acid. The acid plant has a design capacity of 1.14 million tonnes of sulphuric acid a year. While the acid plant is not presently running at capacity, further development work and testing is being undertaken to determine what modifications are required to ensure that the acid plant achieves design rates by the end of 2002.

Where there are interruptions to the supply of sulphur dioxide from MIM (for example, due to a scheduled or unscheduled maintenance shutdown of the MIM smelter) the acid plant can produce sulphuric acid by burning sulphur, albeit at a lower rate and higher cost.

In addition to acid produced by the Mount Isa acid plant, WMC buys approximately 280,000 tonnes a year of sulphuric acid from the Korea Zinc plant in Townsville. Sulphuric acid is transported from Mount Isa and Townsville to Phosphate Hill in specifically designed rail wagons.

The multiple sources of sulphuric acid, combined with the specialised transport requirements, mean that careful management of the supply and logistics of sulphuric acid is required.

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 1,500 tonnes a day.

Figure 35 shows the production processes of the Queensland Fertilizer Operations.

In the ammonia plant, ammonia is produced by combining hydrogen from natural gas and nitrogen from air. In the granulation plant, the phosphoric acid is reacted with ammonia to form ammonium phosphate slurry which is pumped into the granulator where it forms granules of fertilizers, either DAP or MAP. Final product is then transported 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 covering a maximum annual tonnage of approximately one million tonnes. The Townsville storage facilities have a capacity of 90,000 tonnes.

Gypsum is stored on site at Phosphate Hill in large lined dams. Gypsum storage and disposal is a significant cost for the project as the production process produces large quantities of gypsum. WMC is currently exploring longer term low cost alternatives for the storage and/or use of the gypsum produced.

Power at Phosphate Hill is sourced from on-site third party gas fired turbines. Natural gas for power and ammonia production is purchased under a long-term contract with Santos Ltd (and others). This gas is sourced from the Cooper Basin gas fields in south-west Queensland via the AGL Carpentaria gas pipeline.

Water is sourced from a series of bores within a single aquifer within the mining lease area. It is considered that these should be adequate to meet requirements for at least 10-15 years, following which there are other identified sources to which access is being pursued.

Figure 36 details the principal components and location of the Queensland Fertilizer Operations.

Various factors may affect the supply of sulphuric acid, which in turn affects production of ammonium phosphate at the Queensland Fertilizer Operations. These factors include: sub-optimal performance of the acid plant (such as those referred to above), shutdowns of the smelter at MIM and issues with the rail infrastructure south of Mount Isa. For example, a shortage of sulphuric acid supply in the first half of 2002, which arose due to a combination of these factors, limited production of ammonium phosphate in the first half of 2002.

(e) Marketing

The focus for fertilizer products is the Australian market, which yields good margins for these operations. Marketing arrangements are in place for 100% of production from the Queensland Fertilizer Operations. Up to 650,000 tonnes a year of product is sold into the domestic market, predominantly under take or pay contracts with Pivot Ltd, Incitec Ltd and Hi-Fert (a wholly owned subsidiary of WMC – see below). Pricing on these contracts is based upon import parity pricing of similar product from the US and Morocco. The balance of production is sold into export markets under a contract with Cargill Fertilizers Inc. This arrangement has a minimum take or pay component of 350,000 tonnes a year with a further 150,000 tonnes a year at WMC's option (subject to availability of product) which Cargill must accept in the following contract year. Pricing under this contract is based upon the US fob price. The contract term is to expire in 2004, although WMC has an option to extend the contract term for an additional five years.

(f) Hi-Fert

In 1985, WMC acquired an interest in the fertilizer distribution company Hi-Fert to provide direct access to the Australian fertilizer market for product that would be produced by the Queensland Fertilizer Operations. Hi-Fert became a 100% subsidiary of WMC during 1988.

Hi-Fert distributes a broad range of fertilizers to farmer customers on the east coast of Australia, through 189 agents and distributors, operating storage and despatch facilities located at Lara, Newcastle, Portland, Port Adelaide, Kadina and Port Lincoln. Ammonium phosphate fertilizers distributed by Hi-Fert are largely sourced from the Queensland Fertilizer Operations, while other fertilizers are imported.

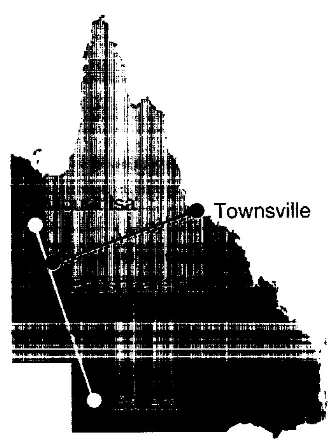
FIGURE 36 **QUEENSLAND FERTILIZER OPERATIONS**

■ Rail □ Gas pipeline

Phosphate Hill
Mine
Beneficiation plant
Phosphoric acid plant
Ammonia plant
Granulation plant

Mount Isa
Sulphuric acid plant

Townsville
Storage and port facilities



7.5 Ore Reserves and Mineral Resources

7.5.1 Reporting of Ore Reserves and Mineral Resources

The estimates of WMC Resources' Ore Reserves and Mineral Resources presented in this Scheme Booklet were prepared in accordance with the standards for reporting and classification set out in the Australasian Code for Reporting of Mineral Resources and Ore Reserves, September 1999 (the **JORC Code**) as required by the ASX. Ore Reserves are the economically mineable part of a Measured or Indicated Mineral Resource. Reporting of Ore Reserves and Mineral Resources under the JORC Code differs from the reporting of Ore Reserves under the US Industry Guide 7.

The principal difference between the reporting regimes in Australia and the US is the absence in the US of any provision for the reporting of Mineral Resources. Under the US Industry Guide 7, only Proven (Measured) and Probable (Indicated) Reserves are permitted to be reported. See 'Glossary of mining terms' and Section 7.11.6 'Uncertainty of development projects' in this Scheme Booklet.

The Ore Reserves and Mineral Resources estimates presented in this Scheme Booklet are as at 31 December 2001. An extensive review of all of WMC Resources' Ore Reserves and Mineral Resources was completed to confirm that the classification and reporting complies with the JORC Code. WMC Resources' Ore Reserves and Mineral Resources are estimated, reviewed and reported annually. The Ore Reserves and Mineral Resources are estimated as at 31 December each year, and are reported in WMC's annual report lodged with the ASX.

There are certain risks and uncertainties associated with Ore Reserve and Mineral Resource estimates, which are discussed in Section 7.11.6.

7.5.2 Competent Persons

The Ore Reserves and Mineral Resources data in this Section 7, including the information in Figures 37 and 38, is based on information compiled by Competent Persons who are corporate members of the Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists.

All Competent Persons have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the JORC Code. Unless noted otherwise, the Competent Persons were full-time employees of a WMC Group company at the time the Ore Reserves and Mineral Resources estimates were prepared.

The Competent Persons are named below:

Nickel:	G Chapman, T Stevenson, D White, S Dunham, M Job, D Marantelli, T Gilbert, J Battershill, T Peters, D Chapman
Copper-Uranium-Gold:	S Eldridge, M Tyler, S Philpott
Phosphate:	K Olzard, B Sommerville, P Llewellyn
Mineral Sands:	M Harley (external consultant – SRK Consulting)

Each of the above named Competent Persons consent to the inclusion in this Scheme Booklet of the matters based on the information provided by them in the form and context in which those matters appear.

7.5.3 Ore Reserves

WMC Resources' Ore Reserves estimates as at 31 December 2001 are set out in Figure 37.

FIGURE 37 **ORE RESERVES[1] AS AT 31 DECEMBER 2001**

			Proved[2]		Probable[2]		TOTAL	
Nickel	**WMC interest %[3]**	**Type of reserve[4]**	**Ore million tonnes**	**Grade Nickel %**	**Ore million tonnes**	**Grade Nickel %**	**Ore million tonnes**	**Grade Nickel %**
Kambalda Nickel Operations[5]	100	u/g	0.5	3.6	0.6	3.6	1.1	3.6
Leinster Nickel Operations	100	u/g	13.9	1.6	8.6	1.8	22.5	1.7
		o/c	-	-	4.4	1.8	4.4	1.8
		s/p	0.3	1.5	-	-	0.3	1.5
Mount Keith Operations	100	o/c	201	0.58	128	0.53	329	0.56
		s/p	21.4	0.49	-	-	21.4	0.49
Copper			**Ore million tonnes**	**Grade Copper %**	**Ore million tonnes**	**Grade Copper %**	**Ore million tonnes**	**Grade Copper %**
Olympic Dam Operations[6]	100	u/g	123	2.4	594	1.5	717	1.7
Uranium			**Ore million tonnes**	**Grade U_3O_8 Kg/tonne**	**Ore million tonnes**	**Grade U_3O_8 Kg/tonne**	**Ore million tonnes**	**Grade U_3O_8 Kg/tonne**
Olympic Dam Operations[6]	100	u/g	123	0.6	594	0.5	717	0.5
Gold			**Ore million tonnes**	**Grade Gold g/tonne**	**Ore million tonnes**	**Grade Gold g/tonne**	**Ore million tonnes**	**Grade Gold g/tonne**
Olympic Dam Operations[6]	100	u/g	123	0.6	594	0.6	717	0.6
Phosphate			**Ore million tonnes**	**Grade P_2O_5 %**	**Ore million tonnes**	**Grade P_2O_5 %**	**Ore million tonnes**	**Grade P_2O_5 %**
Queensland Fertilizer Operations[7]	100	o/c	25.3	24.2	65.5	24.1	90.8	24.2
		s/p	0.2	25.7	-	-	0.2	25.7

(1) *Estimated for the year 2001 using the following price assumptions: nickel A$5.00 per pound; copper A$1.42 per pound; uranium A$23.33 per pound; gold A$475 per ounce; DAP fertilizer A$300 per tonne.*

(2) *The terms 'Proved Ore Reserves' and 'Probable Ore Reserves' are defined in the Glossary of mining terms.*

(3) *WMC's interest as at 31 December 2001.*

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

(5) *Kambalda Nickel Operations reserves as at 31 December 2001 comprised the Long/Victor complex (0.9Mt @ 3.8%Ni) and the Lanfranchi complex (0.2Mt @ 3.0%Ni). The Long/Victor complex was sold in September 2002. It is anticipated that the Lanfranchi complex will be sold during 2003.*

(6) *Reserves at Olympic Dam Operations contain copper, uranium, gold and silver. Quoted copper, uranium and gold grades are for the same reserve tonnage.*

(7) *Includes planned increased MAP production and iron removal processes.*

Under WMC's current Life of Mine plans, all reported Ore Reserves will be mined out within the period of existing leases or concessions or within the time period of assured renewal periods.

7.5.4 Mineral Resources

WMC Resources' Mineral Resources estimates as at 31 December 2001 are set out in Figure 38.

FIGURE 38 MINERAL RESOURCES[1] AS AT 31 DECEMBER 2001

		Measured[2]		Indicated[2]		Inferred[2]		TOTAL	
Nickel	**Type of Resource[3]**	**Resource million tonnes 2001**	**Grade Nickel % 2001**	**Resource million tonnes 2001**	**Grade Nickel % 2001**	**Resource million tonnes 2001**	**Grade Nickel % 2001**	**Resource million tonnes 2001**	**Grade Nickel % 2001**
Kambalda Nickel Operations[4]	u/g	0.6	5.5	4.6	2.8	0.2	3.3	5.4	3.1
	o/c	-	-	0.1	3.4	-	-	0.1	3.4
Leinster Nickel Operations	u/g	15.2	2.3	15.3	2.4	13.1	1.9	43.6	2.2
	o/c sulphide	3.9	1.6	86.6	0.6	89.9	0.6	180.4	0.6
	s/p oxidised	6.4	1.5	-	-	-	-	6.4	1.5
Mount Keith Operations	o/c	202	0.58	142	0.53	122	0.5	466	0.54
	s/p	21.4	0.49	-	-	-	-	21.4	0.49
	s/p oxidised	5.8	0.62	-	-	9.5	1.2	15.3	0.97
Yakabindie[5]	o/c	92	0.56	152	0.56	43	0.56	287	0.56
Copper		**Resource million tonnes**	**Grade Copper %**	**Resource million tonnes**	**Grade Copper %**	**Resource million tonnes**	**Grade Copper %**	**Resource million tonnes**	**Grade Copper %**
Olympic Dam Operations[6]	u/g	520	1.7	1330	1.2	810	1.0	2660	1.2
Uranium		**Resource million tonnes**	**Grade U_3O_8 Kg/tonne**	**Resource million tonnes**	**Grade U_3O_8 Kg/tonne**	**Resource million tonnes**	**Grade U_3O_8 Kg/tonne**	**Resource million tonnes**	**Grade U_3O_8 Kg/tonne**
Olympic Dam Operations[6]	u/g	520	0.5	1330	0.4	810	0.3	2660	0.4
Yeelirrie	o/c	-	-	35	1.5	-	-	35	1.5
Gold		**Resource million tonnes**	**Grade Gold g/tonne**	**Resource million tonnes**	**Grade Gold g/tonne**	**Resource million tonnes**	**Grade Gold g/tonne**	**Resource million tonnes**	**Grade Gold g/tonne**
Olympic Dam Operations[6]	u/g	520	0.5	1330	0.5	810	0.4	2660	0.5
Phosphate		**Resource million tonnes**	**Grade P_2O_5 %**	**Resource million tonnes**	**Grade P_2O_5 %**	**Resource million tonnes**	**Grade P_2O_5 %**	**Resource million tonnes**	**Grade P_2O_5 %**
Queensland	o/c	32.9	24.5	56.9	24.0	22.7	20.6	112.5	23.6
Fertilizer Operations	s/p	0.2	25.7	-	-	-	-	0.2	25.7

(1) *The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.*

(2) *The terms 'Measured Mineral Resources', 'Indicated Mineral Resources' and 'Inferred Mineral Resources' are defined in the Glossary of mining terms.*

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

(4) *Kambalda Nickel Operations as at 31 December 2001 included resources at the Long/Victor complex (1.2Mt @ 5.6%Ni), which was sold in September 2002. It is anticipated that the remainder of the resources will be divested during 2003.*

(5) *Yakabindie resources estimated using a 0.4% nickel cut-off grade.*

(6) *Resources at Olympic Dam Operations contain copper, uranium, gold and silver. Quoted copper, uranium and gold grades are for the same resource tonnage.*

7.6 Exploration

WMC's global minerals exploration program, which will form part of the WMC Resources Group post-Demerger, will concentrate on deposit styles capable of providing excellent returns by supporting current operations, or as stand-alone projects. WMC Resources will continue to focus on exploring for outstanding copper, gold and nickel deposits capable of making a significant contribution to WMC Resources in the future. WMC Resources will endeavour to conduct its exploration activities in countries that combine excellent prospectivity and acceptable business risk.

7.6.1 Exploration program

WMC spent A$57 million on minerals greenfield exploration for the year ended 31 December 2001. WMC's exploration group has been restructured, and the expenditure for exploration in 2002 is expected to be A$25 million. Greenfield exploration continues to focus on gold, nickel and copper and is currently being conducted in Australia, Canada, China, Mongolia and Peru.

7.6.2 West Musgrave

WMC regards the West Musgrave area in Western Australia as highly prospective. During 2000 and 2001 there were highly encouraging results from the West Musgrave area. Two prospects, four kilometres apart, were tested by diamond drilling targeted on separate geophysical anomalies, with both intersecting nickel and copper sulphide mineralisation.

Drilling of the Nebo and Babel electromagnetic and induced polarization anomalies began during the second quarter of 2001 and was completed during the fourth quarter. Results have been variable although large volumes of nickel and copper sulphides have been identified and extend over a strike length of five kilometres. The assessment and interpretation of these results is continuing.

A regional electromagnetic survey covering approximately 3,200 square kilometres of prospective tenure in the region was completed in early 2002. The results of this survey have been interpreted and ground follow-up of prospective anomalies has commenced.

The Ngaanyatjarra Land Council has recently provided access clearance to several airborne electromagnetic and geochemical anomalies, including Gerar, a promising target located 10 kilometres north of Babel-Nebo. A heritage survey covering the remaining anomalies was completed in June 2002. A 34 hole drill program commenced in late-September 2002 to test for high grade disseminated sulphide and massive sulphide ore bodies and to increase confidence in resource estimates. This program includes four drill holes to test the Gerar prospect. An airborne electromagnetic survey of selected sites in the larger West Musgrave area has commenced and will assist in the evaluation of six new areas within the existing tenement package.

7.7 New business

7.7.1 Corridor Sands

The Corridor Sands heavy minerals project contemplates the exploitation of large, currently undeveloped mineral sands deposits situated in southern Mozambique.

In November 2000, after an earlier due diligence investigation, WMC paid Southern Mining Corporation Limited US$15 million for an exclusive option to study and acquire a controlling interest in the project. A bankable feasibility study on the project was completed in July 2002.

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. Based on testing of the extensive mineralised sands, Mineral Resources totalling 16.64 billion tonnes averaging 5.3% contained total heavy minerals have been estimated. One of the deposits alone contains Measured and Indicated Mineral Resources of 2.67 billion tonnes averaging 4.0% ilmenite, a titanium oxide. Recent drilling at this deposit has suggested that the actual grade mined could be higher.

If WMC decides to exercise its option, and Southern Mining provides the requisite consents in connection with the Demerger, it is expected WMC Resources initially will be required to invest US$180 million in the project. If it proceeds, WMC Resources will have an initial 60% interest, with Southern Mining owning the remaining 40%. The South African state-owned Industrial Development Corporation has an option to acquire a 10% interest in the project, if it proceeds.

7.7.2 Meliadine

WMC's 56% interest in the Meliadine West Joint Venture in Northern Canada, which includes the Wesmeg Gold Project, was included in the package of gold assets offered by WMC for sale during 2001. This interest was not sold and, while discussions with potential acquirers are proceeding, the project has been put on care and maintenance.

During 2001, A$7.5 million was spent to complete resource delineation drilling and regional exploration progams, an airborne geophysical survey and follow-up ground work.

7.8 Technology

WMC's research and development policy has undergone a significant shift over the last three years from a policy of considering available technology and adapting this to specific applications, a 'fast follower', to actively seeking to support new technology development for key leverage points in the company's value chain, a 'first mover'. WMC is doing this through a combination of internal development, external research, alliances, joint ventures and targeted venture capital activities.

Overall expenditure on technology development, excluding exploration and the costs of implementing new technologies, is forecast to be in the order of A$25 million for 2003.

7.9 General business information

7.9.1 Auditor

WMC's current auditor, PricewaterhouseCoopers, will be appointed as WMC Resources' auditor immediately prior to implementing the Demerger.

7.9.2 Employees

At 31 December 2001, the WMC Group employed on a full time equivalent basis 3,047 people directly and hired 1,587 as contractors.

WMC Resources intends to maintain the WMC Group's current employee arrangements and policies, described below, after the Demerger.

The WMC Group is organised around central functional service groups responsible for corporate/business services and an operations group responsible for the operation of the group's mining and processing activities. Executive General Managers and General Managers exercise widely delegated authority and discretion within policy guidelines.

Individual contracts have been implemented across WMC's operations. Industrial disputation over the past year has been minimal and confined to contractor organisations. It has been six years since WMC employees participated in any industrial disputation. WMC operates continuous shift work across many of its operations in Western Australia, South Australia and Queensland.

WMC has in place a Code of Conduct, the objective of which is to ensure fair and ethical practices within WMC, which must be observed by all directors, employees and contractors at all of WMC's sites and operations.

Superannuation entitlements are provided to employees under the WMC Superannuation Plan (the **Plan**), an independently managed sub-plan of the Plum Superannuation Fund. The Plan provides lump sum benefits on retirement, permanent disability, death, resignation or retrenchment.

The Plan has the following three categories of membership:

- The 'Defined Benefit Category', which provides lump sum benefits based on period of service, age and final average salary. Members in this category make a compulsory contribution of 3.4% deducted from after tax salary or 4.0% deducted from before tax salary.
- The 'Accumulation Category', which offers a minimum company contribution (subject to certain cashing out options and legislation) from 11.5-20% of basic annual salary to each member's account in the Plan. Members also have the option to make voluntary contributions to their account.
- The 'Superannuation Guarantee Category', which is a compulsory accumulation category for all employees under hourly paid awards. Under legislation, WMC is required to make minimum contributions. Effective 1 July 2002, the contribution rate increased from 8% - 9% of ordinary time earnings. Members also have the option to make voluntary contributions to their personal account.

Entities in the WMC Group contribute to the Plan, as required by the Plan rules, any relevant employee agreements or legislation.

7.9.3 Environment, health and safety

The mining, minerals processing and exploration activities undertaken by WMC have associated environmental, health and safety aspects that need to be managed effectively. For example, WMC's 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, mine rehabilitation and access to, and use of, groundwater. In respect of health and safety, WMC's activities involve occupational health hazards such as dust, noise, process emissions and radiation. To manage the environmental, health and safety aspects of WMC's businesses, the company has implemented a range of management systems, risk management processes and assurance programs.

The focus on effective management of these environment, health and safety aspects will continue with WMC Resources.

WMC has implemented an environmental management system at all of its operations that is compatible with ISO 14001 (the international standard for environmental management) and has implemented rigorous standards for the control of major hazards under its 'Elimination of Fatalities' program. WMC is now progressively implementing an integrated environment, health and safety management system to further improve its performance and assurance.

Internal environmental audits have been undertaken at all operations by personnel independent of those operations and a broad-ranging, independent review of WMC's safety management practices was undertaken in 1998 under the guidance of an independent panel of external experts. This independent panel was chaired by Professor Dennis Else, Professor of Occupational Health and Safety at the University of Ballarat and Chairperson of the National Occupational Health and Safety Commission. During 2000, WMC incorporated the review's recommendations into site-specific action plans and verified their implementation through site audits. Actions and improvement opportunities arising from independent audits and reviews are reported through to company executives and tracked through to completion.

WMC has a long history of public reporting of its environment, health and safety performance. WMC's environment reporting started in 1994/1995. In 2000 the company published its first public safety and health report. WMC's public reports include assessments of performance against targets, reviews of significant incidents, discussion of important issues confronting the company and the industry and improvement commitments. WMC's public reports have been independently verified by PricewaterhouseCoopers since the 1996 Environmental Progress Report.

The cost to close and completely rehabilitate each of WMC's operations, which are large and can be readily separated from WMC's other operational costs, are estimated annually. Funds are then accrued annually over the period of each operation's life. For environmental obligations associated with mine closure and rehabilitation, provisions as at 30 June 2002 were A$91.9 million, compared to estimated total future costs of A$380.4 million. While WMC believes that the environmental rehabilitation provisions made are adequate, the amounts estimated for the future liabilities may differ materially from the costs that will actually be incurred. The actual level of future remediation and closure costs will be dependent upon the nature and extent of future environmental regulation, the applicable standards with respect to the required remedial work and the technology available to meet the required standards.

In addition to future provisions, WMC incurs current expenditures associated with the progressive rehabilitation of its operations and to correct environmental impacts, the most significant of which is the remediation of groundwater at the Baldivis tailings facility associated with the Kwinana Nickel Refinery. The groundwater remediation is projected to be completed in 2008. It is expected that approximately A$31.2 million will be spent on this program between 1 January 2002 and its completion. A$20.6 million has been provided for with the remainder to be provided over the life of the remediation project.

At present, Australia does not have in place regulatory requirements to reduce greenhouse gas emissions. However, it is possible Australia will ratify the Kyoto Protocol, which would require Australia to limit greenhouse gas emissions to 8% over 1990 levels by 2008-2012. Even if the Kyoto Protocol is not ratified, the Australian Government may still introduce regulations to reduce greenhouse emissions to pursue achievement of the Kyoto Protocol targets. To date the Government has, however, given no indications as to the nature or timing of any such regulations.

At present, it is not possible to predict the impact that future government regulation may have on WMC Resources. It is possible, however, that it may increase WMC Resources' capital expenditure and production costs, or may impact on methods of production, depending on the nature of the regulatory requirements introduced. WMC cannot assess the nature, magnitude or timing of such costs, including whether these costs would have a material impact on WMC Resources' financial performance.

Section 7.11.4 discusses regulatory risks associated with WMC Resources' businesses and their potential to affect WMC Resources and its financial performance.

7.9.4 Information technology

WMC's efforts to optimise the conversion of data into knowledge commenced in 1996 with the introduction of the Information Integrity Program, which established a standard system and consistent language for management information. WMC Resources will continue to refine the production and interpretation of this information, however the benefits of the system are already apparent.

As an organisation with widely distributed sites, customers and partners, WMC Resources will benefit from conducting business electronically. Methods of communication and interaction within WMC are changing rapidly, and its intranet is now the source of much of the information its personnel require. WMC Resources will continue to use the same well-developed methods for dealing with external parties as those used by WMC.

This area is growing rapidly as illustrated by the initiatives described in the following paragraphs.

During 2000, WMC announced its participation in Quadrem, an independent web-based procurement organisation for the mining, minerals and metals industries. WMC was a co-architect and founding shareholder of Quadrem. When fully functioning, it is anticipated Quadrem will provide online global services via www.quadrem.com to any buyer or seller in the minerals industry.

In addition, WMC has been increasing the level of customer services it provides via its websites. It currently sells nickel and cobalt on the open market via www.wmc-nickel.com and www.wmc-cobalt.com. Its registered copper customers have access to its databases where they can track orders, make additional spot purchases and find detailed, up-to-date information including prices and market news.

7.9.5 SAP

WMC uses, and WMC Resources will continue to use, SAP software as its predominant enterprise planning system both at corporate and business unit levels. SAP modules are used in finance, costing, plant maintenance, supply, human resources, payroll, project systems, asset management sales and distribution and production planning. SAP is also used in conjunction with other critical software systems that support mine planning and production.

7.9.6 Insurance

WMC's current insurance arrangements will continue to apply to the WMC Resources Group from the implementation of the Demerger. These insurance arrangements reflect the customary practice in the Australian resources industry. Other than as referred to in Sections 7.2.2(d)(iv) and 7.3.3(d), the WMC Board is not aware of any material incidents or claims under WMC's existing insurance arrangements.

7.10 WMC Resources directors and senior management

7.10.1 WMC Resources Board

(a) Role

The WMC Resources Board, working with senior management, will be responsible to the shareholders of WMC Resources for the company's overall business performance. It will approve the WMC Resources Group's goals and directions, strategic plans and performance targets. The WMC Resources Board will ensure that appropriate policies, procedures and systems are in place to manage risk, optimise business performance and maintain high standards of ethical behaviour and legal compliance.

(b) Board composition and meetings

Under WMC Resources' constitution, the WMC Resources board may determine the number of directors, provided that the Board does not have fewer than three nor more than 12 members. All directors are required to be natural persons and a majority of directors are required to ordinarily reside within Australia.

The WMC Resources Board will initially comprise a non-executive chairman, six other non-executive directors and two executive directors. Relevant experience, diverse perspectives and complementary skills are sought when appointing new directors. A balance between independent business experience and relevant industry knowledge is also sought.

The WMC Resources Board will continue to be constituted by the same persons as are on the WMC Board as at the date of this Scheme Booklet (subject to the election of Mr Michelmore at the General Meeting). The details of the WMC Resources Directors are set out in the table below.

WMC Resources' most senior employee, the Chief Executive Officer, is selected by the WMC Resources Board and is subject to annual performance reviews by the non-executive directors. The Chief Executive Officer recommends policy and strategic direction for board approval and is responsible for managing day-to-day operations. If elected or appointed to the WMC Resources Board, the Chief Executive Officer will also be the company's Managing Director. Mr Morgan will be the Chief Executive Officer of WMC Resources from the Listing Date, but will retire as Chief Executive Officer in January 2003. Mr Michelmore will succeed Mr Morgan as Chief Executive Officer of WMC Resources.

Mr Burgess will be the Chairman of WMC Resources from the Demerger, although Mr Burgess intends to stand down as Chairman of WMC Resources at the 2003 annual general meeting of WMC Resources. Mr Bergman will be Deputy Chairman of WMC Resources.

The WMC Resources Directors (other than the Managing Director) will be subject to retirement by rotation, one-third retiring each year by order of seniority of election (or the number nearest to one-third if the number of directors is not a multiple of three), and may not continue to hold office without re-election after the third annual general meeting following their last election by the shareholders. Eligible retiring directors may offer themselves for re-election by the shareholders. Non-executive directors retire, by agreement, at the annual general meeting following their reaching 72 years of age.

After being elected by the shareholders, a director who is appointed a Managing Director by the board is not required to retire by rotation. The WMC Resources Directors may appoint a director either to fill a casual vacancy or as an addition to their numbers.

WMC Resources Board

Name	Position	Summary of Experience
Executive Directors		
Mr Hugh M Morgan AC LLB BCom FCPA FTSE FAusIMM FAIM CompIEAust	Managing Director and Chief Executive Officer	Appointed to the WMC Board in 1976 and Chief Executive Officer since December 1990. Board member of Reserve Bank of Australia and Alcoa, of Australia (to retire as a director of Alcoa of Australia on implementation of the Demerger). Past President of the Minerals Council of Australia, a member of the Business Council of Australia, President of the Australia Japan Business Co-operation Committee, and immediate past Chairman of the International Council on Metals and the Environment.
Mr Andrew G Michelmore BEng(Chem) MA(Oxon) FIEAust FIEChemE	Chief Executive Officer Elect and Executive General Manager – Business Strategy and Development	Appointed to the WMC Board in August 2002, and will succeed Mr Morgan as Chief Executive Officer of WMC Resources in January 2003. Joined WMC in 1993 and since January 2001, has held the position at WMC of Executive General Manager – Business Strategy and Development and has been responsible for managing WMC's key relationship with Alcoa. Currently responsible for exploration projects, planning, business development, industrial minerals and technology. Past senior management and project roles with ICI Australia, CRA and Nabalco. Chairman of the Jean Hailes Foundation for Womens' Health and CSIRO Sector Advisory Committee, director of Ian Clunies Ross Foundation and past director of Melbourne Enterprises International Limited.
Non-Executive Directors		
Mr Ian G R Burgess AO BSc FTSE HonDSc	Chairman	Appointed to the WMC Board in July 1993 and Chairman since April 1999. Past Chief Executive Officer and Chairman of CSR Limited, and past Chairman of AMP Limited. Former trustee of the Walter and Eliza Hall Trust.
Mr Tommie C-E Bergman DipEng DipMktg FAIM FAICD	Deputy Chairman	Appointed to the WMC Board in January 2001 and Deputy Chairman since March 2002. Director of Amcor Limited and Smorgon Steel Group Limited and Deputy Chairman of Cochlear Limited. Mr Bergman is former Chairman and Managing Director Australasia of Asea Brown Boveri Pty Ltd.
Professor Adrienne E Clarke AO PhD FAA FTSE	Director	Appointed to the WMC Board in July 1996. Director of Woolworths Limited, Hexima Limited and Fisher & Paykel Healthcare Corporation Limited. Chair of CSIRO 1991-96, immediate past Lieutenant-Governor of Victoria, Victoria's Ambassador for Biotechnology, President of the International Society for Plant Molecular Biology and member of the US National Academy of Sciences.
Mr Peter J Knight CitWA BEHon FIEAust CPEng FTSE FAICD FAIM	Director	Appointed to the WMC Board in August 1997. A non-executive director and former Managing Director of Clough Limited and former Chairman of Central Norseman Gold Corporation Limited.
Mr David E Meiklejohn BCom DipEd FCPA FAIM FAICD	Director	Appointed to the WMC Board in April 2002. Chairman of PaperlinX Limited and SPC Ardmona Limited, Deputy Chairman of GasNet Australia Limited and director of One Steel Limited. Former Chief Financial Officer and executive director of Amcor Limited.
Mr Roger A G Vines CitWA BE HonDSc FAIM FAusIMM FTSE	Director	Appointed to the WMC Board in February 1999. Director of Woodside Petroleum Limited. Former Chairman and Managing Director of Alcoa of Australia Limited and former director of Central Norseman Gold Corporation Limited.
Mr Ian E Webber AO FTSE FCIT FAIM	Director	Appointed to the WMC Board in June 1997. Director of Santos Limited and Ansell Limited and member of General Motors Australian Advisory Council. Former Chairman of Mayne Nickless Limited.

(c) Committees

Specific board committees will assist the full WMC Resources Board. Charters set out the roles and terms of reference for such committees, including the audit committee and the compensation committee, each described below.

The audit committee consists of three non-executive directors, and is expected to meet at least four times a year. The committee will assist the WMC Resources Board in fulfilling its responsibilities for company accounts and external financial reporting. This is achieved by ensuring that appropriate processes are in place to support the board to exercise due care, diligence and skill in relation to WMC Resources' reporting of financial information, applying accounting policies, financial management and internal financial control systems.

Annually, the committee will review audit programs conducted by independent external auditors, and review the internal audit function to ensure it is adequately resourced, used effectively and coordinated with the external auditors. The committee will meet regularly with management, and internal and external auditors, to ensure that adequate controls and practices are in place.

From the Demerger, the members of WMC Resources' audit committee will be: Mr Meiklejohn (as Chairman), Professor Clarke and Mr Knight.

The compensation committee consists of four non-executive directors, and is expected to meet at least four times a year. Its role is to oversee company remuneration and compensation plans, policies and practices, including remunerating non-executive directors, the Chief Executive Officer and senior executives, and succession planning. On behalf of the WMC Resources Board, the committee will consider remuneration strategy with regard to community and industry standards and, where possible, verify its appropriateness using external information and advice to ensure that:

- employee interests are aligned to corporate objectives;
- WMC Resources can attract, develop and retain superior talent; and
- the integrity of WMC Resources' reward program is maintained.

From the Demerger, the members of the WMC Resources' compensation committee will be: Mr Webber (as Chairman), Mr Burgess, Mr Vines and Mr Bergman.

Ad hoc board committee meetings may be occasionally convened to address board issues when it is not practical to organise a full board meeting. A board committee comprises two or more WMC Resources Directors.

7.10.2 Senior management

WMC Resources' senior management will comprise current members of WMC's management team, as outlined below:

Name	**Position at WMC Resources**[1]	**Appointed as Executive Officer of WMC**
Mr Andrew G Michelmore[2]	EGM – Business Strategy & Development (and Chief Executive Officer Elect)	January 1993
Mr Bruce R Brook	Chief Financial Officer	March 2002
Mr Alan K Dundas	EGM – Operations	January 2001
Mr Greg J Travers	EGM – Group Services	June 1996

(1) EGM stands for Executive General Manager.

(2) As referred to in Section 7.10.1(b), Mr Michelmore will succeed Mr Morgan as Chief Executive Officer of WMC Resources in January 2003.

The experience of WMC Resources' continuing management team, who, with the executive directors, have responsibility for all operational and administrative functions of the business, is outlined below:

Executive Officer	Summary of experience
Mr Bruce R Brook BCom(Wits) BAcc(Wits) FCA	Appointed Executive General Manager – Finance in March 2002 and Chief Financial Officer in May 2002. Responsible for finance, treasury, investor relations and tax. Mr Brook is also responsible for matters concerning supply and information systems. Mr Brook was Deputy Chief Financial Officer at the ANZ Bank before joining WMC. Mr Brook has worked in senior finance roles with Price Waterhouse, Gold Fields of South Africa, Pasminco Ltd, CRA, Pacific Dunlop and ANZ.
Mr Alan K Dundas BEngHons FAusIMM	Responsible for managing the copper-uranium, nickel and fertilizers businesses. Mr Dundas has held senior operational and management roles with various companies in Australia and Canada including Nabalco, Curragh Qld Mining and Quintette Coal. Since joining WMC in 1994, he has held several senior management roles, including General Manager - Kwinana Nickel Refinery, General Manager - Nickel Operations and Executive General Manager – Nickel. Mr Dundas currently holds the position at WMC of Executive General Manager – Operations.
Mr Greg J Travers BA	Responsible for corporate affairs, community, environment, safety and health, human resource management and various service centres. Mr Travers has experience in both operations and functional service areas, and has worked with Pratt Industries, Mount Newman Mining Company and BHP. He joined WMC in 1994 as Group Manager – Training and Organisational Development. Mr Travers is a director of Australian Mines and Metals Association and a former director of the Institute of Public Affairs. Mr Travers currently holds the position at WMC of Executive General Manager – Group Services.

7.10.3 Remuneration

(a) *Non-executive director fees*

Remuneration for non-executive directors will be determined by the WMC Resources Board and divided among the directors by the WMC Resources Board, although WMC Resources' constitution provides that the aggregate remuneration paid to WMC Resources Directors in any year must not exceed a maximum amount previously approved for that purpose by shareholders. The maximum aggregate remuneration approved for directors is A$1.5 million.

(b) *Non-executive director retirement benefits*

Under arrangements to be entered into between WMC Resources and each non-executive director, non-executive directors of WMC Resources with more than five years service will be entitled to retirement benefits equalling the total fees paid in the three years before retirement. Directors with three to five years service will be entitled to pro-rata benefits. In determining the number of years of service given by a director of WMC Resources at the time of the Demerger, that director's period of service with WMC (if any) will be included.

Non-executive directors under the age of 75 receive a superannuation guarantee contribution which is currently nine per cent of their fees.

(c) *Executive director and senior executive remuneration*

Executives will receive competitive remuneration packages which include: a base salary; additional benefits such as superannuation; annual performance related incentives and termination entitlements.

The compensation committee will review these remuneration packages and other employment terms annually. This review will be based on performance goals set at the start of the year, relevant market information and independent expert advice.

The matters considered by WMC's compensation committee in 2002 will continue to apply to WMC Resources' executives until reviewed by WMC Resources' compensation committee. These matters include the following:

(i) Providing annual variable bonuses in line with both short-term and long-term incentive schemes based on performance benchmarks and aligning executive interests with those of shareholders. Executive reward is determined by business unit and individual performance, and company performance compared with an accumulation index of up to 20 peer companies. Given that holding significant levels of equity aligns executive interests to those of shareholders, WMC's compensation committee determined that, during 2002, equity-based rewards will be a significant portion of any annual reward. Rules regarding holding of equity have been developed to encourage executives to remain employees of WMC and to increase their WMC shareholdings over time. These will be amended to apply to WMC Resources with effect from the Demerger.

(ii) Historically, long-term performance incentives have been based on WMC's option plans established under its Employee Share Scheme (**WMC Option Plans**) which usually allot five-year options annually. All share allotments to executive directors were subject to shareholder approval. Under the WMC Option Plans, options issued to, and exercised by, executive directors and executive senior management are determined by their individual performance and the company's performance compared with peer companies measured by an accumulation index.

In April 2001, at WMC's 2001 Annual General Meeting, WMC Shareholders approved the allotment of WMC Options to Mr Morgan under the 2001 WMC Option Plan (scheduled for implementation in December 2001). In November 2001, the WMC Board approved implementation of the 2001 WMC Option Plan for employees generally. However, it was subsequently decided to exclude senior executives (including executive directors) from participating in the 2001 WMC Option Plan due to market speculation concerning WMC at that time, and that this exclusion be reviewed once circumstances changed to provide for these senior executives' entitlements to be subsequently honoured.

Consistent with this undertaking, WMC Options were issued to the senior executives (other than Messrs Morgan and Morley) under the May 2002 WMC Option Plan. Those WMC Options were issued on terms equivalent to the WMC Options issued under the 2001 WMC Option Plan. Messrs Morgan and Morley were issued WMC stock appreciation rights on terms equivalent to the WMC Options issued to WMC senior executives under the May 2002 WMC Option Plan.

On 13 August 2002, WMC announced its decision to suspend future option allotments to its senior management under the WMC ESS. It is expected that WMC Resources will review this decision when a more universally agreed methodology for valuation expensing and taxation issues is formulated. A share purchase plan for senior staff will replace option allotments in the future for this group. The share purchase plan will provide a level of reward for senior staff based on WMC Resources' performance against a peer index of resources companies (anticipated to be 16). Actual rewards will vary in accordance with the performance of the individual executive and the performance of WMC Resources on a total shareholder return basis against the index. All rewards for senior staff through this scheme will be directed to WMC Resources Share purchases through a share plan and each participant will be required to hold WMC Resources Shares reflecting a multiple of their salary. For the Chief Executive Officer the multiple will be 1.5 times salary, for Executive General Managers the multiple will be 1 times salary and for General Managers the multiple will be 0.5 times salary. WMC Resources Shares may only be accessed once this multiple has been exceeded and only to the extent that the minimum multiple is maintained at all times (subject to certain other disposal restrictions). A key component of this plan will be that the full value of any reward gained by senior management will be expensed and the value to the executive disclosed in accordance with WMC Resources' reporting obligations and practice on remuneration of executive staff.

If the Option Scheme (described in Section 5.2) receives the necessary approvals, executive directors and senior management who at the Option Scheme Record Date hold WMC Options issued before 13 August 2002 will receive WMC Resources Options under the terms of the Option Scheme. This issue of WMC Resources Options results from the relevant executive director's or senior manager's current holding of WMC Options, and is not a new allotment made under the WMC ESS. The Option Scheme has been designed to have the effect that the economic entitlements of WMC Optionholders (including WMC Directors and senior management) prior to the Demerger are, to the extent possible, preserved after the Demerger is implemented.

(iii) Superannuation entitlements are provided via a master trust known as the WMC Superannuation Plan, providing employees with increased flexibility and control over their entitlements. Further details regarding the WMC Superannuation Plan are provided in Section 7.9.2.

(iv) Consistent with its objective of attracting and retaining talented executives, WMC's compensation committee has endorsed the use of incentive and bonus payments to recognise that retention of key staff is a key to maintaining the company's executive talent base. It is expected that WMC Resources' compensation committee will continue to seek external advice on such matters regularly to ensure reasonableness in remuneration scale and structure and to compare the company's position with the external market. The impact and high cost of replacing senior staff, and the competition for talented executives, requires the committee to reward key staff when they deliver consistently high performance.

(v) As part of its ongoing review of overall remuneration, it is expected that the WMC Resources compensation committee will seek external assessment of the company's remuneration approach.

(d) Executive director retirement benefits

WMC Resources will continue to make contributions to the WMC Superannuation Plan on behalf of executive directors. On retirement, fund members receive a benefit in line with their membership category.

7.11 Risk factors relating to WMC Resources

This Section 7.11 describes some of the risks that could affect WMC Resources. The factors below should be considered in connection with any forward-looking statements in this Scheme Booklet. The risks below are not the only ones WMC Resources faces – some risks may not be known to WMC Resources, and some that WMC currently believes to be immaterial could later turn out to be material. One or more or a combination of these risks could materially impact WMC Resources' business, revenues, operating income, net income, net assets, liquidity or capital resources.

7.11.1 General risks associated with investing in shares

Prior to the Demerger there will have been no public market for WMC Resources Shares. Once WMC Resources is a listed company on the ASX, WMC Resources' share price will be subject to many influences that may affect the broad trend in the stock market or the share prices of individual companies. There can be no assurance that an active trading or liquid market will develop for WMC Resources Shares. The price at which WMC Resources Shares trade on the ASX may be affected by a number of factors unrelated to WMC Resources' financial and operating performance and over which WMC Resources has no control. Factors such as currency exchange rates, commodity prices, the level of industrial production, changes in government fiscal, monetary and regulatory policy, investor attitudes, stock market fluctuations in Australia and other stock markets around the world, changes in interest rates and inflation, and variations in general market or economic conditions can all have an adverse effect on the price of WMC Resources Shares.

This Scheme Booklet contains forward-looking statements that involve certain assumptions that are subject to potential risks and uncertainties. Actual events and results, including WMC Resources' future dividends, returns on capital and results of operations, could differ materially from those anticipated.

7.11.2 Exchange rate fluctuations

Products exported from Australia by WMC Resources are predominantly sold in US Dollars. In the year ended 31 December 2001, 92.0% of WMC Resources' sales revenue were denominated in or linked to US Dollars, while WMC Resources' dividends and the majority of WMC Resources' operating costs are denominated in Australian Dollars. The Australian Dollar/US Dollar exchange rate has recently risen from the historic lows experienced over the past two years. WMC Resources' future profitability may be adversely affected by a strengthening of the Australian Dollar against the US Dollar.

In addition, some of WMC Resources' liabilities and assets are denominated in US Dollars, particularly much of its borrowings, the majority of its receivables, and certain equity accounted assets. The accounts of certain foreign subsidiaries are also maintained in US Dollars. As at 30 June 2002, WMC had US$839.6 million of debt denominated in US Dollars and US Dollar receivables of US$105.5 million, all of which related to the WMC Resources Group. Thus movements in the Australian Dollar against the US Dollar may also adversely affect WMC Resources' net asset value.

7.11.3 Commodity price risk

WMC Resources' revenue is derived from sales of nickel, copper, uranium, fertilizers and other intermediate products. The prices obtained for these commodities 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 and the speculative activities of various market participants. World commodity prices are affected by numerous factors outside WMC Resources' control, including the overall performance of world economies and the related cyclicality in particular industries that are significant consumers of the commodities produced by WMC Resources. The general trend in commodity prices has been characterized by an increase during 1999 and 2000, followed by a decline over the course of 2001 into 2002. For further information about historical commodity price movements in the commodities WMC Resources produces, refer to Sections 7.2.1(c) (nickel), 7.3.1(c) (copper), 7.3.2(c) (uranium oxide) and 7.4.1(c) (DAP). WMC expects that commodity prices may not rise until economic activity in the markets WMC Resources serves starts to increase significantly. The general volatility in commodity prices makes it difficult for WMC to predict the extent and duration of any decline or increase in the cyclical commodity prices relating to WMC Resources' products. WMC expects that volatility in prices and in demand for most of WMC Resources' products will continue for the foreseeable future.

The development of new projects by new or existing nickel, copper, uranium and fertilizers producers may create overcapacity in one or more of these commodities, which could reduce future prices, thereby adversely affecting WMC Resources' profitability.

WMC Resources' financial performance and ability to service liabilities, pay dividends, undertake capital expenditure and finance future acquisitions would be adversely affected by a sustained material fall in the prices of nickel, copper, uranium and fertilizers.

7.11.4 Regulatory risks

Governments extensively regulate WMC Resources' mining operations. National, state and local authorities in Australia and other countries in which WMC Resources operates regulate the mining industry with respect to matters such as employee health and safety, permitting and licensing requirements and environmental compliance, plant and wildlife protection, reclamation and restoration of mining properties after mining is completed, and the effects that mining has on groundwater quality and availability. Numerous governmental permits and approvals and leases are required for WMC Resources' mining operations. WMC Resources is required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed exploration or production activities may have upon the environment. The costs, liabilities and requirements associated with these regulations may be costly and time-consuming and may delay commencement or continuation of exploration, expansion or production operations. Failure to comply with the laws regulating WMC Resources' businesses may result in sanctions such as fines or orders requiring positive action by WMC Resources which may involve capital expenditure or the curtailment of operations. This relates particularly to environmental regulations.

The possibility exists that new legislation or regulations may be adopted that may materially adversely affect WMC Resources' mining operations or WMC Resources' cost structure. New legislation or regulations or more stringent interpretations or enforcement of existing laws and regulations may also require WMC Resources' customers to change operations or incur increased costs. These factors and legislation, if enacted, could have a material adverse effect on WMC Resources' financial condition and results of operations. In terms of regulatory risk, the mining of uranium oxide at Olympic Dam in South Australia is of particular significance. The mining, processing, transport and sale of uranium oxide from Olympic Dam is highly regulated. Further, uranium oxide mining and the use of uranium as nuclear fuel is a particularly emotive public issue and changes in public opinion can influence government policy which, in turn, may lead to changes to the current regulatory regime, having a material adverse impact on the mining and sale of uranium oxide from Olympic Dam.

7.11.5 Political risks for WMC Resources' exploration and new business activities

Although all of WMC Resources' current operations are located in Australia, some of WMC Resources' exploration activities and new business projects are located in countries that have a higher political risk than Australia. Political activities in these countries may be destabilising or disruptive to WMC Resources' exploration activities, new business projects or any future production operations commenced by WMC Resources which arise out of its exploration activities or new business projects.

7.11.6 Uncertainty of development projects

WMC Resources' ability to sustain or increase its current level of production, and therefore its 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. No assurance can be given that the planned development and expansion projects will result in the entire anticipated additional production or that there will be continued success developing additional operations. The economics of any project are based upon, among other factors, estimates of reserves and resources, recovery rates, production rates, capital and operating costs and future commodity prices. The uncertainty and volatility of some or all of these factors contributes to the risks associated with project development and exploration. Projects and exploration undertaken will also be influenced by the financial performance and funding capacity of WMC Resources at any given time.

Estimates of reserves, recoveries and operating costs, particularly for development projects, are largely dependent on the interpretation 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. No assurance can be given that the reserves presented in this Scheme Booklet will be recovered at the quality or yield presented.

An estimate of a Mineral Resource is founded on a judgement (albeit preliminary) by Competent Persons in respect of technical and economic factors likely to influence the prospect of economic extraction, including the approximate mining parameters. Mineral Resources should be viewed as realistic inventories of mineralisation which, under assumed and justifiable technical and economic conditions, might, in whole or in part, become economically extractable. No assurance can be given that resource estimates will be directly converted to reserves under the JORC Code and readers are cautioned not to place undue reliance on these estimates.

7.11.7 Uncertainty of replenishing existing reserves and resources either through exploration or acquisition

WMC Resources' revenues and profits flow from its mineral operations and its future long-term results are related to the success of its efforts to replenish existing reserves as they are depleted, either through exploration or acquisition. Generally, the probability of success arising out of exploration activities is relatively low. If unsuccessful in its exploration activities, WMC Resources may not be able to recover its exploration costs with returns from future development. For the three years ended 31 December 2001, WMC incurred A$247 million of exploration and evaluation costs which related to WMC Resources' businesses.

7.11.8 Operating risks
WMC Resources' mining and processing operations are subject to conditions beyond its control that can delay deliveries or increase the cost of mining at particular mines for varying lengths of time. These conditions include weather and natural disasters, unexpected maintenance or technical problems, key equipment failures, disruptions to or other problems with infrastructure, variations in geological conditions and increases in the cost of key inputs or the non-availability of key inputs. In addition, industrial disruptions, work stoppages, refurbishments and accidents at operations can result in production losses and delays in the delivery of product, which may adversely affect profitability.

7.11.9 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 recognised under Australian law.

The High Court in the Mabo Decision in 1992 said that Aboriginal and Torres Strait Islander people who have maintained a continuing connection with their land according to their traditions and customs may hold native title. Proving a continuing connection usually involves showing that traditional laws and customs have passed down through generations of Aboriginal or Torres Strait Islander people to the present day.

The native title of a particular group will depend on the traditional laws and customs of those people. Recent decisions have indicated that native title may change over time.

Native title may exist in areas where it has not been extinguished (removed). Native title cannot invalidate anyone else's validly granted or validated rights but following the High Court decision in 1996 in *The Wik Peoples v State of Queensland*, it is clear that native title may co-exist with other forms of tenure where that tenure is not exclusive.

In August 2002, the High Court held in the Ward Decision that there could be partial extinguishment of native title rights and that there are no native title rights to, or interests in, minerals in Western Australia. The decision that there are no native title rights to minerals in Western Australia is of significance to WMC Resources because its nickel business is in Western Australia. The High Court also held that a mining lease under the relevant Western Australian legislation extinguished any native title right to control access to land, or to be asked permission to use, or have access to, land but did not necessarily extinguish all native title rights.

At this stage, WMC cannot make any assessment of the impact of the Ward Decision on its operations or the current claimant applications for native title over the WMC Resources Group's operations (referred to below).

In response to the Mabo Decision, the Australian Government enacted the *Native Title Act 1993* (Cth) allowing, among other things, the States and Territories to enact their own native title legislation.

There are current claimant applications for native title determinations in the Federal Court of Australia over areas that include the majority of WMC Resources' operations. These operations include Olympic Dam in South Australia, the Western Australian Nickel Business Unit and the Queensland Fertilizer Operations in Queensland.

WMC cannot make any assessment as to whether 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 existing and future WMC Resources' interests. Accordingly, the impact of native title is being closely monitored but cannot be determined at this time.

7.11.10 Loss of key personnel
WMC Resources manages its business with a number of key personnel, and in particular the executive officers discussed in Section 7.10, the loss of whom could have a material adverse effect on its business. WMC Resources' future success will depend on its continued ability to attract and retain highly skilled and qualified personnel. There can be no assurance that key personnel will continue to be employed by WMC Resources or that WMC Resources will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on WMC Resources' business.

7.12 Financial information on WMC Resources

7.12.1 Overview of financial information
This Section 7.12 presents the following pro forma financial information for WMC Resources:

(a) *WMC Resources financial information:*

- pro forma consolidated historical results for the years ended 31 December 1999, 2000 and 2001 and pro forma consolidated forecast results for the years ending 31 December 2002 and 2003 (in A$ and A GAAP) (Table 1);

- pro forma consolidated historical cash flows for the years ended 31 December 1999, 2000 and 2001 and pro forma consolidated forecast cash flows for the years ending 31 December 2002 and 2003 (in A$ and A GAAP) (Table 4); and
- pro forma consolidated statement of net assets as at 30 June 2002 (in A$ and A GAAP) (Table 5).

(b) Reconciliation of financial information:

- reconciliation of the reported consolidated EBIT of WMC for the years ended 31 December 1999, 2000 and 2001 to the abovementioned pro forma consolidated EBIT of WMC Resources (Table 6); and
- reconciliation of the reported consolidated results of WMC for the six months to 30 June 2002 to the abovementioned pro forma consolidated results of WMC Resources for the year ending 31 December 2002 (Table 7).

7.12.2 WMC Resources - Financial information

(a) Introduction

(i) Historical financial information

The pro forma historical financial information has been extracted from WMC's audited financial statements for the years ended 31 December 1999, 2000 and 2001 and Half-Year Report for the six months ended 30 June 2002 of WMC by:

- excluding the results of entities comprising the Alumina Limited Group following the Demerger and the equity accounted share of profits from AWAC;
- excluding gains or losses on the disposal of discontinued operations;
- excluding the revenues and costs (including hedging losses) of discontinued operations; and
- excluding the impact of non-recurring items (see Table 6).

The pro forma historical financial information has been prepared for illustrative purposes only for use in this Scheme Booklet and should be read in conjunction with:

- the risk factors described in Sections 4.5 and 7.11;
- the management discussion and analysis of the historical financial information set out in this Section 7.12.2; and
- the Investigating Accountant's Report on historical financial information set out in Section 12,

in order to understand the bases, assumptions, and limitations underlying the historical financial information presented.

The pro forma historical results and cash flows have been presented before borrowing costs, financing activities and income tax. The entities that will comprise the WMC Resources Group currently operate under a different corporate structure with a significantly different capital structure and income tax circumstances, and hence reporting net borrowing costs, financing activities and income tax is not considered to be meaningful or appropriate. Accordingly, this information has not been included in the pro forma historical financial information below.

(ii) Forecast financial information

The forecast financial information has been prepared for illustrative purposes only for use in this Scheme Booklet. It is based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions, which, as at the date of this Scheme Booklet, are expected to take place, including the key assumptions set out in this Section 7.12.2.

The forecast financial information should be read in conjunction with:

- the risk factors described in Sections 4.5 and 7.11;
- the management discussion and analysis of the forecast financial information set out in this Section 7.12.2;
- the Investigating Accountant's Report on forecast financial information set out in Section 12;
- the description of key assumptions underlying the forecast information, set out in this Section 7.12.2; and
- an analysis of the sensitivity to key commodity price and exchange rate assumptions set out in this Section 7.12.2,

in order to understand the bases, assumptions and limitations underlying the forecast financial information presented.

WMC has used due care and attention in the preparation of this forecast financial information and considers the assumptions to be reasonable when viewed as a whole. However, this information is not fact and readers are cautioned not to place undue reliance on the forecast financial information.

The assumptions set out in Section 7.12.2(c)(v) represent estimates of 2002 and 2003 commodity prices and US Dollar/Australian Dollar exchange rates at the date of this Scheme Booklet, having regard to spot commodity prices and exchange rates, average commodity prices and exchange rates in year 2002 to date, historical long-term average commodity prices and exchange rates and WMC's own industry knowledge.

The assumptions have been cross-checked for reasonableness against consensus forecasts of mineral prices and exchange rates prepared by leading international financial institutions and forecasts of DAP prices as published by industry consultants, British Sulphur (now CRU Group) and Fertecon.

Forecasts are, by their nature, subject to a variety of business, economic and competitive risks and uncertainties, many of which will be outside the control of WMC

Resources and its directors. Events and circumstances often do not occur as anticipated, and therefore actual results are likely to differ from the forecasts, and the differences may be material. Accordingly, the WMC Directors cannot and do not give any assurance that the forecasts will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with material consequential impact on the forecast financial information. The sensitivity analysis in this Section 7.12.2 (Table 2) summarises the sensitivity of forecast NPAT for the year ending 31 December 2003 to changes in certain key commodity price and exchange rate assumptions.

The forecasts are included as required by Australian company law. The preparation of the forecast financial information and the investigating accountant's review thereof has been undertaken in accordance with Australian auditing standards and such information should not be relied upon by those unfamiliar with such standards.

The forecast financial information has not been prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

(b) Pro forma consolidated historical results for the years ended 31 December 1999, 2000 and 2001 (in A$ and A GAAP)

(i) Basis of preparation

Table 1 summarises the pro forma historical results of the businesses that comprise WMC Resources for the years ended 31 December 1999, 2000 and 2001 as if WMC Resources had been separately preparing its results. It also includes the pro forma forecast results for the years ending 31 December 2002 and 2003. The basis of preparation of the forecasts, assumptions adopted, management discussion and analysis and other important factors to consider are discussed in Section 7.12.2(c).

The pro forma historical results do not purport to represent what the actual results of operations would have been if WMC Resources had been operating on a stand-alone basis for each of the financial years presented or to project, or to be used as a basis for projecting, WMC Resources' results for any future period.

(ii) Information for US shareholders

The pro forma historical financial information included in this Scheme Booklet does not purport to be in compliance with Article 11 of Regulation S-X of the Rules and Regulations of the SEC. Under Article 11, pro forma income statements must be presented assuming the transaction had been consummated at the beginning of the first fiscal year presented and may only include adjustments which give effect to events that are:

- directly attributable to the transaction;
- expected to have a continuing impact on the entity; and
- factually supportable.

Most of the normalisation adjustments made to the pro forma financial information included in this Section 7.12 (Table 1) would not be permissible under the SEC's Rules and Regulations on pro forma financial presentations. Many of the adjustments reflected arise from the belief that the underlying items are non-recurring and that, although required to be recorded in historical financial statements under A GAAP, are more appropriately presented in the pro forma financial information as 'normalised' and therefore eliminated. This would not be permitted under Article 11 of Regulation S-X. Although the WMC Directors believe that those items normalised will themselves be non-recurring (at least at the magnitude previously experienced), there can be no assurance that similar items will not recur or that such items or a similar item will not have an impact on a future year's results of operations or financial condition.

(iii) Management discussion and analysis of historical results of WMC Resources – 12 month period ended 31 December 2001 compared to 12 month period ended 31 December 2000

PRO FORMA CONSOLIDATED RESULTS

Revenues: The pro forma revenue of WMC Resources (excluding currency and commodity hedging losses) for 2001 decreased to A$2,727.8 million compared with A$3,108.0 million in 2000. The decrease in revenue was attributable to lower prices for all commodities and reduced nickel sales.

EBITDA: Pro forma EBITDA (excluding currency and commodity hedging losses) for WMC Resources for 2001 was A$775.4 million compared with A$1,354.5 million in 2000, a decrease of A$579.1 million. This decrease in earnings was attributed to lower revenue, increased nickel-in-concentrate purchased from third parties reflecting the sale of the Kambalda mines (see Section 7.2.2(d)(iii)), and higher operating costs at the Queensland Fertilizer Operations associated with the ramp-up of production (see Section 7.4.2).

EBIT: Pro forma EBIT (excluding currency and commodity hedging losses) for WMC Resources for 2001 was A$294.2 million compared with A$925.8 million in 2000. The result in 2001 reflected the impact of a lower EBITDA and a higher depreciation and amortisation charge. Depreciation and amortisation charged to profit increased to A$481.2 million in 2001, compared with A$428.7 million in 2000. The charge in 2001 reflects the first full year of depreciation for the

Queensland Fertilizer Operations and the first full year of amortisation for the Harmony mine at Leinster, compared with five months and three months of charges respectively in 2000.

Currency and commodity hedging: Pro forma EBITDA was impacted by net losses from currency and commodity hedging in 2001 of A$290.9 million, compared with net losses in 2000 of A$320.4 million. The reduced loss was primarily due to the reduction of commodity hedge cover in place in 2001 compared to 2000.

PRO FORMA RESULTS OF THE NICKEL BUSINESS UNIT

Revenue: The Nickel Business Unit's revenue (excluding currency and commodity hedging losses) for 2001 was A$1,342.4 million compared with A$1,862.1 million in 2000, a decrease of A$519.7 million. Sales revenue decreased in 2001 in line with lower production and a lower nickel price, offset in part by a stronger US Dollar relative to the Australian Dollar.

Nickel-in-matte production decreased by 6.2% to 96,650 tonnes in line with weaker market conditions and planned major maintenance at the Kalgoorlie Nickel Smelter and the Kwinana Nickel Refinery (see Sections 7.2.2(d)(iv) and (v)).

Nickel prices averaged US$2.70 per pound during 2001, a decline of 31% from the average in 2000 of US$3.92 per pound. Australian Dollar nickel prices averaged A$5.41 per pound during 2001, a decline of 24% from the average price in 2000 of A$7.09 per pound. The stronger US Dollar reduced the decline in Australian Dollar prices. The weaker price in 2001 was due to falling demand for stainless steel as a result of slowing economic activity.

EBITDA: The Nickel Business Unit's EBITDA for 2001 was A$510.9 million compared with A$1,026.9 million in 2000, a decrease of A$516.0 million. The reduction in earnings reflected the impact of lower revenue and higher operating costs. The average unit cost of nickel metal sales (net of by-product credits) for 2001 increased by 17.2% to A$3.74 per pound, reflecting the impact of reduced production, increased volumes of third party concentrate feed to replace concentrate feed previously produced internally from the Kambalda mines which were sold (see Section 7.2.2(d)(iii)), and increased energy costs in Western Australia.

PRO FORMA RESULTS OF OLYMPIC DAM

Revenue: Olympic Dam's revenue for 2001 was A$913.2 million compared with A$894.8 million in 2000, an increase of A$18.4 million. Increased uranium sales volumes and significantly higher gold and silver sales drove the increase in revenue.

Despite production difficulties arising from the fire in the Copper and Uranium SX Circuits (see Section 7.3.3(d)), refined copper production for 2001 was at nameplate capacity of 200,523 tonnes, with uranium production of 4,379 tonnes.

The lower average copper price during 2001 of US$0.72 per pound, compared with US$0.82 per pound in 2000, was offset when converted to Australian Dollars due to the appreciation of the US Dollar relative to the Australian Dollar in 2001 (average of US$0.5178 in 2001 compared to US$0.5757 in 2000).

Prices on the uranium spot market recovered in 2001 to above US$9.00 per pound, compared with a spot price of US$7.10 in late December 2000. Olympic Dam sells uranium under long-term contracts. No Olympic Dam production is currently sold on the spot market.

EBITDA: Olympic Dam's EBITDA for 2001 was A$404.5 million compared with A$452.8 million in 2000, a decrease of A$48.3 million. The decrease in EBITDA in 2001 was mainly due to the inclusion of A$61.4 million of insurance proceeds in 2000 in respect of a previous fire in 1999, discussed in Section 7.3.3(d). The unit cost of copper sales (net of uranium and by-product credits) was A$1.06 per pound for 2001, up A$0.20 per pound on 2000 due mainly to the impact of the fire in the Copper and Uranium SX Circuits. The unit cost of copper sales (net of uranium and by-product credits) for 2001, excluding the impact of the fire, was A$0.89 per pound, compared to A$0.86 per pound in 2000. The increase was due to the higher cost of consumables, many of which are denominated in US Dollars, and production instability in the first half of 2001 associated with four power outages.

PRO FORMA RESULTS OF THE QUEENSLAND FERTILIZER OPERATIONS

Revenue: Pro forma results of the Queensland Fertilizer Operations include both Hi-Fert sales (Fertilizers' wholly owned distribution business – see Section 7.4.2(f)) and third party sales by the Queensland Fertilizer Operations. The Queensland Fertilizer Operations' revenue for 2001 was A$382.4 million compared with A$229.6 million in 2000, an increase of A$152.8 million. The Queensland Fertilizer Operations ended 2001, its first full year of operations, by achieving production at 100% of design capacity for the month of December.

Continuing equipment reliability issues impeded the achievement of design production rates at the Queensland Fertilizer Operations during the earlier months of 2001. These issues were rectified during the statutory inspection shutdown in August 2001 resulting in production steadily increasing to nameplate production for the month of

December 2001. Fertilizer production of 709,445 tonnes was achieved in 2001, which included 57,947 tonnes of MAP (see Section 7.12.2(c) for a discussion of forecast production capacity for 2002 and 2003).

Insurance proceeds from a claim for business interruption added A$22 million to revenues for 2001.

After averaging US$154 per tonne in 2000 DAP prices fob Tampa increased to a high of US$168 in March 2001 before falling to a low of US$133 in June 2001. Between June and October 2001 the price ranged between US$136 and US$142 per tonne, with a rise from October taking the price to US$152 per tonne at December 2001.

EBITDA: The Queensland Fertilizer Operations' EBITDA for 2001 was A$6.1 million compared with a loss of A$25.9 million in 2000. Whilst performance improved following commissioning of the plant in 2000, the result in 2001 was impacted by low production rates and historically low DAP prices. Costs during 2001 were impacted by the extended shutdown of the plant in July through to August to resolve a number of major production issues.

(iv) Management discussion and analysis of historical results of WMC Resources – 12 month period ended 31 December 2000 compared to 12 month period ended 31 December 1999

PRO FORMA CONSOLIDATED RESULTS

Revenues: Pro forma revenue (excluding currency and commodity hedging losses) for WMC Resources for 2000 increased to A$3,108.0 million compared with A$1,770.6 million in 1999. The increase in revenue was driven by increased sales volumes for all commodities. Prices improved in 2000 compared with 1999, magnified by the strength of the US Dollar relative to the Australian Dollar.

EBITDA: Pro forma EBITDA (excluding currency and commodity hedging losses) for WMC Resources for 2000 was A$1,354.5 million compared with A$393.5 million in 1999, an increase of A$961.0 million. The increase in EBITDA was driven by increased production and sales of all commodities at improved prices, together with cost improvements at the Nickel Business Unit, and Olympic Dam following the expansion of the Olympic Dam project completed in 1999 (see Section 7.3.3(a)).

EBIT: Pro forma EBIT (excluding currency and commodity hedging losses) for WMC Resources for 2000 was A$925.8 million compared with A$75.3 million in 1999, an increase of A$850.5 million. The increase in EBIT in 2000 was attributable to a significantly higher EBITDA, partially offset by an increase in depreciation and amortisation.

Depreciation and amortisation charged to profit in 2000 was A$428.7 million compared with A$318.2 million in 1999. This increase reflected a full year of depreciation charges in relation to the expansion at Olympic Dam, compared with nine months in 1999, and the commencement of depreciation charges at the Queensland Fertilizer Operations on 1 August 2000.

Currency and commodity hedging losses: Pro forma EBITDA was impacted by net losses from currency and commodity hedging in 2000 of A$320.4 million, compared to net losses in 1999 of A$51.8 million. The increase in the net hedging loss was primarily attributable to the stronger US Dollar relative to the Australian Dollar in 2000 (average of US$0.5757 in 2000 compared to US$0.6444 in 1999) and a spike in the nickel price during 2000.

PRO FORMA RESULTS OF THE NICKEL BUSINESS UNIT

Revenue: The Nickel Business Unit's revenue for 2000 was A$1,862.1 million compared with A$1,033.7 million in 1999, an increase of A$828.4 million. Revenue in 2000 increased in line with increased production and associated sales volumes at improved prices.

The nickel price moved to a high of US$4.84 per pound in March 2000, then fell to US$3.19 in October 2000 and stabilised at that level, averaging US$3.92 per pound for 2000, an increase of 44% on the 1999 average price of US$2.73 per pound. The higher nickel price early in the year was attributed to an improved global economic outlook, voluntary and involuntary nickel production cuts, commissioning problems by new lateritic nickel producers in Western Australia, and strong increases in demand. The weakening of the nickel price late in 2000 was due to slowing growth and increased scrap recycling and mine production. Australian Dollar nickel prices averaged A$7.09 per pound during 2000, an increase of 67% from the average in 1999 of A$4.24 per pound. The stronger US Dollar relative to the Australian Dollar in 2000 accentuated the rise in Australian Dollar prices.

Total contained nickel-in-concentrate production increased 22% during 2000 to 107,458 tonnes, compared with 88,275 tonnes in 1999.

EBITDA: The Nickel Business Unit's EBITDA for 2000 was A$1,026.9 million compared with A$354.2 million in 1999, an increase of A$672.7 million. This improved result stemmed from increased sales volumes in a period of high prices and a 15% reduction in the unit cost of sales in 2000. The lower unit cost of nickel metal sales (net of by-product credits) of A$3.19 per pound was the result of cost cutting initiatives implemented in previous years and increased labour productivity.

PRO FORMA RESULTS OF OLYMPIC DAM

Revenue: Olympic Dam's revenue for 2000 was A$894.8 million compared with A$498.8 million in 1999, an increase of A$396.0 million.

The increase in revenue was consistent with increased production levels resulting from the first year of the new plant operating at full capacity following the major expansion completed in 1999 taking capacity from 85,000 to 200,000 tonnes of refined copper a year. Record production was achieved for all four metals: copper, uranium, gold and silver.

The average copper price increased by 15% from US$0.71 per pound in 1999 to US$0.82 per pound in 2000 as a result of declining LME copper stocks and an increase in consumption in information technology and in consumer and industrial applications. After reaching a high of US$0.91 per pound in September 2000, the price declined amid concerns about high world oil prices and weakening growth. Australian Dollar copper prices averaged A$1.46 per pound during 2000, a 32% increase from the average price in 1999 of A$1.11 per pound. The stronger US Dollar relative to the Australian Dollar contributed to the increase in Australian Dollar prices.

During 2000 an oversupply in the uranium market depressed prices. This resulted in prices on the uranium spot market falling from US$9.60 per pound in early January to US$7.10 per pound by the end of 2000. Olympic Dam sells uranium under long-term contracts with leading world power utilities. No Olympic Dam production is currently sold on the spot market.

EBITDA: Olympic Dam's EBITDA for 2000 was A$452.8 million compared with A$156.0 million in 1999, an increase of A$296.8 million. EBITDA increased in line with the first year of the expanded plant, reduced operating costs and improved copper prices. The unit cost of copper sales (net of uranium and by-product credits) in 2000 reduced by 13% to A$0.86 per pound. Labour productivity increased by 55% to 138 tonnes of copper per full-time equivalent employee during the year.

PRO FORMA RESULTS OF THE QUEENSLAND FERTILIZER OPERATIONS

Revenue: Pro forma results of the Queensland Fertilizer Operations includes both Hi-Fert sales (Fertilizers' wholly owned distribution business – see Section 7.4.2(f)) and third party sales by the Queensland Fertilizer Operations. The Queensland Fertilizer Operations' revenue for 2000 was A$229.6 million compared with A$191.9 million in 1999. As the Queensland Fertilizer Operations produced only a small quantity of fertilizers in 1999, all sales for that year were of imported fertilizers by Hi-Fert.

The Queensland Fertilizer Operations' manufacturing plant commenced operation in 2000, producing 326,262 tonnes of fertilizers. As a result, the first sales of WMC-produced fertilizers were recorded in 2000.

The reported increase in sales in 2000 was due to improving seasonal demand for fertilizers, partially offset by weaker domestic prices.

EBITDA: The Queensland Fertilizer Operations' EBITDA for 2000 was a loss of A$25.9 million compared with a gain of A$4.0 million in 1999. Fiscal year 2000 was the first year of production. Low production levels and weak DAP prices resulted in the loss.

TABLE 1 **PRO FORMA CONSOLIDATED RESULTS OF WMC RESOURCES**

Pro forma forecast removing Olympic Dam production constraints for year ending 31 December 2003

The smelter furnace at Olympic Dam is required to be relined above the hearth every four to six years. The next scheduled reline takes place in 2003. The pro forma forecast production for Olympic Dam in 2003 will be impacted by this reline, production constraints leading up to the reline and the completion of the rebuild of the Copper SX Circuit after a fire in October 2001 (see Section 7.3.3(d)). Planned production outage for the reline, and constraints on production capacity leading up to the reline, will reduce refined copper production for 2003. The 2003 pro forma forecast removing Olympic Dam production constraints is presented in this table to demonstrate the forecast earnings of WMC Resources assuming the reline and associated decline in production did not occur in 2003 and that the Copper SX Circuit was in operation all year. Refer to further discussion and analysis set out in Section 7.12.2(c)(ii) and the description of key assumptions underlying the forecasts in Section 7.12.2(c)(v).

A GAAP (A$ million)

	PRO FORMA HISTORICAL Year ended 31 December			PRO FORMA FORECAST(1) Year ending 31 December		PRO FORMA FORECAST REMOVING OLYMPIC DAM PRODUCTION CONSTRAINTS(1) Year ending 31 December
	1999	2000	2001	2002(2)	2003	2003
Sales revenue from operating activities						
Nickel Business Unit	1,033.7	1,862.1	1,342.4	1,361.6	1,528.7	1,528.7
Olympic Dam	498.8	894.8	913.2	771.7	839.5	966.9
Queensland Fertilizer Operations	191.9	229.6	382.4	426.0	447.7	447.7
Revenue from insurance claims(3)	3.1	65.5	23.1	80.0	-	-
Other revenue from outside the operating activities(4)	43.1	56.0	66.7	11.2	3.9	3.9
Revenue from continuing operations	**1,770.6**	**3,108.0**	**2,727.8**	**2,650.5**	**2,819.8**	**2,947.2**
EBITDA from continuing operations(5)						
Nickel Business Unit	354.2	1,026.9	510.9	470.9	628.3	628.3
Olympic Dam	156.0	452.8	404.5	302.9	293.4	381.6
Queensland Fertilizer Operations	4.0	(25.9)	6.1	26.9	47.6	47.6
Corporate	(33.9)	(35.0)	(37.3)	(43.8)	(25.7)	(25.7)
Exploration, New Projects and Other	(86.8)	(64.3)	(108.8)	(73.5)	(60.0)	(60.0)
Total (excluding currency & commodity hedging)	**393.5**	**1,354.5**	**775.4**	**683.4**	**883.6**	**971.8**
Amortisation	123.4	138.6	168.3	186.1	205.1	207.1
Depreciation	194.8	290.1	312.9	344.1	314.2	314.2
Amortisation and depreciation on fair value adjustment(7)				9.1	9.1	9.1

A GAAP (A$ million)

	PRO FORMA HISTORICAL Year ended 31 December			PRO FORMA FORECAST[1] Year ending 31 December		PRO FORMA FORECAST REMOVING OLYMPIC DAM PRODUCTION CONSTRAINTS[1] Year ending 31 December
	1999	2000	2001	2002[2]	2003	2003
EBIT from continuing operations[8]						
Nickel Business Unit	182.0	823.2	288.4	247.0	378.9	378.9
Olympic Dam	23.6	262.5	222.6	45.8	77.4	163.6
Queensland Fertilizer Operations	(2.1)	(52.7)	(59.9)	(19.6)	(5.1)	(5.1)
Corporate	(38.2)	(39.8)	(43.6)	(53.5)	(35.4)	(35.4)
Exploration, new projects and other	(90.0)	(67.4)	(113.3)	(75.6)	(60.6)	(60.6)
Sub total (excluding currency & commodity hedging)	**75.3**	**925.8**	**294.2**	**144.1**	**355.2**	**441.4**
Net currency and commodity hedging gains/(losses)[6]	(51.8)	(320.4)	(290.9)	(23.6)	32.6	32.6
Total EBIT (including currency & commodity hedging)	**23.5**	**605.4**	**3.3**	**120.5**	**387.8**	**474.0**
Net borrowing costs				(54.5)	(48.0)	(41.0)
Profit from continuing operations before income tax expense				**66.0**	**339.8**	**433.0**
Income tax benefit/(expense)				7.0	(78.9)	(106.9)
Net profit attributable to members of WMC Resources from 0continuing operations				**73.0**	**260.9**	**326.1**
Earnings per share (A$)[7]				$0.07	$0.23	$0.29

(1) A description of the assumptions underlying the forecasts for WMC Resources is included in Section 7.12.2(c).

(2) The pro forma forecast results for the year ending 31 December 2002 have been prepared as if the WMC Resources Group had existed in its post-Demerger form from, and the pro forma transactions and events described in Section 7.12.2(c)(i) occurred on, 1 January 2002. The pro forma forecast results for the year ending 31 December 2002 comprise pro forma historical financial information for the six months ended 30 June 2002 and pro forma forecast financial information for the six months ending 31 December 2002. A reconciliation of the actual reported results of WMC for the six months ended 30 June 2002 to the pro forma forecast results for WMC Resources for 2002 is included in Table 6 in Section 7.12.3(b).

WMC Resources' reported result for the year ending 31 December 2002 will be different to the forecast provided in this table as the effective accounting date of the Demerger is expected to be 30 November 2002 (see Section 5.5.8). All profits or losses generated prior to the Demerger Date by WMC subsidiaries on or before the Demerger Date will be reflected in the actual consolidated earnings of Alumina Limited for the year ending 31 December 2002.

(3) Forecast revenue from insurance claims in 2002 includes A$80 million in relation to an insurance claim for lost production and sales in relation to the fire in the Copper and Uranium SX Circuits at Olympic Dam in October 2001. Further insurance claim revenue of A$40 million in relation to the rebuild of the Copper and Uranium SX Circuits is not included in forecast revenue for 2002 on the basis that it is a claim with respect to plant and equipment and is non-recurring (refer Section 7.12.2(c)(vii)). The forecast insurance claim amount is a conservative estimate based on documentation provided to WMC by its insurers and WMC's response to that documentation. The actual insurance claim amount is still the subject of discussions between WMC and its insurers.

(4) Other revenue from outside the operating activities mainly relates to proceeds from the sale of non-current assets.

(5) The pro forma forecast amortisation and depreciation on the fair value adjustments resulting from the acquisition of ODC and Fertilizers assumes that the pro forma transactions and events described in Section 7.12.2(c)(i) occurred on 1 January 2002.

(6) The pro forma forecast net currency and commodity gain/(loss) assumes that the the pro forma transactions and events described in Section 7.12.2(c)(i) occurred on 1 January 2002. The forecast net currency and commodity gains/(losses) for the six months to 31 December 2002 and 12 months to 31 December 2003 have been calculated by comparing the forecast exchange rates for these periods to the rates used to determine the fair value of the hedges as at 30 June 2002 (see Section 7.12.2(e)).

The pro forma net currency and commodity loss for the six months to 30 June 2002 has been determined by comparing the actual exchange rate on the date the contracts matured during this period to the market US Dollar/Australian Dollar exchange rate at 30 June 2002 (US$0.5664).

(7) Based on the number of WMC Shares outstanding as at 30 June 2002 of 1,112,419,643. The number of WMC Resources Shares on issue following the Demerger will be the same as the number of WMC Shares on issue immediately prior to the Demerger.

(8) WMC uses EBIT and EBITDA as measures of financial performance. EBIT and EBITDA are not measures of financial performance under US GAAP and are not alternatives to US GAAP net income, cash flows or liquidity as measures of financial performance.

(c) *Pro forma consolidated forecast results for the years ending 31 December 2002 and 2003 (in A$ and A GAAP)*

(i) *Basis of preparation*

The pro forma forecast results set out above have been prepared in accordance with the accounting policies of WMC Resources which are consistent with the accounting policies of WMC outlined in the Annual Report. In addition WMC Resources proposes to adopt a new accounting policy in relation to acquired mineral rights which requires those mineral rights to be recognised at cost and amortised over the period during which the related benefits are expected to arise.

The pro forma forecast results should be read in conjunction with the matters set out in Section 7.12.2(a)(ii) to understand the bases, assumptions, and limitations underlying the forecast financial information presented.

The pro forma forecast results have been presented to net profit after tax. The pro forma forecast results for the year ending 31 December 2002 and 2003 have been adjusted to:

- reflect the pro forma transactions and events described below;
- exclude any gains or losses on the disposal of entities required to effect the Demerger; and
- exclude the impact of non-recurring items (see Table 3).

The pro forma forecast result for the year ending 31 December 2002 comprises pro forma historical financial information for the six months ended 30 June 2002 and pro forma forecast financial information for the six months ending 31 December 2002.

In order to present a meaningful full year comparison, the 2002 forecast results (and the pro forma 2002 forecast cash flows set out below) have been prepared as if the following pro forma transactions and events, which are to take place on or before the Demerger Date, had occurred as at 1 January 2002:

- the settlement of inter-company debts between companies that will be subsidiaries of Alumina Limited and those that are to become part of the WMC Resources Group as a result of the Demerger by converting the net amount owing to equity;
- the allocation of approximately A$20.8 million of cash and A$600 million of existing WMC debt to Alumina Limited see Section 5.5.4; and
- the steps required to effect the Demerger described in Section 5.1.2, including the internal restructuring of WMC as described in Section 5.5.1, as follows:
  - the identifiable assets acquired and the identifiable liabilities assumed by WMC Resources in acquiring all of the shares held by WMC in its non-AWAC subsidiaries at the time of the Demerger, including ODC, Fertilizers, WMC Finance, WMC Finance (USA) and WMC Resources International Pty Ltd, are measured at their fair values as at 30 June 2002; and
  - stamp duty costs of approximately A$23.7 million which form part of WMC Resources' cost of acquiring WMC's non-AWAC assets.

The actual reported results will differ from this forecast for the reasons outlined in Note 2 to Table 1.

(ii) *Management discussion and analysis of forecast results of WMC Resources — 12 month period ending 31 December 2002 compared to 12 month period ended 31 December 2001*

PRO FORMA CONSOLIDATED RESULTS

Revenues: Pro forma sales revenue (excluding currency and commodity hedging losses) of A$2,650.5 million is forecast for WMC Resources for the year ending 31 December 2002, a slight decrease from the pro forma 2001 revenue of A$2,727.8 million. The forecast decline in total sales revenue in 2002 is attributable to Olympic Dam where sales revenue is forecast to decrease by A$141.5 million reflecting lower sales volumes and lower realised copper prices as described below.

Offsetting, in part, the lower expected Olympic Dam revenues is an increase in insurance revenues of A$56.9 million resulting from an A$80 million business interruption insurance claim relating to the fire in the Olympic Dam Copper and Uranium SX Circuits. Also impacting positively is a combined A$43.6 million increase in forecast revenues from the Queensland Fertilizer Operations and Hi-Fert, reflecting the anticipated continued ramp-up of production at the Queensland Fertilizer Operations, a strong domestic selling season and successful marketing strategies impacting favourably on Hi-Fert sales. Other revenue, primarily consisting of minor asset sales, is forecast to reduce by A$55.5 million.

EBITDA: Pro forma EBITDA (excluding currency and commodity hedging losses) for WMC Resources for 2002 is forecast to be A$683.4 million compared to A$775.4 million in 2001, a fall of A$92.0 million. The Nickel Business Unit and Olympic Dam are responsible for the forecast decrease which has been partially offset by an anticipated improved result in the Queensland Fertilizer Operations and lower expenditure on exploration.

EBIT: Pro forma forecast EBIT (excluding currency and commodity hedging losses) for WMC Resources for 2002 is A$144.1 million compared to A$294.2 million in 2001. The A$150.1 million forecast decline comprises the A$92.0 million reduction in forecast EBITDA plus additional forecast depreciation and amortisation charges of A$58.1 million.

Currency and commodity hedging: A loss of A$290.9 million was recorded on currency and commodity hedging in 2001 as a result of realised exchange rates being lower than dealt hedge contract exchange rates. The pro forma net currency and commodity hedging loss for 2002 results from the revaluation of the hedge book to the market rate at Demerger as detailed in Note 6 to Table 1 in Section 7.12.2(b).

PRO FORMA RESULTS OF THE NICKEL BUSINESS UNIT

Revenue: The Nickel Business Unit's forecast revenue (excluding currency and commodity hedging losses) for 2002 is A$1,361.6 million compared with A$1,342.4 million in 2001. This is driven by forecast higher metal sales volumes and realised Australian Dollar nickel prices in 2002 offset by lower matte sales volumes. Sales of metal in 2002 are forecast to increase by approximately 8.2% commensurate with higher production. Sales of matte are forecast to be approximately 27% lower in 2002 due to the combined impact of lower production (during repairs to the acid plant mist precipitator at the Kalgoorlie Nickel Smelter) together with increased internal demand for matte from the Kwinana Nickel Refinery. The average nickel price in 2002 is forecast to rise by approximately 11% from US$2.70 per pound to US$3.03 per pound. In Australian Dollars the nickel price is forecast to increase by approximately 5.7% in 2002 from A$5.23 per pound to A$5.59 per pound due to the increase in the US Dollar nickel price partially offset by the forecast stronger Australian Dollar relative to the US Dollar.

EBITDA: EBITDA (before commodity and currency hedging) is forecast to fall from A$510.9 million in 2001 to A$470.9 million in 2002. The forecast reduction in EBITDA is principally cost driven with the increased cost of third party purchases the predominant factor. Third party purchases of nickel-in-concentrate are forecast to increase by A$43.0 million in 2002 with a full year of purchases from Wannaway and Location 48, and an increase in the average purchase price of approximately A$0.12 per pound in line with the increase in the forecast metal price.

EBIT: The Nickel Business Unit's forecast EBIT in 2002 of A$247.0 million is lower than the EBIT recorded in 2001 of A$288.4 million. This result reflects the lower EBITDA outlined above and a relatively consistent depreciation and amortisation charge of A$223.9 million compared to A$222.5 million in 2001.

PRO FORMA FORECAST RESULTS OF OLYMPIC DAM

Revenue: Olympic Dam's forecast revenue (excluding currency and commodity hedging) for 2002 is A$771.7 million compared to A$913.2 million in 2001. The decline is the result of anticipated reduced sales volumes of copper, uranium and gold together with a forecast lower realised copper price. The forecast reduced sales volumes are a consequence of lower production during the year due to two major factors. Firstly, damage from the fire that occured in the Copper and Uranium SX Circuits in October 2001 has not yet been fully rectified with production consequently constrained. The rebuild of the Uranium SX Circuit is scheduled to be completed in the last quarter of 2002 and the Copper SX Circuit in April 2003. Secondly, water leaks from cooling jackets in the flash furnace of the smelter have also resulted in lower production. Realised prices for copper are forecast to be A$0.10 per pound lower in 2002 with the forecast decrease in the average LME spot price from US$0.72 per pound in 2001 to US$0.71 in 2002 and the stronger Australian Dollar relative to the US Dollar, forecast to increase from US$0.51 to US$0.542.

EBITDA: Olympic Dam's forecast EBITDA in 2002 of A$302.9 million is A$87.5 million lower than 2001, principally due to the A$141.5 million unfavourable variance in revenue in 2002 relative to 2001, partially offset by forecast insurance proceeds of A$80 million.

EBIT: The EBIT of Olympic Dam is forecast to fall from A$222.6 million in 2001 to A$45.8 million in 2002. Depreciation and amortisation costs are forecast to increase from A$181.9 million in 2001 to A$257.1 million in 2002 due to amortisation of A$26.6 million relating to the fair value uplift and accelerated depreciation of idle and inactive assets and the flash furnace in respect of the rebuild in 2003.

PRO FORMA RESULTS OF THE QUEENSLAND FERTILIZER OPERATIONS

Revenue: Revenue includes both Hi-Fert sales (Fertilizers' wholly owned distribution business - see Section 7.4.2(f)) and third party sales by the Queensland Fertilizer Operations. Total forecast revenue (excluding currency hedging losses) in 2002 is A$426.0 million compared to A$382.4 million in 2001.

At the Queensland Fertilizer Operations, sales are forecast to increase to 876,312 tonnes in 2002, well in excess of 2001 sales of 670,902 tonnes. Higher production accounts for approximately 91,000 tonnes of this increase with production forecast at just over 82% of plant capacity compared to 73% in 2001. Production in 2002 has been limited by the availability of sulphuric acid. The remainder of the increase in sales volumes is expected to be sourced from third party purchases to meet sales commitments and a draw-down of stocks. Average prices in 2002 are forecast to be US$157 per tonne compared to US$147 per tonne in 2001, however this increase is significantly offset by the impact of the forecast stronger Australian Dollar relative to the US Dollar. Hi-Fert is forecast to contribute significantly to the overall increase in sales revenue in 2002 with Hi-Fert sales volumes almost 10% higher reflecting expected strong domestic fertilizers demand and the implementation of successful marketing strategies.

EBITDA: EBITDA (before currency hedging) is forecast to increase from A$6.1 million in 2001 to A$26.9 million in 2002 with improved results in each of the Queensland Fertilizer Operations and Hi-Fert. The majority of the increase is attributable to Hi-Fert reflecting both higher sales volumes and improved margins. At the Queensland Fertilizer Operations, the improvement is due to the increase in sales volumes together with lower unit operating costs.

EBIT: EBIT is forecast to improve from a loss of A$59.9 million in 2001 to a loss of A$19.6 million in 2002. The A$40.3 million improvement comprises the A$20.8 million increase in EBITDA in 2002 plus a decrease in depreciation and amortisation from A$66.0 million in 2001 to A$46.5 million in 2002 due to the fair value adjustment to the assets of the Queensland Fertilizer Operations, which is forecast to result in an annual reduction in depreciation of A$17.6 million.

(iii) *Management discussion and analysis of forecast results of WMC Resources — 12 month period ending 31 December 2003 compared to 12 month period ending 31 December 2002*

PRO FORMA CONSOLIDATED RESULTS

Revenues: Pro forma forecast sales revenue for the year ending 31 December 2003 is forecast to increase A$169.3 million to A$2,819.8 million largely due to the Nickel Business Unit and Olympic Dam.

EBITDA: The pro forma EBITDA of WMC Resources in 2003 is forecast to increase A$200.2 million to A$883.6 million principally due to the A169.3 million increase in revenue and an A$18.1 million reduction in corporate costs reflecting the expected realisation of efficiencies introduced over the past 18 months.

EBIT: Forecast EBIT for 2003 is A$355.2 million, a rise of A$211.1 million from 2002 comprising the A$200.2 million increase in forecast EBITDA plus a A$10.9 million decrease in forecast depreciation and amortisation to A$528.4 million.

Currency and commodity hedging: The pro forma net currency and commodity hedging result is forecast to move from a loss of A$23.6 million in 2002 to a profit of A$32.6 million in 2003 due to the strengthening of the Australian Dollar, taking into account the revaluation of the hedge book to market exchange rates at 30 June 2002.

PRO FORMA RESULTS OF THE NICKEL BUSINESS UNIT

Revenue: Revenue for the Nickel Business Unit is forecast to increase 12.1% to A$1,528.7 million in 2003. Production, and subsequent sales volume, increases are forecast for concentrate, matte and metal. Contributing to these increases are forecast higher production at the Mount Keith Operations and associated higher throughput at the Kalgoorlie Nickel Smelter and the Kwinana Nickel Refinery. The nickel price is forecast to increase from US$3.03 per pound in 2002 to US$3.40 per pound in 2003. In Australian Dollars the nickel price is forecast to increase by approximately 6% in 2003 to A$5.86 per pound due to the increase in the US Dollar nickel price partially offset by the weaker US Dollar relative to the Australian Dollar.

EBITDA: In 2003, EBITDA is forecast to increase to A$628.3 million as a result of higher sales volumes of all nickel products, marginally higher nickel prices and lower unit operating costs. Contributing to lower unit costs are reduced costs of third party purchases and lower mining costs at the Mount Keith Operations.

EBIT: In 2003, EBIT is forecast to increase A$131.9 million to A$378.9 million. Offsetting the A$157.4 million increase in forecast EBITDA is a A$25.5 million increase in depreciation and amortisation charge to A$249.4 million. The increase is mainly due to increased amortisation at the Leinster Nickel Operations, from increased mining of the Harmony ore body, and at the Mount Keith Nickel Operations from an increase in the amortisation rate per tonne.

PRO FORMA RESULTS OF OLYMPIC DAM

Revenue: Olympic Dam's revenue in 2003 is forecast to increase to A$839.5 million. The A$67.8 million increase is a function of a higher forecast copper price in conjunction with higher sales volumes for copper, uranium and gold. Despite the Copper SX Circuit not being back on line until April 2003 and a major smelter shutdown for 40 days scheduled in the second half of 2003, production is forecast to increase to approximately 196,000 tonnes supporting a 6.0% increase in copper sales volumes. With the Uranium SX Circuit being operational for the full year, uranium production is forecast to increase significantly to 4,757 tonnes supporting a 76.2% increase in uranium sales volumes. Copper prices are also forecast to rise in 2003 to average US$0.78 per pound compared to an average of US$0.71 per pound in 2002.

EBITDA: EBITDA in 2003 is forecast to decrease A$9.5 million to A$293.4 million.

EBIT: In 2003, EBIT is forecast to increase to A$77.4 million, a rise of A$31.6 million from 2002. The forecast increase comprises a A$9.5 million fall in EBITDA together with a reduction in depreciation and amortisation from A$257.1 million in 2002 to A$216.0 million in 2003, due to the reduced effect of the accelerated depreciation of certain assets.

PRO FORMA RESULTS OF THE QUEENSLAND FERTILIZER OPERATIONS

Revenue: Total sales revenue is forecast to increase to A$447.7 million in 2003. The increase is solely attributable to the Queensland Fertilizer Operations with forecast Hi-Fert sales revenue in 2003 equal to that of 2002. At the Queensland Fertilizer Operations, sales volumes are expected to decline by just under 3,000 tonnes despite an increase in production to 870,000 tonnes. During 2002, significant sales are forecast to be sourced from third party purchases and a draw-down of stocks. DAP prices are forecast to increase from US$157 per tonne in 2002 to US$175 per tonne in 2003.

EBITDA: EBITDA is forecast to increase further to A$47.6 million in 2003 reflecting higher realised prices with total cash production costs remaining relatively constant.

EBIT: In 2003, EBIT is forecast to improve by A$14.5 million to a loss of A$5.1 million.

(iv) Management discussion and analysis of pro forma forecast removing Olympic Dam production constraints — 12 month period ending 31 December 2003

The pro forma forecast removing Olympic Dam production constraints presented in Section 7.12.2(d) removes the production constraints resulting from the furnace reline and Copper SX Circuit rebuild discussed in Section 7.3.3(d) and results in revenue for Olympic Dam of A$966.9 million, EBITDA of A$381.6 million and EBIT of A$163.6 million in 2003.

The smelter furnace at Olympic Dam is required to be relined above the hearth every four to six years. The next scheduled reline takes place in 2003. The 2003 pro forma forecast includes a reline of the Olympic Dam smelter furnace and ancillary capital works timed to coincide with the smelter shutdown, which will significantly reduce the level of refined copper production and increase the capital expenditure which would otherwise be expected from this operation in a year where relining of the flash furnace was not required. Planned production outage for the reline, and constraints on production capacity leading up to the reline, will reduce refined copper production for 2003. The rebuild of the Copper SX Circuit is scheduled to be completed in April 2003, further reducing the 2003 refined copper production. The combined impact on production is 39,000 tonnes.

Without the impediments of the reline and the Copper SX Circuit rebuild, Olympic Dam could operate at capacity which, after completion of Optimisation 3 (as described in Section 7.3.3(a)) scheduled for the end of December 2002, is expected to be 235,000 tonnes a year. The pro forma forecast removing Olympic Dam production constraints represents full production and the associated sale of 235,000 tonnes of refined copper in the 2003 year as compared to 196,000 tonnes in the 2003 pro forma forecast.

The pro forma forecast removing the Olympic Dam production constraints assumes that the 2003 pro forma forecast results of all other operations in the WMC Resources Group, except for Olympic Dam, are unchanged.

Revenue: The pro forma forecast revenue removing Olympic Dam production constraints in 2003 is A$966.9 million, an increase of A$127.4 million from the base production constrained case. The higher revenue is entirely due to increased sales volumes of copper and gold, 39,000 tonnes higher at 235,000 tonnes and 15,000 ounces higher at 101,960 ounces respectively. There has been no change to the price assumptions.

EBITDA: The pro forma forecast EBITDA removing Olympic Dam production constraints in 2003 is A$381.6 million, an increase of A$88.2 million from the base production constrained case. Offsetting the higher revenues are additional variable costs incurred of approximately A$30.0 million and stock draw-downs of approximately A$22.0 million, less a reduction in third party purchases to satisfy sales contracts of A$11.0 million.

EBIT: The pro forma forecast EBIT removing Olympic Dam production constraints in 2003 is A$163.6 million, an increase of A$86.2 million from the base production constrained case. The variance is a function of the A$88.2 million increase in EBITDA less some additional mine property and development amortisation associated with the increased production rate.

(v) Key assumptions underlying the WMC Resources pro forma forecasts

In forecasting earnings for 2002 and 2003, the WMC Directors have made the following key assumptions:

(A) REVENUE ASSUMPTIONS

In forecasting the sales revenue, the following sales volumes have been assumed:

Sales volume assumptions

	PRO FORMA FORECAST 2002	PRO FORMA FORECAST 2003	PRO FORMA FORECAST REMOVING OLYMPIC DAM PRODUCTION CONSTRAINTS 2003
Nickel (kt)			
- concentrate	14	15	15
- matte	25	32	32
- metal	66	67	67
Copper (kt)	185	196	235
Uranium (t)[1]	3,888	4,285	4,285
Gold (koz)	75	87	102
Queensland Fertilizer Operations fertilizer (kt)	876	874	874

(1) Pro forma forecast uranium sales for 2002 includes purchased and borrowed uranium to meet sales contract obligations.

In forecasting the sales revenue the following commodity prices (nominal US$) have been assumed:

Commodity price assumptions

	PRO FORMA FORECAST 2002	PRO FORMA FORECAST[1] 2003
Nickel US$/lb	3.03	3.40
Copper US$/lb	0.71	0.78
DAP/MAP US$/tonne	157	175
Gold US$/ounce[2]	300	315

(1) Consistent commodity price assumptions have been applied for the pro forma forecast removing Olympic Dam production constraints.

(2) Commodity hedges for 83,000 ounces of gold at an average price of A$525 per ounce mature during 2002 and commodity hedges for 80,000 ounces of gold at an average price of A$548 per ounce mature during 2003.

Uranium oxide is generally sold on long-term contracts. Pricing is a mixture of base prices adjusted by Consumer Price Index escalation or formulae comprising several pricing indices including some spot prices.

(B) CURRENCY AND COMMODITY HEDGING ASSUMPTIONS

No new currency and commodity hedge contracts will be taken out and all material hedge contracts are novated to WMC Resources at Demerger.

(C) AMORTISATION OF FAIR VALUE ADJUSTMENT

In accordance with WMC Resources' proposed accounting policies, the fair value adjustment for Olympic Dam will be amortised over the period during which the related benefits are expected to arise, and the fair value adjustment to the Queensland Fertilizer Operations is credited over the effective useful lives of its property, plant and equipment.

(D) BORROWING COSTS ASSUMPTIONS

Borrowing costs, representing debt interest costs, are at an average rate of 4.1% a year for the year ending 31 December 2002 and 4.3% for the year ending 31 December 2003. WMC Resources' cost of finance reflects WMC Resources' preliminary credit rating from Standard & Poor's of BBB.

(E) TAXATION ASSUMPTIONS

Taxation assumptions reflect a forecast tax rate of 30% in the years ending 31 December 2002 and 2003. The forecast net tax benefit/(expense) includes the impact of permanent differences.

(F) GENERAL ASSUMPTIONS FOR WMC RESOURCES

The WMC Directors have also made the following general assumptions for the WMC Resources forecasts in addition to those outlined above:

- an increase in the Consumer Price Index of 3% a year over the forecast period;
- the following US Dollar/Australian Dollar exchange rates:

	PRO FORMA FORECAST 2002	PRO FORMA FORECAST 2003[1]
US Dollar/Australian Dollar Exchange Rate	0.542	0.58

(1) Consistent exchange rate assumptions have been applied for the pro forma forecast removing Olympic Dam production constraints.

- no changes of a material nature to WMC Resources' accounting policies or to Australian Accounting Standards, Statements of Accounting Concepts or other mandatory professional reporting requirements including Urgent Issues Group Consensus Views and the Corporations Act which could have a material effect on WMC Resources' forecast financial results and cash flows;
- no significant changes in legislation, regulatory requirements or government policy, or to the political or economic environment in Australia and the markets in which WMC Resources operates;
- no significant industrial, contractual, competitive or political disturbances impacting WMC Resources and the continuity of its operations;
- no material environmental losses or material legal claims;
- no significant change to the competitive landscape of the industries in which WMC Resources will have an interest; and
- no change in taxation legislation which will have a material impact on WMC Resources' forecast financial results and cash flows.

TABLE 2 SENSITIVITY ANALYSIS - WMC RESOURCES
A GAAP (A$ million)

	IMPACT ON PRO FORMA FORECAST NPAT Year ending 31 December 2003	IMPACT ON PRO FORMA FORECAST NPAT REMOVING OLYMPIC DAM PRODUCTION CONSTRAINTS Year ending 31 December 2003
Commodity prices		
+/- US$0.15/pound movement in Nickel Metal price	36.6	36.6
+/- US$0.05/pound movement in Copper price	26.9	32.1
+/- US$10/tonne movement in DAP price	10.9	10.9
Exchange rates		
+ US$0.01 movement in US Dollar/Australian Dollar exchange rate	(21.4)	(23.2)
- US$0.01 movement in US Dollar/Australian Dollar exchange rate	22.3	24.1
+ US$0.02 movement in US Dollar/Australian Dollar exchange rate	(42.3)	(45.6)
- US$0.02 movement in US Dollar/Australian Dollar exchange rate	45.6	49.1
+ US$0.05 movement in US Dollar/Australian Dollar exchange rate	(100.2)	(108.1)
- US$0.05 movement in US Dollar/Australian Dollar exchange rate	121.2	130.4

Commodity prices for WMC Resources' products are quoted in US Dollars. In addition certain costs borne by WMC Resources are denominated in US Dollars. Consequently WMC Resources' results are impacted by the US Dollar/Australian Dollar exchange rate. An appreciation of the Australian Dollar relative to the US Dollar would be expected to have an adverse effect on WMC Resources' results. Table 2 presents the impact on pro forma forecast NPAT for 2003 of a US$0.01, US$0.02 and US$0.05 movement in the average US Dollar/Australian Dollar exchange rate in 2003. Due to the commodity and currency hedging contracts currently held by WMC (and to be held by WMC Resources), movements in the US Dollar/Australian Dollar exchange rate do not have a linear impact on NPAT.

(vi) Sensitivity analysis of WMC Resources pro forma forecasts

The forecasts are sensitive to variations in a number of key commodity price and exchange rate assumptions. Table 2 highlights the impact of certain variations in commodity prices and the exchange rate on pro forma forecast NPAT for 2003 as presented in Table 1.

Care should be taken in interpreting these sensitivities as they consider movements on an isolated basis. In most cases, changes in key assumptions are interdependent.

Further, in the normal course of business, management would be expected to respond to any adverse changes in these key variables to minimise the net effect on WMC Resources' financial performance.

(vii) Non-recurring items impacting pro forma forecast results

The pro forma forecast results presented in Table 1 have been adjusted to exclude the impact of the non-recurring items set out in Table 3.

TABLE 3 **NON-RECURRING ITEMS**

A GAAP (A$ million)

	PRO FORMA FORECAST Year ending 31 December 2002
Profit on sale of Central Norseman Gold Corporation Limited(1)	25.1
Sale of right to gold royalty(2)	15.4
Termination of interest rate swaps(3)	75.9
Olympic Dam insurance receivable relating to damage to the Copper and Uranium SX Circuits(4)	40.0
Demerger costs expensed(5)	(37.1)
Profit on sale of Long Victor(6)	12.0
Total non-recurring items	**131.3**

(1) *In January 2002, WMC sold its interest in Central Norseman Gold Corporation Limited for a profit of A$25.1 million recognised in the six months ended 30 June 2002.*

(2) *WMC's right to a royalty from the St Ives and Agnew Gold Operations was sold in June 2002 for a profit of A$15.4 million recognised in the six months ended 30 June 2002.*

(3) *A series of interest rate swaps were terminated in December 2001 and January 2002 prior to the maturity dates of the contracts. Proceeds from the termination were received in December 2001 (A$11.3 million) and in the six months to June 2002 (A$71.2 million). During the first half of 2002 a decision was made that the borrowings to which the interest rate swaps had related would be repaid, resulting in a profit from the swaps of A$75.9m being recognised in the six months to 30 June 2002.*

(4) *Excluded from the pro forma forecast for Olympic Dam is A$40 million in relation to the expected revenue receivable from a materials damage insurance claim lodged in relation to the rebuild of the Copper and Uranium SX Circuits as a result of a fire in October 2001. The forecast insurance claim amount is a conservative estimate based on the current documentation provided to WMC by its insurers and WMC's response to that documentation. The actual amount is still the subject of discussions between WMC and its insurers.*

(5) *Financial advisory, legal, accounting and other advisory and experts fees and the cost of the possible novation of some of WMC's hedge contracts of A$37.1 million are expected to be incurred and expensed during 2002 in relation to the Demerger.*

(6) *Part of the Nickel business unit strategy is to divest mature nickel mines at Kambalda. The Long Victor mine at Kambalda was sold to Lightning Nickel Pty Ltd for a profit of A$12.0 million in September 2002.*

(d) *Pro forma historical cash flows for the years ended 31 December 1999, 2000 and 2001 and pro forma forecast cash flows for the years ending 31 December 2002 and 2003 for WMC Resources (in A$ and A GAAP)*

(i) *Basis of preparation*

Table 4 summarises the pro forma historical cash flows of the businesses that comprise WMC Resources for the years ended 31 December 1999, 2000 and 2001 as if WMC Resources had been separately preparing its cash flows and the pro forma forecast cash flows for the years ending 31 December 2002 and 2003.

The pro forma historical cash flows have been presented to net operating and investing cash flows before borrowing costs, financing activities and income tax and exclude any cash flows arising from discontinued operations.

The pro forma forecast cash flows have been presented to net cash flows before financing activities.

In order to present a meaningful full year comparison, the 2002 forecast cash flows have been prepared as if the pro forma transactions identified in Section 7.12.2.(c)(i) had occurred as at 1 January 2002.

(ii) *Management discussion and analysis of WMC Resources historical pro forma cash flows*

Working capital: During 2001, working capital decreased due to a reduction in debtors following an overall decrease in nickel sales and the nickel price, and a reduction in copper sales in the months preceding balance date due to the fire in the Olympic Dam Copper and Uranium SX Circuits. During 2000, working capital increased due to an increase in debtors in line with increased sales at Olympic Dam following an expansion and a decrease in creditors due. There was no substantial movement in working capital during 1999.

Currency and commodity hedging: The increase in hedge payments from A$45.2 million in 1999 to A$344.6 million in 2000 largely relates to currency hedges and was due to a decrease in the average US Dollar/Australian Dollar spot rate from US$0.65 to US$0.59 and an increase in the US Dollar hedge amounts expiring in 2001. Additionally, the nickel price spike in 2000 resulted in a payment in relation to commodity hedges of A$74.7 million. While the US Dollar amount of hedges expiring in 2001 decreased from 2000, the drop in the average exchange rate from US$0.59 to US$0.52 kept the cash payment relating to hedging losses above A$300 million for the year.

Non cash items: Non cash items in 1999, 2000 and 2001 consist of profits or losses on the sale of non-current assets, write-downs in the value of inventory, unrealised exchange gains or losses and research and development costs written off. The profit adjustment in 2001 relates to the profit on the sale of mining tenements in Brazil.

Capital expenditure: Capital expenditure in 1999, 2000 and 2001 relates to payments for the purchase of property, plant and equipment and mine development expenditure. Capital expenditure in 1999 also included expenditure associated with the construction of the Queensland Fertilizer Operations and completion of the Olympic Dam expansion project (see Section 7.4.2(a) and 7.3.3(a) respectively). Capital expenditure in 2000 included A$75.2 million to complete the Queensland Fertilizer Operations project.

TABLE 4 **PRO FORMA CONSOLIDATED CASH FLOWS OF WMC RESOURCES**

Pro forma forecast removing Olympic Dam production constraints
The pro forma forecast EBITDA and capital expenditure for Olympic Dam in 2003 will be impacted by plans to reline the Olympic Dam furnace in the second half of 2003, production constraints leading up to the reline and the completion of the rebuild of the Copper SX Circuit as discussed in Section 7.12.2(c). The 2003 pro forma forecast removing Olympic Dam production constraints in this table has been presented to demonstrate the forecast cash flows of WMC Resources on the basis that the reline and associated decline in production did not occur in 2003 and that the Copper SX Circuit was in operation all year. Refer to further discussion and analysis set out in Section 7.12.2(c)(ii) and the description of assumptions underlying the forecasts in Section 7.12.2(c)(iv).

A GAAP (A$ million)	PRO FORMA HISTORICAL Year ended 31 December 1999	2000	PRO FORMA FORECAST Year ending 31 December 2001	2002[1]	2003	PRO FORMA FORECAST REMOVING OLYMPIC DAM PRODUCTION CONSTRAINTS Year ending 31 December 2003
EBITDA from continuing operations (excluding currency and commodity hedging gains/(losses)) (Table 1)	**393.5**	**1,354.5**	**775.4**	**683.4**	**883.6**	**971.8**
Movements in working capital[2]	(33.8)	(122.9)	218.3	(98.3)	(11.8)	9.2
Currency and commodity hedging payments falling due	(45.2)	(344.6)	(328.7)	(157.2)	(94.9)	(94.9)
Non cash items	7.1	50.3	(2.9)	28.0	22.0	22.0
Capital expenditure	(886.6)	(375.2)	(357.0)	(454.4)	(593.5)	(380.5)
Other investing cash flows	80.0	(0.4)	38.3	7.7	0.3	0.3
Net cash flow before borrowing costs, tax and financing activities	**(485.0)**	**561.7**	**343.4**	**9.2**	**205.7**	**527.9**
Net borrowing costs				(58.1)	(55.5)	(48.5)
Interest rate swap				71.2	–	–
Income tax paid				(4.5)	(1.5)	(1.5)
Net cash flow before financing activities				**17.8**	**148.7**	**477.9**

(1) *The pro forma forecast cash flows for the year ending 31 December 2002 have been prepared as if the WMC Resources Group had existed in its post-Demerger form from, and the pro forma transactions and events described in Section 7.12.2(c)(i) occurred on, 1 January 2002. The pro forma forecast cash flows for the year ending 31 December 2002 comprise pro forma historical cash flows for the six months ended 30 June 2002 and pro forma forecast cash flows for the six months ending 31 December 2002.*

(2) *The movements in working capital represent movements in net current assets between periods. Cash and borrowings have been excluded from these movements.*

(3) *The pro forma forecast cash flows exclude certain non-recurring cash outflows incurred by WMC Resources as a result of the Demerger, including:*

- *various Demerger transaction costs amounting to A$126.8 million, including stamp duty incurred as part of the corporate restructuring of WMC (A$23.7 million), costs relating to the refinancing of WMC's debt and hedge book (A$65.9 million) and advisory fees (A$32.6 million) (see Section 4.4.2); and*
- *cash flows in relation to the repurchase of WMC's outstanding US debt securities representing the difference between the market value of the securities and their face value (estimated to be between A$134.2 million and A$149.1 million, depending on, among other things, the number of US debt securities repurchased and the prevailing US Treasury rates used to calculate the repurchase price – the consent fee component of the repurchase price is included in the total transaction costs described above). The tender and consent process to repurchase the US debt securities is described in Section 5.5.4(b). Most of the net cash outflows in relation to the repurchasing of WMC's outstanding US debt securities will subsequently be mitigated by the benefit of lower interest rates which are expected to be obtained under the funding arrangements put in place to refinance the debt.*

Other investing cash flows: Other investing cash flows in 2001 mainly relate to proceeds from the sale of non-current assets, most significantly A$37.6 million relating to the sale of the Mittel nickel tenement in 2000. Other investing cash flows in 2001 also include proceeds from insurance claims at Olympic Dam for a fire in 1999 and at the Queensland Fertilizer Operations, offset by payments for evaluation expenditure related to the acquisition of Yakabindie.

In 1999 other investing cash flows consisted of proceeds from the sale of non-current assets offset by payments for evaluation expenditure.

(iii) Management discussion and analysis of WMC Resources' forecast pro forma cash flows

Working capital: The forecast increase in working capital in 2002 includes an insurance receivable at Olympic Dam of A$58.0 million relating to the fire at the Copper and Uranium SX Circuits in October 2001. In addition, concentrate stocks at Olympic Dam are forecast to rise by A$30.0 million. These working capital increases will be partly offset by a A$33.0 million forecast increase in trade creditors resulting from third party uranium purchases required to meet contractual commitments and increasing capital expenditure in the last quarter of 2002. Working capital in the Nickel Business Unit is forecast to increase by A$68.0 million due to increased purchases of third party concentrate stock at the Kambalda Nickel Operations and the impact on receivables from higher prices and sales volumes in the final months of 2002.

Currency and commodity hedging: The forecast reduction in currency and commodity hedging payments in 2002 to A$157.2 million is attributable to both the decrease in the quantum of US Dollar forward hedge positions and the realised exchange rates in the respective years. US$629.1 million in forward hedge positions matured during 2001 compared to US$294 million in 2002. The average US Dollar/Australian Dollar exchange rate of US$0.52 in 2001 was also lower than the forecast average of US$0.542 for 2002 resulting in reduced losses in 2002 with the average US Dollar/Australian Dollar exchange rate on the hedge positions approximating US$0.67 in both years.

Cash outflow is forecast to reduce in 2003 to A$94.9 million due to the higher forecast exchange rate of US$0.58 and a A$35.9 million reduction in the quantum of US Dollar forward hedge positions.

Non-cash items: Non-cash items principally represent the write-down of low grade ore mined at Mount Keith.

Capital expenditure: Forecast capital expenditure in 2002 of A$454.4 million includes A$120.0 million on the rebuild of the Copper and Uranium SX Circuits at Olympic Dam. The forecast cost of this project across 2002 and 2003 is approximately A$250 million. A further A$37.0 million is forecast to be spent in 2002 on Optimisation 3 at Olympic Dam which commenced in 2001.

In 2003, capital expenditure is forecast to rise to A$593.5 million. The increase is due to the reline of the furnace at Olympic Dam and de-bottlenecking at Mount Keith.

Other investing cash flows: Other investing cash flows forecast at A$7.7 million in 2002 represent proceeds from the sale of minor non-current assets throughout the operations.

PRO FORMA FORECAST CASH FLOWS REMOVING OLYMPIC DAM PRODUCTION CONSTRAINTS

Working capital: The decrease in working capital for the pro forma forecast removing Olympic Dam production constraints is due to a draw-down of stock of A$22.0 million.

Capital expenditure: The capital expenditure for the pro forma forecast removing Olympic Dam production constraints excludes the forecast capital expenditure for the reline of the furnace and the rebuild of the Copper SX Circuit at Olympic Dam of approximately A$235 million. This reduction in capital expenditure has been partially offset by A$22.0 million of sustaining capital expenditure which management would expect to spend at Olympic Dam if there was no reline of the smelter.

(e) Pro forma consolidated statement of net assets as at 30 June 2002 (in A$ and A GAAP)

(i) Basis of preparation of statement of net assets

Set out in Table 4 is a summary pro forma consolidated statement of net assets for WMC Resources, which has been prepared based on the balance sheet of WMC as at 30 June 2002. The pro forma statement of net assets has been prepared as if the following transactions and events, which are to take place on or before the Demerger Date, had occurred as at 30 June 2002:

- The settlement of inter-company debts between companies that will be subsidiaries of Alumina Limited and those that are to become part of the WMC Resources Group as a result of the Demerger by converting the net amount owing to equity.
- The allocation of approximately A$20.8 million of cash and A$600 million of existing WMC debt to Alumina Limited (see Section 5.5.4).
- The steps required to effect the Demerger described in Section 5.1.2, including the internal restructuring of WMC as described in Section 5.5.1, as follows:
  - the identifiable assets acquired and the identifiable liabilities assumed by WMC Resources in acquiring all of the shares held by WMC in its non-AWAC subsidiaries at the time of the Demerger, including ODC, Fertilizers, WMC Finance, WMC Finance (USA) and WMC Resources International Pty Ltd, measured at their fair values as at 30 June 2002; and
  - stamp duty costs of approximately A$23.7 million which form part of WMC Resources' cost of acquiring WMC's non-AWAC assets.
- As described in Section 5.1.2, the payment by WMC (which will then be known as Alumina Limited) of the Share Scheme Dividend of A$0.73 per WMC Share and the reduction to its share capital by the Reduction Amount of A$2.78 per WMC Share, both of which are

automatically applied in consideration for the transfer of one WMC Resources Share for each WMC Share. Based on the number of WMC Shares on issue at 30 June 2002 (being 1,112,419,643), this results in a total share capital for WMC Resources of approximately A$3,908 million. The share capital balance at the Demerger Date may vary as a result of WMC Options being exercised after 30 June 2002.

Differences between the reported balances for WMC and the pro forma balances in column C of Table 5 relate to the exclusion of all balances pertaining to entities forming the Alumina Limited Group post-Demerger. These adjustments are either not material, are adequately explained in the description of pro forma transactions above or are explained in Note 2 to Table 5. The acquisition adjustments in column D of Table 5 are explained in the notes to the table.

TABLE 5 PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS OF WMC RESOURCES

A GAAP (A$ million)

	REPORTED NET ASSETS As at 30 June 2002 (WMC)	SEPARATION OF ALUMINA LIMITED(2)	PRO FORMA NET ASSETS AT BOOK VALUE As at 30 June 2002	ACQUISITION AND DEMERGER ADJUSTMENTS(3)	PRO FORMA NET ASSETS As at 30 June 2002 (WMC Resources)(4)
	A	B	C	D	E
Current assets					
Cash	113.7	(72.2)	41.5	-	41.5
Receivables	538.3	-	538.3	9.3	547.6
Inventories	481.9	-	481.9	-	481.9
Other	198.6	-	198.6	(91.7)	106.9
Total current assets	**1,332.5**	**(72.2)**	**1,260.3**	**(82.4)**	**1,177.9**
Non-current assets					
Receivables	358.6	-	358.6	(23.6)	335.0
Investment in AWAC	1,605.8	(1,605.8)	-	-	-
Inventories	83.1	-	83.1	-	83.1
Exploration and evaluation	62.3	-	62.3	-	62.3
Property, plant and equipment	4,630.4	-	4,630.4	995.3	5,625.7
Other	1,049.6	(3.4)	1,046.2	(976.4)	69.8
Total non-current assets	**7,789.8**	**(1,609.2)**	**6,180.6**	**(4.7)**	**6,175.9**
TOTAL ASSETS	**9,122.3**	**(1,681.4)**	**7,440.9**	**(87.1)**	**7,353.8**
Current liabilities					
Accounts payable	453.4	(1.2)	452.2	82.5	534.7
Interest bearing liabilities	467.6	(267.6)	200.0	-	200.0
Provisions	74.5	-	74.5	-	74.5
Other	20.3	-	20.3	-	20.3
Total current liabilities	**1,015.8**	**(268.8)**	**747.0**	**82.5**	**829.5**
Non-current liabilities					
Accounts payable	914.2	-	914.2	46.4	960.6
Interest bearing liabilities	1,633.4	(332.4)	1,301.0	198.2	1,499.2
Provisions	541.9	(4.5)	537.4	-	537.4
Other	2.8	-	2.8	-	2.8
Total non-current liabilities	**3,092.3**	**(336.9)**	**2,755.4**	**244.6**	**3,000.0**
TOTAL LIABILITIES	**4,108.1**	**(605.7)**	**3,502.4**	**327.1**	**3,829.5**
Minority interest	0.8	-	0.8	-	0.8
NET ASSETS/ SHAREHOLDERS' EQUITY(1)	**5,013.4**	**(1,075.7)**	**3,937.7**	**(414.2)**	**3,523.5**

(1) *The pro forma statement of net assets has been presented to net assets only and does not include a breakdown of shareholders equity as the entities which will comprise the WMC Resources Group post-Demerger currently operate under a different capital structure which will be impacted by the actual share capital on issue at Demerger Date. A pro forma presentation of the composition of shareholders' equity is therefore not considered to be meaningful or appropriate.*

(2) *Column B includes adjustments to exclude balances relating to entities comprising the Alumina Limited Group post-Demerger, including the allocation of approximately A$600 million of existing WMC debt and A$20.8 million of cash to Alumina Limited. The cash allocated to Alumina Limited will be used to fund the payment of Alumina Limited's share of AWAC's acquisition of Reynolds Metals Company's 5% interest in MRN and 6% interest in Halco. Refer to Section 6.6.2(d).*

(3) *Column D includes adjustments to measure the acquisition of WMC's non-AWAC subsidiaries, including ODC, Fertilizers, WMC Finance, and WMC Finance (USA) at fair value and to recognise certain liabilities arising from the Demerger as follows:*

- *property, plant and equipment: net uplift of A$995.3 million to measure Fertilizers and Olympic Dam property, plant and equipment at fair value as at 30 June 2002 (see Section 7.12.2(f));*
- *current and non-current receivables, other assets (deferred losses) and accounts payable: adjustment to measure currency and commodity hedge contracts and interest rate forward contracts at fair value as detailed in the table below;*
- *other current assets: adjustment to write off capitalised borrowing costs of A$9.4 million;*
- *other non-current assets: adjustment of A$260.0 million to reduce future tax benefits previously recognised for accounting purposes in relation to certain carried forward tax losses that do not meet the virtual certainty test pursuant to* AASB1020 Income Taxes *post-Demerger. See further discussion on tax losses in Section 4.6.4;*
- *current accounts payable: accrual for stamp duty payable of A$23.7 million on the acquisition of ODC and Fertilizers and an accrual for remaining demerger costs not incurred prior to 30 June 2002 of A$28.4 million, including financial, legal, accounting and other advisory and experts fees and costs relating to the possible novation of some of WMC's hedge contracts; and*
- *non-current interest bearing liabilities: adjustment of A$198.2 million to measure debt at fair value based on recent estimates of the cost of repurchasing the US debt securities.*

Adjustment to measure hedge book at fair value

A GAAP (A$ millions)

	REPORTED HEDGE BOOK BALANCES As at 30 June 2002 (WMC)	**ACQUISITION ADJUSTMENTS**	**PRO FORMA HEDGE BOOK FAIR VALUES As at 30 June 2002 (WMC Resources)**
Receivables – current	60.1	9.3	69.4
Receivables – non-current	346.4	(23.6)	322.8
Other assets (deferred losses) – current*	82.3	(82.3)	-
Other assets (deferred losses) – non-current	716.4	(716.4)	-
Accounts payable – current	(166.9)	(30.4)	(197.3)
Accounts payable – non-current	(859.5)	(46.4)	(905.9)
Net position	**178.8**	**(889.8)**	**(711.0)**

* *Includes A$15.4 million realised deferred gain on interest rate forward.*

(4) *Notes to the pro forma statement of net assets are set out in Section 7.12.2(g).*

(f) Accounting implications of internal restructuring

As part of the internal restructuring required to give effect to the Demerger, WMC Resources will acquire from WMC all of the shares WMC holds in a number of its subsidiaries, including the entities which hold Olympic Dam and the Queensland Fertilizer Operations.

Accounting Standard AASB 1015 requires that acquisitions which represent a reconstruction within an economic entity be measured at the cost of acquisition, with the identifiable assets acquired and liabilities assumed measured at their fair values as at the acquisition date. Under the standard, fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Any difference between the cost of acquisition and the fair value of the identifiable assets acquired must then be accounted for in accordance with Accounting Standard AASB 1013 'Accounting for Goodwill'.

For the purpose of the financial statements presented in this Section 7.12.2 (which are prepared in accordance with AASB 1013 and AASB 1015), WMC has determined the fair value, as at 30 June 2002, of each entity which WMC Resources will acquire, the most significant of which are those holding Olympic Dam and the Queensland Fertilizer Operations.

The WMC Directors are responsible for the estimates of fair values adopted herein. The fair values of Olympic Dam and the Queensland Fertilizer Operations have been estimated using discounted cash flow methodology. The production rates and operating and capital costs assumed in the cash flow models are based on WMC's strategic case for each operation. Commodity price and exchange rate assumptions are consistent with the forecasts herein for years 2002 and 2003, and thereafter are based on consensus long-term economic forecasts. The cash flow models project cash flows in US Dollar terms from 1 July 2002 onwards, which are discounted at the estimated weighted average cost of capital applicable to each operation. The net present value in US Dollars as at 30 June 2002 is translated to Australian Dollars at the closing exchange rate of US$0.5664.

In respect of the Queensland Fertilizer Operations, delays in commissioning and handover from contractors of major production units resulted in the total capital installed for the Queensland Fertilizer Operations project escalating beyond original estimates. In addition, substantial excess capacity has developed in the global fertilizers industry since commitment to the project was made, leading to a weaker outlook for DAP prices. These factors have resulted in the estimated fair value of the Queensland Fertilizer Operations being less than book value.

It is important to note that the estimated fair values for Olympic Dam and the Queensland Fertilizer Operations apply to the two as separate, stand-alone entities and therefore do not purport to be consistent with the value which an acquirer might be prepared to pay if acquiring WMC Resources as a whole. In particular, an acquirer may be prepared to pay an amount which is greater than the aggregate of the fair values of WMC Resources' separate assets for reasons including the recognition of the availability of the assets as a portfolio, the synergies available from operating the assets as a portfolio, and the synergies that an acquirer could achieve by integrating the portfolio of assets with its existing assets.

Accordingly, the estimated fair values determined for the purposes of the pro forma financial statements presented in this Section 7.12.2 will not necessarily be consistent conceptually with an estimate of the full underlying value of WMC Resources.

(g) Notes to the pro forma consolidated statement of net assets of WMC Resources

	A$ million	PRO FORMA As at 30 June 2002
Note 1.	**CURRENT ASSETS – CASH**	
	Cash at bank and on hand	31.4
	Short-term deposits (maturity of three months or less)	10.1
		41.5
Note 2.	**CURRENT ASSETS – RECEIVABLES**	
	Trade debtors	273.1
	Provision for doubtful debts	(6.0)
		267.1
	Other debtors	211.3
	Provision for doubtful debts	(0.2)
		211.1
	Debtors relating to hedging contracts	69.4
		547.6
Note 3.	**CURRENT ASSETS – INVENTORIES**	
	Stores at cost	66.5
	Provision for obsolescence	(1.1)
		65.4
	Trading stocks at cost	169.2
	Trading stocks at net realisable value	14.0
	Work-in-progress at cost	226.7
	Work-in-progress at net realisable value	6.6
		416.5
		481.9
Note 4.	**CURRENT ASSETS – OTHER**	
	Prepayments	89.8
	Short-term deposits (maturity of over three months and up to 12 months)	17.0
	Other	0.1
		106.9
Note 5.	**NON-CURRENT ASSETS – RECEIVABLES**	
	Loans and debtors	12.2
	Debtors relating to hedging contracts	322.8
		335.0
Note 6.	**NON-CURRENT ASSETS – INVENTORIES**	
	Stores	46.9
	Provision for obsolescence	(14.1)
		32.8
	Stocks	
	Work-in-progress at cost	28.5
	Work-in-progress at net realisable value	21.8
		50.3
		83.1

	PRO FORMA As at 30 June 2002
Note 7. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION	
Cost brought forward	64.5
Grassroots expenditure	7.3
Expenditure for additional reserves supporting existing operations	1.7
Evaluation expenditure	9.0
Write-offs	(17.4)
Disposals	(1.1)
Acquisitions	-
Foreign currency translation	(1.7)
Cost carried forward	**62.3**
Note 8. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT	
Government facilities	27.2
Acquired mineral rights	1,313.4
Mine properties and mine development	823.0
Property, land and buildings	344.7
Plant and equipment	3,117.4
	5,625.7

Impact of revised AASB 1020 Income Taxes in 2004 and beyond

Revised accounting standard AASB 1020 *Income Taxes* is not applicable for WMC Resources until 1 January 2004. However, had the standard been adopted for the purposes of this 30 June 2002 pro forma consolidated statement of net assets, certain adjustments would be required. Included in the total of property, plant and equipment is A$1,313.4 million relating to the fair valuation uplift of Olympic Dam Operations arising upon acquisition. This amount was determined net of tax. Upon adoption of AASB 1020, the value attributed to this asset would be required to be adjusted to A$1,876.3 million, with the corresponding recognition of A$562.9 million as a deferred tax liability balance. The value adjustments to the Queensland Fertilizer Operations assets of A$318.1 million would also need to be recalculated, decreasing the assets by a further A$141.2 million, with the corresponding recognition of a deferred tax asset of A$141.2 million.

	PRO FORMA As at 30 June 2002
Note 9. NON-CURRENT ASSETS – OTHER	
Research and development	0.6
Capitalised systems upgrade	13.6
Deferred tax assets	24.4
Other financial assets	18.0
Other	13.2
	69.8

Impact of revised AASB 1020 Income Taxes in 2004 and beyond

As discussed in Note 8, revised accounting standard AASB 1020 *Income Taxes* is not applicable for WMC Resources until 1 January 2004. Had it been adopted for the purposes of this 30 June 2002 pro forma consolidated statement of net assets, certain adjustments would be required. The balance of deferred tax assets would increase due to the recognition of deferred tax assets relating to fair value adjustments arising on the acquisition of the entities holding the Queensland Fertilizer Operations, as well as WMC Finance and WMC Finance (USA). The Queensland Fertilizer Operations adjustment is described at Note 8. The value adjustment for the finance companies relates mainly to the derecognition of deferred hedging losses. The AASB 1020 adjustment for the finance companies would involve the recognition of a deferred tax asset of A$388.7 million, with the corresponding credit to opening retained earnings, as the adjustment would be on transition to the new standard.

	PRO FORMA As at 30 June 2002
Note 10. CURRENT LIABILITIES – PAYABLES	
Trade creditors	93.6
Creditors relating to hedging contracts	197.3
Other creditors	243.8
	534.7
Note 11. CURRENT LIABILITIES – PROVISIONS	
Employee entitlements	41.1
Rehabilitation	6.2
Income tax	3.2
Other	24.0
	74.5
Note 12. CURRENT LIABILITIES – OTHER	
Prepaid revenue	15.4
Other	[illegible]
	20.3
Note 13. NON-CURRENT LIABILITIES – PAYABLES	
Creditors relating to hedging contracts	905.9
Other creditors	54.7
	960.6
Note 14. NON-CURRENT LIABILITIES – PROVISIONS	
Deferred tax liability	439.6
Employee entitlements	12.1
Rehabilitation	85.7
	537.4

Impact of revised AASB 1020 Income Taxes in 2004 and beyond

As discussed in Note 8, revised accounting standard AASB 1020 *Income Taxes* is not applicable for WMC Resources until 1 January 2004. Had it been adopted for the purposes of this 30 June 2002 pro forma consolidated statement of net assets, certain adjustments would be required. The balance of deferred tax liabilities would increase due to the recognition of a deferred tax liability relating to fair value adjustments arising on the acquisition of the entities holding Olympic Dam Operations. The adjustment for Olympic Dam Operations is described at Note 8.

7.12.3 Reconciliations of financial information

(a) *Reconciliation of reported WMC historical EBIT to pro forma WMC Resources historical EBIT*

The pro forma historical results for the year ended 31 December 1999, 2000 and 2001 presented in Section 7.12.2(b) differ from the reported consolidated EBIT of WMC. The pro forma historical results exclude the results of entities comprising the Alumina Limited Group under the Demerger structure including the equity share of profits from AWAC, and the results of discontinued operations, including the revenues and costs (including hedging losses) of the Gold Operations (net of allocated corporate costs), the equity interest in Mondo Minerals and the revenue and costs of the Three Springs talc operation. The profit on disposal of the assets sold during 2001 has also been excluded from the historical results for 2001, together with the profit on the sale of tenements at Kambalda in 2000. Adjustments have also been made to exclude the impact of significant non-recurring items from pro forma EBIT. WMC believes normalisation adjustments enable a more meaningful analysis of WMC Resources' underlying financial performance.

Table 6 reconciles the reported consolidated EBIT of WMC to the pro forma consolidated EBIT of WMC Resources for the years ended 31 December 1999, 2000 and 2001.

TABLE 6 RECONCILIATION OF REPORTED CONSOLIDATED EBIT OF WMC TO PRO FORMA CONSOLIDATED EBIT OF WMC RESOURCES

A GAAP (A$ million)

	HISTORICAL Year ended 31 December		
	1999	**2000**	**2001**
Reported consolidated EBIT of WMC	**383.2**	**1,291.9**	**666.7**
Less: EBIT attributed to Alumina Limited	(276.0)	(571.9)	(473.1)
EBIT attributed to WMC Resources	**107.2**	**720.0**	**193.6**
Adjustments for discontinued operations			
EBIT of Gold Operations(1)	(15.1)	(35.4)	(55.0)
EBIT of Mondo Minerals	(5.5)	(2.2)	-
EBIT of Three Springs talc mine	10.5	(4.2)	(4.4)
Net currency and commodity hedging losses of discontinued operations	(94.8)	(52.5)	(8.8)
Profit on disposals of businesses			
Profit on disposal of Gold Operations(1)	-	-	(135.6)
Profit on disposal of Mondo Minerals	-	-	(61.2)
Profit on disposal of Three Springs talc mine	-	-	(18.6)
Profit on sale of tenements at Kambalda including Miitel, Mariners and Redross mines	-	(20.3)	-
Significant non-recurring items			
Write-off of assets and costs associated with the fire at the Olympic Dam Copper and Uranium SX Circuits	-	-	71.8
Cost of redundancies and closure costs associated with the restructuring of the service and exploration functions	-	-	21.5
Government contribution to fertilizers project	(18.0)	-	-
Write-off of feasibility studies and other assets on initial establishment of the Queensland Fertilizer Operations	25.4	-	-
Provision against Yeelirrie carrying value	13.8	-	-
Pro forma consolidated EBIT of WMC Resources from continuing operations (Table 1)	**23.5**	**605.4**	**3.3**

(1) *Gold Operations includes WMC's interests in the St Ives and Agnew gold operations and Central Norseman Gold Corporation Limited. WMC Resources will continue to produce gold as a by-product of the operations at Olympic Dam.*

(b) Reconciliation of pro forma reported consolidated NPAT of WMC for six months ended 30 June 2002 to consolidated NPAT of WMC Resources for 2002

The pro forma forecast results of WMC Resources for 2002 comprise pro forma historical results for the six months to 30 June 2002 and pro forma forecast results for the six months ending 31 December 2002. Table 7 reconciles the reported consolidated NPAT of WMC for the six months ended 30 June 2002 to the pro forma consolidated NPAT of WMC Resources for 2002.

TABLE 7 RECONCILIATION OF CONSOLIDATED NPAT OF WMC FOR THE SIX MONTHS ENDED 30 JUNE 2002 TO CONSOLIDATED PRO FORMA FORECAST NPAT OF WMC RESOURCES FOR 2002

A GAAP (A$ million)	A$m
Net profit after tax for the six months ended 30 June 2002 attributed to members of WMC Limited	**155.5**
Less: NPAT attributed to Alumina Limited for the six months ended 30 June 2002	(110.1)
NPAT attributed to WMC Resources for the six months ended 30 June 2002	**45.4**
Adjust for non-recurring items:	
Profit on sale of Central Norseman Gold Corporation Limited	(25.1)
Sale of right to gold royalty	(15.4)
Termination of interest rate swaps	(75.9)
Olympic Dam insurance received and receivable (materials damage)	(27.0)
Demerger costs expensed	8.7
Related tax expense	28.3
Net loss after tax for the six months ended 30 June 2002 attributable to WMC Resources and adjusted for non-recurring items	**(61.0)**
Pro forma adjustments[1]	
Amortisation of fair value adjustment[2]	(4.5)
Impact of measuring currency and commodity hedge contracts at fair value[3]	52.0
Interest expense differential[4]	32.3
Related tax expense	(9.7)
WMC Resources pro forma net profit after tax for six months ended 30 June 2002	9.1
WMC Resources pro forma forecast net profit after tax for the six months to 31 December 2002	63.9
WMC Resources pro forma forecast net profit after tax for 2002 (Table 1)	**73.0**

(1) The pro forma results assume that the Demerger transactions in Section 7.12.2(c)(i) occurred on 1 January 2002.

(2) Represents six months of amortisation and depreciation on the fair value adjustments resulting from the acquisition of Olympic Dam and the Queensland Fertilizer Operations.

(3) Represents difference between actual hedge losses for six months to 30 June 2000 of A$68.6 million and pro forma net hedging loss of A$16.6 million. The pro forma net hedging loss is based on six months of net hedging gains and losses as if the hedge book was marked to market at 30 June 2002 as described in Note 6 to the consolidated results of WMC Resources from continuing operations.

(4) Represents difference between actual net interest expense for the six months to 30 June 2002 of A$59.6 million and pro forma net borrowing costs of A$27.3 million. Pro forma interest expense assumes that A$600 million of existing WMC debt is allocated to Alumina Limited on 1 January 2002.

7.13 Price risk management

7.13.1 Hedging position

As described in Section 7.11.2, WMC Resources' revenues will vary significantly with movements in commodity prices and the US Dollar/Australian Dollar exchange rate. WMC Resources will adopt WMC's current Price Risk Management policy, which has been established by the WMC Board, as the framework for the management of commodity price and exchange risk exposures. The policy details the approach of WMC to managing price exposures and delineates hedging limits and delegated management authorities. Management of exposures is delegated to the Risk Management Committee within parameters set by the WMC Board, which is chaired by the Chief Executive Officer of WMC and includes the Chief Financial Officer and several other senior executives. The Risk Management Committee is responsible for making strategic hedging decisions and ensuring that these are implemented. WMC's Treasury acts under the authorisation of the Risk Management Committee in implementing strategic hedging decisions. In addition, WMC's Treasury is authorised to manage hedges held against underlying financial or commodity exposures arising from WMC's business obligations.

Under WMC's current Price Risk Management policy, hedging activity is limited to securing acceptable rates of return for new projects and significant value-adding strategic objectives.

WMC Resources' pro forma historical and forecast currency and commodity hedging gains/losses are set out in Section 7.12.2(b) (Table 1), and discussed in Section 7.12.2(b) and (c).

As at 30 June 2002, WMC Finance, which will form part of the WMC Resources Group post-Demerger, held a number of currency and commodity hedging contracts, explained in Sections 7.13.1(a) and 7.13.1(b). The position of WMC Resources' currency and commodity hedging contracts set out below, are explained in the context of the Demerger in Section 5.5.4(c).

FIGURE 39 **CURRENCY HEDGING AS AT 30 JUNE 2002**

	FORWARD SALE OF US$		BOUGHT US$ PUT OPTIONS		WRITTEN US$ CALL OPTIONS	
MATURITY	Amount US$m	Rate A$/US$	Amount US$m	Rate A$/US$	Amount US$m	Rate A$/US$
2002*	119.3	0.6796	31.3	0.6489	31.3	0.6489
2003	195.6	0.6821	62.5	0.6489	62.5	0.6489
2004	228.4	0.6753	72.5	0.6413	72.5	0.6413
2005	228.3	0.6887	77.5	0.6438	77.5	0.6438
2006	155.6	0.6828	72.5	0.6413	72.5	0.6413
2007-2008	353.1	0.6643	194.5	0.6123	194.5	0.6123

** For six months to 31 December 2002.*

(a) Currency hedging

Foreign currency risk relates to WMC Resources' exposure to changes in exchange rates. WMC Resources' revenue streams are significantly derived from the sale of its commodity production in US Dollars and, therefore, the amount of Australian Dollar revenue it receives fluctuates with movements in the Australian Dollar to US Dollar exchange rate.

Consistent with the Price Risk Management policy, WMC Resources could seek to reduce its exposure to exchange rate movements by entering into currency hedging contracts for a proportion of its outstanding receivables with a view to reducing the effects of adverse currency rate fluctuations. When looked at in isolation, hedging transactions relating to the conversion of US Dollar receivables to Australian Dollars could result in losses if:

(i) the Australian Dollar weakens against the US Dollar between contract inception and maturity; or
(ii) a counterparty were to default and the Australian Dollar has strengthened against the US Dollar between contract inception and maturity.

In the case of (i), the hedging loss would be offset by a higher Australian Dollar revenue stream from the lower Australian Dollar to US Dollar exchange rate, although the net revenue WMC Resources would receive would be less than it would otherwise have received had the hedge transaction not been in place.

As at 30 June 2002, US$1,791.1 million had been hedged at an average rate of US$0.6642 at maturities extending to 2008 using a combination of forward contracts and options as detailed in Figure 39.

(b) Commodity hedging

Commodity price risk relates to WMC Resources' exposure to changes in the commodity prices. WMC Resources' revenue streams are significantly derived from the sale of its commodity production and the amount of its revenue will fluctuate with moving commodity prices.

Consistent with the Price Risk Management policy, WMC Resources may seek to reduce its exposure to commodity price movements by entering into commodity hedging contracts for a proportion of WMC Resources' production. When looked at in isolation, hedging transactions could result in costs to WMC Resources if:

(i) the commodity price at the date of maturity of the hedge contract is greater than the hedged price (either due to the requirement to expend cash to financially settle hedge contracts, or via the receipt of a hedge contract price lower than the prevailing spot price at contract maturity); or
(ii) a counterparty were to default and the commodity price at the date of default is less than the hedged price.

In the case of (i), the hedging loss would be offset by a higher revenue stream from the higher commodity price relative to the prevailing prices at the date of conception of the hedge, although the net revenue WMC Resources would receive would be less than it would otherwise have received had the hedge transaction not been in place.

As at 30 June 2002, 658,400 ounces of gold had been hedged at an average gold price of A$615 per ounce with maturities extending to 2010 using forward contracts as shown in Figure 40.

FIGURE 40 **COMMODITY HEDGING AS AT 30 JUNE 2002**

FORWARD SALE OF GOLD

Maturity	Amount of ounces	Rate: A$/ounce
2002*	48,200	522
2003	80,000	548
2004	80,000	559
2005	80,000	579
2006-2010	370,200	661

** For six months to 31 December 2002.*

7.13.3 Interest rate risk

Interest rate risk refers to WMC Resources' exposure to movement in interest rates. The WMC Resources Group will be exposed to interest rate risk on its outstanding interest bearing liabilities and investments (including those liabilities discussed in Section 5.5.4). As interest rates fluctuate, the amount of interest payable on debt balances where the interest rate is not fixed will also fluctuate. Interest rates swaps and cross currency swaps will allow the group to manage its interest rate risk.

7.14 Funding

For the purposes of the implementation of the Demerger, WMC Resources will assume a large proportion of WMC's existing debt and hedging transactions and the financial restructuring described in Section 5.5.4 will be implemented.

Following the Demerger, WMC Resources will continue to have sufficient working capital to carry on its businesses. In addition, the WMC Resources Loan Facility described in Sections 5.5.4 and 10.17.4 will include the capacity to meet fluctuations in working capital that typically occur. The WMC Resources Loan Facility will be WMC Resources' primary source of external funding immediately following implementation of the Demerger.

7.15 Material litigation

At the date of this Scheme Booklet there are no material pending legal proceedings relating to the WMC Resources Group, other than:

- those mentioned in Section 7.11.9; or
- ordinary routine litigation or other legal proceedings incidental to the business, particularly arising out of contract mining and construction activities to which WMC Resources or any of its subsidiaries is a party or of which any of their property is subject.

7.16 Dividends

WMC Resources' payment of dividends or implementation of other capital management initiatives will be determined by the WMC Resources Board after taking into consideration a number of factors, including WMC Resources' financial results, strategic objectives, ongoing capital expenditure requirements, general business conditions, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the ability to pay dividends and any other factors the WMC Resources Board may consider relevant.

In the short-term following the Demerger, WMC Resources is not expected to generate franking credits due to the utilisation of existing carried forward revenue tax losses, which totalled A$1,219 million as at 31 December 2001. Accordingly, WMC Resources is not expected to be able to pay franked dividends in the short-term.

There will be no dividend paid by WMC Resources in respect of the year ending 31 December 2002. For the year ending 31 December 2003, it is expected that, having regard to the expected absence of franking credits, the dividend paid by WMC Resources will be a modest proportion of reported net profit. Dividend distributions by WMC Resources for subsequent years will be determined by the WMC Resources Board after taking into account the above factors.

The WMC Resources Board will also consider the buy-back of WMC Resources Shares, where it has capital surplus to its anticipated requirements.

7.17 Rights and liabilities attaching to WMC Resources Shares

The WMC Resources Shares to be transferred to WMC Shareholders will be fully paid. WMC Resources Shares will be the only class of shares on issue in WMC Resources following the Demerger.

The rights and liabilities attaching to the WMC Resources Shares, as at the date of this Scheme Booklet, are:

- set out in WMC Resources' constitution; and
- in certain circumstances regulated by the Corporations Act, the Listing Rules and the general law.

This Section 7.17 contains a summary of the rights and liabilities attaching to the WMC Resources Shares. This summary does not purport to be exhaustive nor to constitute a definitive statement of the rights and liabilities of shareholders of WMC Resources, which can involve complex questions of law arising from the interaction of WMC Resources' constitution and statutory, common law and Listing Rules requirements. To obtain a definitive assessment of the rights and liabilities which attach to those shares in any specific circumstances, investors should seek their own advice.

[illegible]

Without prejudice to any special rights previously conferred on the holders of shares, any share in the capital of WMC Resources may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the WMC Resources Directors may from time to time determine and the rights attaching to shares of a class other than ordinary shares shall be expressed at the date of issue. All unissued shares shall be under the control of the WMC Resources Directors who may in their discretion grant calls or options thereon, issue option certificates in respect thereof, or allot or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and for or at such time as they think fit.

7.17.2 Modification of rights

All or any of the rights and privileges attached to any class of shares may be varied or abrogated, and any repayment of capital in respect of any class of shares may be effected, by special resolution approving the proposed variation, abrogation or repayment passed at a special meeting of the holders of shares of that class or by consent in writing signed by the holders of at least three fourths of the issued shares of that class within two calendar months from the date of such special meeting. However, no approval or consent shall be required in respect of the redemption of any redeemable shares in accordance with the terms of their issue.

In either case, members with at least 10% of the votes in the class whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to have the variation or cancellation set aside.

7.17.3 Transfer of ordinary shares

The WMC Resources Shares, when quoted on the ASX, are transferable by:

- a written transfer in the usual or common form or in any form the WMC Resources Directors may prescribe or in a particular case accept, duly stamped (if necessary), being delivered to WMC Resources;
- a proper instrument of transfer, which is to be in the form required or permitted by the Corporations Act or the SCH Business Rules; or
- any other electronic system established or recognised by the Listing Rules in which WMC Resources participates in accordance with the rules of that system.

The WMC Resources Directors may, subject to the requirements of the Corporations Act and the Listing Rules, refuse to register any transfer of shares in the following circumstances:

- if the registration would infringe any applicable laws or the Listing Rules;
- if the transfer concerned shares over which WMC Resources has a lien; or
- if permitted to do so under the Listing Rules.

7.17.4 Forfeiture and lien

If any member fails to pay any sum payable on or in respect of any shares, either for allotment money, calls or instalments, on or before the day appointed for payment, the WMC Resources Directors may, at any time thereafter whilst any part of the sum remains unpaid, serve a notice on the member requiring them to pay the sum or so much of the sum as remains unpaid together with interest accrued and all expenses incurred by WMC Resources by reason of the nonpayment, and if the requirements of the notice are not complied with, any shares in respect of which the notice has been given may, at any time thereafter before payment of the sums due pursuant to the notice, be forfeited by a resolution of the WMC Resources Board.

7.17.5 Alteration of share capital

WMC Resources may, by resolution passed in general meeting, alter its share capital in any manner provided by the Corporations Act, including reducing its share capital.

7.17.6 General meetings and notices

Each shareholder is entitled to receive notice of general meetings of WMC Resources and to receive all notices, financial statements and other documents required to be sent to shareholders under WMC Resources' constitution. WMC Resources may serve a notice on a shareholder in the form and in the manner the WMC Resources Board thinks fit, subject to the Corporations Act and the Listing Rules. The manner of service may include leaving the notice at the shareholder's registered address or sending it to the electronic address (if any) nominated by the member or sending it by prepaid post, telex or facsimile transmission addressed to the member at his or her registered address.

7.17.7 Voting rights

At a general meeting, subject to a number of specified exceptions, on a show of hands each shareholder present in person or by corporate representative, attorney or proxy has one vote. On a poll, each shareholder present in person or by corporate representative, attorney or proxy shall in respect of each share held by them:

- have one vote for each fully paid share; and
- have a vote in respect of each partly paid share equivalent to the proportion which the amount paid up bears to the total issue price of the share at the date the poll is taken.

7.17.8 Dividends

Subject to the rights of, or restrictions imposed upon, the holders of shares in respect to the payment of dividends, dividends shall be payable on all shares in proportion to the amount of capital credited as paid up in respect of those shares, provided however that no amount paid on a share in advance of calls or the due date for the payment of any instalment shall be treated as paid on that share.

7.17.9 Winding up

If WMC Resources is wound up, whether voluntarily or otherwise, with the sanction of a special resolution, the liquidator may divide among the contributories in specie or in kind, any part of the assets of WMC Resources, and may vest any part of the assets of WMC Resources in trustees upon such trusts for the benefit of the contributories or any of them as the liquidator thinks fit. Any contributory who would be prejudiced by the determination shall have a right to dissent and ancillary rights as if the determination were a special resolution passed pursuant to the Corporations Act.

7.17.10 Partial takeovers
WMC Resources' constitution contains provisions regulating proportional takeover bids for shares in WMC Resources as permitted by the Corporations Act. Those provisions will cease to apply unless renewed by the shareholders of WMC Resources in general meeting within three years of the date of insertion of those provisions into the constitution, - ie by 17 October 2005.

7.17.11 Share buybacks
WMC Resources may buy back shares in itself in accordance with the Corporations Act.

7.17.12 Amending the constitution
The Corporations Act provides that the constitution of a company may be modified or repealed by special resolution passed by the members of that company (ie passed by at least 75% of the votes cast by members entitled to vote on the resolution). The constitution of WMC Resources does not provide for any further requirements to be complied with to effect a modification of, or to repeal, WMC Resources' constitution.

7.18 WMC Resources Options

If the Option Scheme (described in Section 5.2) receives the necessary approvals, WMC Resources will issue WMC Resources Options which will entitle their holders to the issue of WMC Resources Shares upon the exercise of those options. Details of the terms and conditions attaching to the WMC Resources Options is contained in Section 5.2.

8. Impact of the Demerger on WMC Group employees

8.1 Intentions concerning WMC Group employees

All current employees of the WMC Group are employed by WMC Resources or one of its subsidiaries (save for a small number currently employed by WMC).

Nearly all current employees of the WMC Group will continue as employees of the WMC Resources group following the implementation of the Demerger. As those employees are currently employed by WMC Resources or one of its subsidiaries, the implementation of the Demerger will not result in the cessation or transfer of employment of any of those employees.

It is proposed that current employees who continue to be employed by WMC Resources will do so on their existing terms and conditions of employment. However, as outlined in this Section 8, it is intended that certain modifications be made to other benefits made available to employees.

Those employees currently employed by WMC will continue to be employed by Alumina Limited after the Demerger. In addition, a limited number of current employees of the WMC Group either have been or will be offered employment with the Alumina Limited Group after implementation of the Demerger. Those employees have been or will be offered employment by the Alumina Limited Group on terms and conditions, considered overall, that are no less favourable than their existing terms and conditions of the employment by the WMC Group. However, as outlined in this Section 8, it is intended that certain modifications be made to other benefits made available to those employees.

8.2 WMC Employee Share Scheme

8.2.1 Overview
In 1987 WMC Shareholders approved the establishment by WMC of the WMC Employee Share Scheme (**WMC ESS**). The WMC ESS provides a framework for the offer by the WMC Board of WMC ordinary shares, or rights to or in respect of such shares (such as options), to employees of WMC Group companies from time to time.

Pursuant to the WMC ESS, WMC has since 1987 issued to WMC Group employees:

- partly paid ordinary shares in WMC;
- WMC Options;
- 'stock appreciation plan' rights; and
- WMC Shares.

The terms and conditions of issue of such securities or rights were established in the relevant year by plans promulgated by the WMC Board. This Section 8.2 describes the effect of the Demerger on those plans.

8.2.2 Senior Officers Share Plans
In each of 1987 and 1988 the WMC Board established a WMC Senior Officers Share Plan (**SOSP**). The terms of each SOSP are in substance the same.

Under each SOSP, certain full time senior executive employees (including executive directors) of WMC Group companies were offered partly paid ordinary shares in WMC (**Partly Paid Shares**). Executives were required to pay an initial application amount of A$0.05 per Partly Paid Share, with the balance of the issue price being payable on a final call able to be made by WMC - either on its own initiative or upon the request of the relevant executive - in certain circumstances (and in any event no later than 15 years after the date of issue of the relevant share).

Under the 1987 SOSP, upon a call being made executives were obliged to pay the lesser of the average closing price of WMC Shares on the ASX over the four trading days before the last day of the offer (ie A$5.82), and the last sale price of WMC Shares on the ASX on the last trading day before the call. Under the 1988 SOSP, the amount payable was the lesser of the weighted average sale price of WMC Shares on the ASX on the last trading day before allotment of the relevant share (ie A$4.98), and the closing sale price of WMC Shares on the ASX on the last trading day before the call. Each SOSP provided for the initial amount paid up on the Partly Paid Shares to be credited against the amount payable.

As at 10 April 2002, there were:

- 333,000 Partly Paid Shares on issue under the 1987 SOSP, held by 20 holders; and
- 244,000 Partly Paid Shares on issue under the 1988 SOSP, held by 16 holders.

Of the total of 23 participants, seven were former WMC Group employees.

In the overall context of the Demerger, the WMC Board formed the opinion that the most equitable and appropriate manner of dealing with the Partly Paid Shares was:

- to make a call upon the holders for payment of the amounts owing; and
- to offer the holders an interest-free loan to fund the payment of the call.

Accordingly, on 10 April 2002, WMC formally made a call for payment of the balance payable on each Partly Paid Share (other than those held by Messrs Morgan and Morley). The amount payable under the call was required to be paid by 17 April 2002. At the same time, WMC offered the holders of those Partly Paid Shares interest-free loans equal to the amount payable under the call, and which are repayable on the last date upon which the call on their Partly Paid Shares would otherwise have been made.

All of the amounts owing on the Partly Paid Shares issued pursuant to each SOSP were paid, and WMC advanced interest-free loans to holders of those Partly Paid Shares as follows:

- A$963,590 in respect of Partly Paid Shares issued under the 1987 SOSP, repayable on or before 21 December 2002; and
- A$389,470 in respect of Partly Paid Shares issued under the 1988 SOSP, repayable on or before 25 November 2003.

On 16 April 2002, Messrs Morgan and Morley voluntarily paid all amounts outstanding in respect of the Partly Paid Shares issued to them under the 1987 SOSP and the 1988 SOSP as follows:

- Mr Morgan – 100,000 Partly Paid Shares issued under the 1987 SOSP and 120,000 Partly Paid Shares issued under the 1988 SOSP; and
- Mr Morley – 66,000 Partly Paid Shares issued under the 1987 SOSP and 45,000 Partly Paid Shares issued under the 1988 SOSP.

Unlike other participants, Messrs Morgan and Morley did not receive interest-free loans from WMC to fund these payments.

As a result of the matters described above, all of the Partly Paid Shares are now WMC Shares and, accordingly, will participate in the Demerger on the same terms as all other WMC Shares.

8.2.3 Option Plans

In various years since 1987, WMC has established WMC Option Plans pursuant to which WMC Options were issued to WMC Group employees. As at 30 September 2002, there were:

- 585,900 WMC Options issued under the 1997 WMC Option Plan, each with an exercise price of A$4.91 and an expiry date of 22 December 2002;
- 375,000 WMC Options issued under the 1997 WMC Option Plan, each with an exercise price of A$5.40 and an expiry date of 22 December 2002 (which were issued to WMC's executive directors);
- 1,090,470 WMC Options issued under the 1998 WMC Option Plan, each with an exercise price of A$4.88 and an expiry date of 21 December 2003;
- 375,000 WMC Options issued under the 1998 WMC Option Plan, each with an exercise price of A$5.37 and an expiry date of 21 December 2003 (which were issued to WMC's executive directors);
- 3,951,700 WMC Options issued under the 1999 WMC Option Plan, each with an exercise price of A$8.42 and an expiry date of 20 December 2004;
- 6,302,750 WMC Options issued under the 2000 WMC Option Plan, each with an exercise price of A$7.52 and an expiry date of 18 December 2005;
- 10,329,100 WMC Options issued under the 2001 WMC Option Plan, each with an exercise price of A$9.35 and an expiry date of 30 November 2006; and
- 600,000 WMC Options issued under the May 2002 WMC Option Plan to certain senior executives who were excluded from participating in the 2001 WMC Option Plan, each with an exercise price of A$9.35 and an expiry date of 30 November 2006.

The terms of each WMC Option Plan are in substance the same (save for the May 2002 WMC Option Plan, described below). Each WMC Option gives the holder the right to subscribe for one WMC Share (subject to adjustment in accordance with the terms of the WMC Option Plan to reflect new issues by WMC and capital reconstructions). Upon exercise of the WMC Option, the holder is obliged to pay the relevant exercise price, which was determined by reference to the weighted average sale price of WMC Shares on the ASX on the trading day that the invitation to apply for the relevant WMC Options was made to employees. In the case of WMC Options issued to WMC's executive directors under the 1997 WMC Option Plan and the 1998 WMC Option Plan (see above) a 10% premium was applied to that weighted average sale price. WMC Options may not be exercised for a period of 12 months after their date of allotment (subject to limited exceptions). WMC Options not exercised after five years from their date of issue, lapse.

WMC Options issued under the May 2002 WMC Option Plan were issued to certain senior employees who were excluded from participating in the 2001 WMC Option Plan. The WMC Options issued under the May 2002 WMC Option Plan were issued so as to be on equivalent terms to WMC Options issued under the 2001 WMC Option Plan (ie they have the same exercise price (A$9.35), the prohibition on exercise expires on 30 November 2002 and they lapse on the same date (30 November 2006)).

The Option Scheme has been proposed by the WMC Board to deal with the WMC Options. The effect of the Option Scheme is described in Section 5.2.

On 13 August 2002, WMC announced that it had suspended future allotments of WMC Options to senior executives under the WMC ESS.

The Option Scheme has been designed to have the effect that the economic entitlements of WMC Optionholders prior to the Demerger is, to the extent possible, preserved after the Demerger is implemented. In doing so, the Option Scheme will produce an equitable outcome for both WMC Optionholders and WMC Shareholders – overall, after the Demerger and Option Scheme are implemented, the relative positions of WMC Shareholders and WMC Optionholders will be the same as they were prior to the Demerger.

It should be noted that senior managers who already hold WMC Options will be entitled to participate in the Option Scheme, and therefore be granted WMC Resources Options, on the same terms as all other WMC Optionholders. The grant of WMC Resources Options to these senior managers will result from their existing holding of WMC Options and will not be a new allotment under the WMC Option Plans.

8.2.4 Stock Appreciation Plans

(a) Existing WMC SAPs

In various years since 1987, WMC has established Stock Appreciation Plans for the benefit of WMC Group employees in countries outside Australia. The purpose of the WMC Stock Appreciation Plans is to provide those employees, who due to securities law constraints in their countries are not eligible to participate under the WMC Option Plans, with benefits similar to those conferred by the WMC Option Plans.

The terms of each WMC Stock Appreciation Plan are in substance the same (save for the June and August 2002 Stock Appreciation Plans, described below). Under each WMC Stock Appreciation Plan, eligible employees were invited to apply for the grant by WMC of WMC 'stock appreciation rights' (**WMC SAPs**). Although employees were not required to pay any amount for the grant of the WMC SAPs, each has a notional allotment price, equal to the weighted average sale price of WMC Shares on the ASX on the trading day that the invitation to apply for the relevant WMC SAPs was made to employees. Upon redemption of a WMC SAP before its expiry, the holder is entitled to a payment equal to the difference between the closing price of WMC Shares on the ASX on the trading day immediately before the date of redemption, and the notional allotment price of the WMC SAP (provided that the former amount is higher). WMC SAPs not redeemed after five years from their date of issue, lapse.

As noted in Section 7.10.3(c)(ii), Messrs Morgan and Morley were issued WMC SAPs on terms equivalent to the WMC Options issued to WMC senior executives under the May 2002 WMC Option Plan (ie they have an equivalent allotment price (A$9.35), the prohibition on redemption expires on the same date (30 November 2002) and they lapse on the same date (30 November 2006)).

As at 30 September 2002, there were:

- 51,700 WMC SAPs issued under the 1997 WMC Stock Appreciation Plan, each with an allotment price of A$4.91 and an expiry date of 22 December 2002;
- 61,200 WMC SAPs issued under the 1998 WMC Stock Appreciation Plan, each with an allotment price of A$4.88 and an expiry date of 21 December 2003;
- 183,400 WMC SAPs issued under the 1999 WMC Stock Appreciation Plan, each with an allotment price of A$8.42 and an expiry date of 20 December 2004;
- 313,800 WMC SAPs issued under the 2000 WMC Stock Appreciation Plan, each with an allotment price of A$7.52 and an expiry date of 18 December 2005;
- 337,300 WMC SAPs issued under the 2001 WMC Stock Appreciation Plan, each with an allotment price of A$9.35 and an expiry date of 30 November 2006;
- 250,000 WMC SAPs issued under the June 2002 WMC Stock Appreciation Plan, each with an allotment price of A$9.35 and an expiry date of 30 November 2006; and
- 400,000 WMC SAPs issued under the August 2002 WMC Stock Appreciation Plan, each with an allotment price of A$9.35 and an expiry date of 30 November 2006.

(b) *Effect of the Demerger on WMC SAPs*

If the Demerger is implemented and no amendments were made to the terms and conditions of the WMC Stock Appreciation Plans, it is likely that the value of WMC SAPs would be less after the Demerger.

Accordingly, WMC and WMC Resources have formulated a proposal (the **SAP Proposal**) to amend the terms of the WMC SAPs (so that they become 'Alumina Limited SAPs') and grant WMC Resources stock appreciation rights (**WMC Resources SAPs**).

The SAP Proposal has been designed to have the effect that the economic entitlements of holders of WMC SAPs prior to the Demerger are, to the extent possible, preserved after the Demerger is implemented. It has also been designed to treat WMC SAP holders in an equivalent manner to WMC Optionholders.

The SAP Proposal will only be implemented if the Option Scheme is implemented. If the Option Scheme is not implemented, but the Demerger is implemented, Alumina Limited (as WMC will then be) will notify WMC SAP holders after the Demerger how (if at all) it proposes to deal with their WMC SAPs.

Overall effect: Under the SAP Proposal, the effect on WMC SAP holders will be as follows:

- WMC SAP holders will continue to hold their WMC SAPs.
- Each WMC SAP will become an 'Alumina Limited SAP', the value of which will be based on the market price of Alumina Limited Shares at the time of redemption.
- The allotment price and other terms of the Alumina Limited SAP will be amended.
- WMC SAP holders will be granted one WMC Resources SAP for each WMC SAP they hold prior to the Demerger.
- The aggregate allotment prices of the Alumina Limited SAP and the WMC Resources SAP will be equal to the allotment price of the WMC SAP prior to the Demerger.
- The Alumina Limited SAP and the WMC Resources SAP will lapse at the same time as the WMC SAP would have lapsed if the Demerger hadn't proceeded – being the earlier of five years after that WMC SAP was issued and 30 days (or two years, as applicable) after the WMC SAP holder ceases to be employed by the WMC Group, the WMC Resources Group or the Alumina Group.

If the SAP Proposal is implemented, WMC SAP holders will be entitled to benefit in any future increase in the value of Alumina Limited Shares and WMC Resources Shares.

So that the WMC SAPs become 'Alumina Limited SAPs' with the correct allotment price and redemption period, various amendments will be made to the terms and conditions of the WMC Stock Appreciation Plans.

Allotment price: The terms and conditions of the WMC Stock Appreciation Plans will be amended so that an Alumina Limited SAP has an allotment price less than the allotment price of the corresponding WMC SAP prior to the Demerger. This reduced exercise price will be proportionate to the market value of the assets distributed to WMC Shareholders – in the form of WMC Resources Shares – under the Demerger.

The allotment price of an Alumina Limited SAP will be determined by reference to the allotment price of the corresponding WMC SAP prior to the Demerger and the VWAP of WMC Resources Shares and Alumina Limited Shares sold on the ASX over the first five days of trading commencing on the Listing Date in accordance with the following formula:

$$\text{Alumina Limited Allotment Price} = \text{Pre-Demerger WMC SAP Allotment Price} \times \frac{\text{Alumina Limited VWAP}}{(\text{Alumina Limited VWAP} + \text{WMC Resources VWAP})}$$

Example:

If after the Demerger the VWAP of WMC Resources Shares was A\$3.00 and that of Alumina Limited Shares was A\$5.00, a WMC SAP with a pre-Demerger allotment price of A\$4.91 would become an Alumina Limited SAP with an allotment price determined as follows:

$$\text{Alumina Limited SAP Allotment Price} = \text{A\$4.91} \times \frac{(\text{A\$5.00})}{(\text{A\$5.00} + \text{A\$3.00})} = \text{A\$3.07}$$

The allotment price of the Alumina Limited SAP would be A\$3.07.

Based on the same VWAPs:

- *a WMC SAP with a pre-Demerger allotment price of A\$4.88 would become an Alumina Limited SAP with an allotment price of A\$3.05;*
- *a WMC SAP with a pre-Demerger allotment price of A\$8.42 would become an Alumina Limited SAP with an allotment price of A\$5.26;*
- *a WMC SAP with a pre-Demerger allotment price of A\$7.52 would become an Alumina Limited SAP with an allotment price of A\$4.70; and*
- *a WMC SAP with a pre-Demerger allotment price of A\$9.35 would become an Alumina Limited SAP with an allotment price of A\$5.84.*

The example above is for illustrative purposes only, and the VWAPs stated should not be taken as an indication of the likely VWAPs for Alumina Limited Shares and WMC Resources Shares from the Listing Date. No assurance can be, or is, given as to the prices at which Alumina Limited Shares and WMC Resources Shares will trade from the Listing Date or post-Demerger, either in stand-alone or relative terms. See Section 4.5.1 for more details.

Preserving the redemption period: Under the terms and conditions of each WMC Stock Appreciation Plan, a holder of a WMC SAP may lose the right to redeem that WMC SAP on the first to occur of:

- the expiry of five years after the day they were granted; and
- the expiry of 30 days after the holder ceases to be employed by the WMC Group (except in the case of holders who cease to be employed by the WMC Group as a result of death, retrenchment or retirement or, in any case determined by the WMC Board in its discretion, sale or other transfer of any part of the business or assets of the WMC Group, in which case the period will be, subject to the paragraph above, two years after such cessation of employment).

After the Demerger, nearly all current employees of the WMC Group will be employed by the WMC Resources Group. As the WMC Resources Group will no longer be part of the WMC Group (which will then be the Alumina Limited Group), those employees will cease to be employees of the WMC Group for the purposes of the WMC Stock Appreciation Plans, and therefore the period during which the WMC SAPs (which would become Alumina Limited SAPs) may be redeemed will expire 30 days after the Demerger Date.

To prevent this occurring, the terms and conditions of the WMC Stock Appreciation Plans will be amended to provide that the redemption period will expire 30 days (or two years, as applicable) after the holder of Alumina Limited SAPs ceases to be an employee of the Alumina Limited Group or the WMC Resources Group.

Grant of WMC Resources SAPs: WMC Resources has, as part of the SAP Proposal, agreed to grant each holder of WMC SAPs one WMC Resources SAP for each WMC SAP they hold at the Option Scheme Record Date.

Each WMC Resources SAP will entitle the holder on redemption to receive a cash payment equal to the difference between the allotment price of the WMC Resources SAP and the closing price of WMC Resources Shares on the trading day immediately prior to the date of redemption.

To the extent practicable, the terms and conditions attaching to the WMC Resources SAPs will mirror the terms and conditions of the WMC Stock Appreciation Plans, but will incorporate such amendments as are necessary to reflect the varying redemption periods and allotment prices of the WMC Resources SAPs.

The two primary variants in the terms of the WMC Resources SAPs will be:

- their allotment price; and
- the period during which the WMC Resources SAPs may be redeemed.

(i) *Allotment price*

The allotment price of a WMC Resources SAP will be determined by reference to the pre-Demerger allotment price of the WMC SAP (which becomes an Alumina Limited SAP) in respect of which the WMC Resources SAP was granted and the VWAP of WMC Resources Shares and Alumina Limited Shares sold on the ASX over the first five days of trading on the ASX commencing on the Listing Date, in accordance with the following formula:

$$\textbf{WMC Resources SAP Allotment Price} = \begin{array}{c}\textbf{WMC SAP}\\ \textbf{Pre-Demerger}\\ \textbf{Allotment Price}\end{array} \times \frac{\textbf{WMC Resources VWAP}}{\textbf{(Alumina Limited VWAP + WMC Resources VWAP)}}$$

Example:
If after the Demerger, the VWAP of WMC Resources Shares was A\$3.00 and that of Alumina Limited Shares was A\$5.00, a WMC Resources SAP granted in respect of a WMC SAP with a pre-Demerger allotment price of A\$4.91 would have its allotment price calculated as follows:

$$\textbf{WMC Resources SAP Allotment Price} = \textbf{A\$4.91} \times \frac{\textbf{(A\$3.00)}}{\textbf{(A\$5.00 + A\$3.00)}} = \textbf{A\$1.84}$$

The allotment price of the WMC Resources SAP would be A\$1.84.

Based on the same VWAPs:

- *a WMC Resources SAP granted in respect of a WMC SAP with a pre-Demerger allotment price of A\$4.88 would have an allotment price of A\$1.83;*
- *a WMC Resources SAP granted in respect of a WMC SAP with a pre-Demerger allotment price of A\$8.42 would have an allotment price of A\$3.16;*
- *a WMC Resources SAP granted in respect of a WMC SAP with a pre-Demerger allotment price of A\$7.52 would have an allotment price of A\$2.82; and*
- *a WMC Resources SAP granted in respect of a WMC SAP with a pre-Demerger allotment price of A\$9.35 would have an allotment price of A\$3.51.*

The example above is for illustrative purposes only, and the VWAPs stated should not be taken as an indication of the likely VWAPs for Alumina Limited Shares and WMC Resources Shares from the Listing Date. No assurance can be, or is, given as to the prices at which Alumina Limited Shares and WMC Resources Shares will trade from the Listing Date or post-Demerger, either in stand-alone or relative terms. See Section 4.5.1 for more details.

(ii) Period for redemption

The period during which a WMC Resources SAP will be able to be redeemed will be the same as the remaining redemption period of the WMC SAP (which becomes an Alumina Limited SAP) in respect of which the WMC Resources SAP is granted.

Example:

If on the Option Scheme Record Date a holder of WMC SAPs holds 100 WMC SAPs with a redemption period expiring on 21 December 2003, WMC Resources will grant that holder 100 WMC Resources SAPs with a redemption period expiring on 21 December 2003.

8.2.5 Employee Share Purchase Plans

In 1988 the WMC Board established a WMC Employee Share Purchase Plan (**WMC ESPP**).

Under the WMC ESPP, certain full time employees of WMC Group companies were offered the opportunity to subscribe for WMC Shares. WMC Shares were allotted at an issue price of A$5.17, with the employees required to pay A$0.10 per WMC Share of the issue price and the balance funded by way of a limited-recourse, interest-free loan from WMC to the participating employee.

The loan from WMC was repayable out of dividends paid on WMC Shares and the sale of any renounceable rights and bonus shares which accrued in respect of the WMC Shares issued under the WMC ESPP while the loan remained outstanding. The loan was also able to be repaid voluntarily by the employee.

In 1994, the WMC Board made loans to certain full time employees of WMC Group companies to enable them to exercise their rights to subscribe for WMC Shares pursuant to a renounceable rights issue conducted by WMC. WMC Shares were allotted to those employees (and all other participants in the rights issue) at an issue price of A$5.80, with the issue price for those employees funded by way of a limited-recourse, interest-free loan from WMC to the participating employee.

The loan from WMC was repayable out of dividends paid on WMC Shares and the sale of any renounceable rights and bonus shares which accrued in respect of the WMC Shares issued under the rights issue while the loan remained outstanding. The loan was also able to be repaid voluntarily by the employee.

As at 31 May 2002, there were:

- 38,100 WMC Shares issued under the WMC ESPP; and
- 1,628 WMC Shares issued under the 1994 rights issue.

In the overall context of the Demerger, the WMC Board formed the opinion that the most equitable and appropriate manner of dealing with these loans was to forgive the outstanding balance of each employee's loan. Accordingly, as previously advised to these employees, the outstanding balance of each participant's loan was forgiven on 31 May 2002 (in the amount of A$46,832 in respect of WMC Shares issued under the WMC ESPP, and A$7,198 in respect of WMC Shares issued under the 1994 rights issue).

8.3 WMC Resources share and incentive plans

8.3.1 Overview

WMC Resources intends to establish the WMC Resources Employee Share Scheme (**WMC Resources ESS**). The WMC Resources ESS will provide a framework for the offer by the WMC Resources Board of WMC Resources Shares, or rights to or in respect of WMC Resources Shares (such as options), to employees of the WMC Resources Group from time to time. It is proposed that the WMC Resources ESS will operate in substantially the same manner as the WMC ESS historically operated by WMC (as described in Section 8.2).

WMC Resources intends to offer:

- to certain employees in Australia – WMC Resources Options, the terms and conditions of which will be promulgated by the WMC Resources Board at the time of the relevant offers (**WMC Resources Option Plans**); and
- to certain employees outside Australia – WMC Resources SAPs, the terms and conditions of which will be promulgated by the WMC Resources Board at the time of the relevant offers (**WMC Resources Stock Appreciation Plans**).

The WMC Resources Option Plans and WMC Resources Stock Appreciation Plans (the **WMC Resources Plans**) will be designed to align the interests of employees of the WMC Resources Group with the shareholders of WMC Resources and are regarded as an integral component of WMC Resources' employee benefit and motivation strategies.

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

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

8.3.2 WMC Resources Option Plans

On 13 August 2002, WMC announced its decision to suspend future option allotments to its senior management under the WMC ESS.

It is expected that WMC Resources will review this decision when a more universally agreed methodology for valuation expensing and taxation issues is formulated. A share purchase plan for senior staff will replace option allotments in the future for this group. The proposed share purchase plan is described in more detail in Section 8.3.4.

It is proposed that WMC Resources will operate WMC Resources Option Plans for employees other than its senior management. The first allotment of WMC Resources Options will be made shortly after the Demerger has been implemented, in a manner consistent with past WMC Option allotments. The WMC Resources Option Plans will operate on substantially the same terms as the WMC Option Plans (subject to any changes to applicable regulatory requirements), namely:

- Eligible employees will be invited to apply for the grant by WMC Resources of WMC Resources Options, to be granted at an issue price of A$0.01 per WMC Resources Option.
- Each WMC Resources Option will give the holder the right to subscribe for one WMC Resources Share (subject to adjustment in accordance with the terms of the applicable WMC Resources Option Plan to reflect new issues by WMC Resources and capital reconstructions).
- Subject to certain exceptions, the WMC Resources Options will not be able to be exercised until after a period of 12 months from the date of allotment and will lapse on the fifth anniversary of the date of allotment.
- Upon exercise of a WMC Resources Option, the holder will be obliged to pay the relevant exercise price, which will be determined by reference to the weighted average sale price of WMC Resources Shares on the ASX on the trading day that the invitation to apply for the WMC Resources Options is made to employees.

WMC Resources will provide a copy of the full terms and conditions of the relevant WMC Resources Option Plan to each employee to whom it elects to make an offer of WMC Resources Options at the time of making such an offer.

8.3.3 WMC Resources Stock Appreciation Plan

It is proposed that the WMC Resources Stock Appreciation Plans will operate on substantially the same terms as the WMC Stock Appreciation Plans (subject to any changes to applicable regulatory requirements), namely:

- Eligible employees will be invited to apply for the grant by WMC Resources of WMC Resources SAPs.
- The employees will not be required to pay any amount for the grant of the WMC Resources SAPs, but each WMC Resources SAP will have a notional allotment exercise price, equal to the weighted average sale price of WMC Resources Shares on the ASX on the trading day that the invitation to apply for the WMC Resources SAPs is made to the employee.
- Subject to certain exceptions, the WMC Resources SAPs will not be able to be redeemed until after a period of 12 months from the date of allotment and will lapse on the fifth anniversary of the date of allotment.
- Upon redemption of a WMC Resources SAP before its expiry by the holder, the holder will be entitled to a payment equal to the difference between the closing price of WMC Resources Shares on the ASX on the trading day immediately before redemption, and the notional allotment price (assuming the former amount is higher).

WMC Resources will provide a copy of the full terms and conditions of the relevant WMC Resources Stock Appreciation Plan to each employee to whom it elects to make an offer of WMC Resources SAPs at the time of making such an offer.

The first allotment of WMC Resources SAPs will be made shortly after the Demerger has been implemented, in a manner consistent with past WMC SAP allotments.

8.3.4 Senior Staff Share Purchase Plan

Consistent with WMC's announcement on 13 August 2002 to suspend future option allotments to its senior management under the WMC ESS, WMC Resources intends to implement a share purchase plan for senior staff, which will replace option allotments in the future for this group.

The share purchase plan will provide a level of reward for senior staff based on WMC Resources' performance against a peer index of resources companies (anticipated to be sixteen). Actual rewards will vary in accordance with the performance of the individual executive and the performance of WMC Resources on a total shareholder return basis against the index.

All rewards for senior staff through this scheme will be provided to participants in the form of WMC Resources Shares which will be purchased on-market on behalf of the participants (at no cost to the participants). Participants will not be able to dispose of the WMC Resources Shares acquired under the plan unless, both prior to and after such a disposal, the participant holds WMC Resources Shares whose value reflects a multiple of their salary. For the Chief Executive Officer the multiple will be 1.5 times salary, for Executive General Managers the multiple will be 1 times salary and for General Managers the multiple will be

0.5 times salary. WMC Resources Shares may only be disposed of once this multiple has been exceeded and only to the extent that the minimum multiple is maintained at all times (subject to certain other disposal restrictions).

A key component of this plan will be that the full value of any reward gained by senior management will be expensed and the value to the executive disclosed in accordance with WMC Resources' reporting obligations and practice on remuneration of executive staff.

The first offers will be made under this plan shortly after the Demerger has been implemented. Subject to individual and company performance, the level of reward for General Managers will be 0% to 60% of salary; 0% to 75% of salary for Executive General Managers; and 0% to 100% of salary for the Chief Executive Officer.

WMC Resources will provide a copy of the full terms and conditions of the plan to each executive to whom it elects to make an offer under the plan at the time of making such an offer.

8.4 Alumina Limited share and incentive plans

Establishment of incentive plans (including those relating to Alumina Limited Shares) for Alumina Limited Group employees will be a matter for the Alumina Limited Board. It is proposed that from the Demerger Date Alumina Limited Group employees will have, as a component of their overall performance based remuneration, an element of reward that will be directed to on-market Alumina Limited Share purchases through a share purchase plan. The level of reward will be assessed against individual and company performance in each case. Senior executives will be required to hold equity as a condition of participation in the plan.

There is no proposal to establish an employee option plan for Alumina Limited Group employees at this time as part of, or consequential upon, the Demerger, although this does not preclude the Alumina Limited Board from proposing such a plan in the future.

9. Taxation implications for WMC Shareholders

9.1 General

The intention of this Section 9 is to provide a guide to the general tax position in relation to the Demerger of WMC Shareholders in Australia, as well as those WMC Shareholders in the United Kingdom, the US and New Zealand. These latter jurisdictions are the jurisdictions in which the largest number of WMC Shareholders with Registered Addresses outside Australia are located.

The information in this Section 9 does not purport to be a complete analysis or identification of all potential tax consequences for the shareholders to whom it is relevant, nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual WMC Shareholders.

Except as regards the US, the United Kingdom and New Zealand, this Scheme Booklet does not contain any discussion of possible taxation implications of the Demerger for WMC Shareholders who are tax residents of jurisdictions outside Australia.

WMC Shareholders should consult their tax advisers as to the tax consequences of the Demerger.

9.2 Australia

9.2.1 Scope

The information set out in this Section 9.2 is not applicable to all categories of WMC Shareholders. The information only applies to WMC Shareholders who are residents of Australia for tax purposes and who hold their WMC Shares on capital account. The information **does not apply** to WMC Shareholders who do not meet these criteria.

9.2.2 Class ruling

WMC has sought a Class Ruling from the ATO on behalf of WMC Shareholders. On the basis of its discussions with the ATO as at the date of this Scheme Booklet, WMC expects the Class Ruling to confirm the taxation treatment for WMC Shareholders of the Capital Reduction and Share Scheme Dividend as detailed in Sections 9.2.3 and 9.2.4, and to cover associated CGT and dividend issues (including issues arising under section 45B of the ITTA. The Class Ruling will become binding upon its gazettal by the ATO with respect to the arrangement described in the Class Ruling, which WMC expects to occur prior to the Demerger Date. The ATO cannot release or gazette a Class Ruling until the relevant legislation becomes law, which occurs upon the legislation receiving Royal Assent. Once gazetted, the Class Ruling will be available on the ATO's website. A copy of the Class Ruling will be published on WMC's website (www.wmc.com) when it is obtained.

9.2.3 CGT consequences of the Demerger – Treatment of the Capital Reduction

Based on the recently passed Demerger Relief Act, WMC Shareholders should be eligible to choose to obtain CGT rollover relief in relation to the Demerger (**CGT Demerger Relief**). WMC expects the ATO Class Ruling to confirm this position.

As described in Section 5.1.2, the Demerger will involve WMC making a notional cash distribution to WMC Shareholders, with those funds compulsorily applied by

WMC on behalf of WMC Shareholders to the acquisition by each WMC Shareholder of one WMC Resources Share for each WMC Share held at the Share Scheme Record Date.

The notional cash distribution to WMC Shareholders is made up of the Capital Reduction (a capital return of the Reduction Amount, ie A$2.78 per WMC Share) and the Share Scheme Dividend (A$0.73 per WMC Share).

If a WMC Shareholder elects to obtain CGT Demerger Relief, the CGT consequences may be summarised as follows:

- the capital gain that may otherwise arise from the Capital Reduction will be disregarded;
- the sum of the cost bases (and reduced cost bases) of the Alumina Limited Shares and the WMC Resources Shares held by a WMC Shareholder after the Demerger will equal the cost base of the WMC Shares held by that shareholder before the Demerger; and
- the CGT status of a WMC Shareholder's Alumina Limited Shares and WMC Resources Shares (that is, whether the shares will be treated as having been acquired before 20 September 1985 (pre-CGT) or on or after 20 September 1985 (post-CGT)) will be the same as the CGT status of the WMC Shares held by that shareholder before the Demerger.

(a) *Determining the CGT status of Alumina Limited Shares and WMC Resources Shares*

The CGT status of WMC Shares (known as Alumina Limited Shares from the Listing Date) held by a WMC Shareholder at the time of the Demerger who chooses CGT Demerger Relief will be unaffected by the Demerger. The CGT status of the WMC Resources Shares transferred to a WMC Shareholder who chooses CGT Demerger Relief under the Demerger will mirror the CGT status of the shareholder's WMC Shares before the Demerger. If a WMC Shareholder chooses CGT Demerger Relief in relation to a proportion only of their WMC Shares, the maintenance of CGT status will only apply to that proportion which the WMC Shareholder chooses to roll over under the CGT Demerger Relief.

As Eligible WMC Shareholders will receive one WMC Resources Share for each WMC Share that they hold at the Share Scheme Record Date, the number of WMC Resources Shares transferred to a WMC Shareholder that will be treated as pre-CGT will be the same as the number of pre-CGT WMC Shares held by that shareholder.

> *Example:*
> *Just before the Demerger a WMC Shareholder owns 100 WMC Shares, of which 25 were acquired before 20 September 1985. As part of the Demerger, the WMC Shareholder acquires 100 WMC Resources Shares.*
>
> *Where the shareholder elects CGT Demerger Relief for all of their WMC Shares, the number of that shareholder's WMC Resources Shares that are taken to be pre-CGT shares will be 25.*

(b) *Determining the cost base of Alumina Limited Shares and WMC Resources Shares*

The cost base and reduced cost base of each post-CGT Alumina Limited Share and post-CGT WMC Resources Share will be determined by each WMC Shareholder who elects CGT Demerger Relief reasonably apportioning the cost base and reduced cost base of the post-CGT WMC Shares held by that shareholder before the Demerger between the Alumina Limited Shares and WMC Resources Shares held after the Demerger. WMC Shareholders must base their apportionment on the anticipated or actual market values of Alumina Limited Shares and WMC Resources Shares just after the Demerger. As a guide, WMC Shareholders may wish to use the VWAP of Alumina Limited Shares and WMC Resources Shares sold on the ASX over the first five days of trading commencing on the Listing Date. WMC Shareholders will be notified of these VWAPs shortly after the end of this trading period.

> *Example:*
> *A WMC Shareholder owns 400 post-CGT WMC Shares. The WMC Shareholder's cost base per WMC Share is A$6.00. The WMC Shareholder chooses CGT Demerger Relief in relation to all of its WMC Shares in respect of the Demerger.*
>
> *As a result of the Demerger, this A$6.00 cost base will be apportioned between the WMC Shareholder's 400 Alumina Limited Shares (as its WMC Shares will then be known) and the 400 WMC Resources Shares it acquires as a result of the Demerger, on the basis of their respective anticipated or actual market values just after the Demerger.*
>
> *If the WMC Shareholder decides to use the VWAPs referred to above to calculate its post-Demerger cost bases, and the VWAP of Alumina Limited Shares is A$5.00 and that of WMC Resources Shares is A$3.00, then:*
>
> - *the cost base of its Alumina Limited Shares will be A$3.75;*
> - *the cost base of the its WMC Resources Shares will be A$2.25; and*
> - *the sum of the cost bases of its Alumina Limited Shares and its WMC Resources Shares will be A$6.00 (A$3.75 + A$2.25) – ie the same as the cost base of the WMC Shareholder's WMC Shares pre-Demerger.*

The example above is for illustrative purposes only, and the VWAPs stated should not be taken as an indication of the likely VWAPs for Alumina Limited Shares and WMC Resources Shares from the Listing Date. No assurance can be, or is, given as to the prices at which Alumina Limited Shares and WMC Resources Shares will trade from the Listing Date or post-Demerger, either in stand-alone or relative terms. See Section 4.5.1 for more details.

(c) CGT consequences of the Demerger if a shareholder does not elect CGT Demerger Relief

If a WMC Shareholder does not elect CGT Demerger Relief:

- The shareholder will realise a capital gain in respect of the Capital Reduction on their post-CGT WMC Shares if the Reduction Amount is greater than the cost base of the WMC Shares held by that WMC Shareholder. The capital gain will equal the difference between the Reduction Amount and the cost base (excess). This capital gain may be eligible for discount CGT treatment (as discussed below). A capital gain will not be realised on the shareholder's pre-CGT WMC Shares.
- The cost base of the Alumina Limited Shares held by the shareholder at the Share Scheme Record Date and the WMC Resources Shares transferred to the shareholder under the Demerger will be determined in accordance with the principles described in Section 9.2.3(b) (ie on the same basis as if the shareholder had elected CGT Demerger Relief).
- All of the WMC Resources Shares transferred to that shareholder under the Demerger will be treated as post-CGT shares, even if some or all of the shareholder's WMC Shares are pre-CGT shares (if CGT Demerger Relief were elected, the CGT status of the WMC Resources Shares would mirror the status of the shareholder's WMC Shares, as described in Section 9.2.3(a)). The cost base of the WMC Resources Shares will be determined in accordance with the principles described in Section 9.2.3(b), based only on the cost bases of the shareholder's post-CGT WMC Shares.

(d) Disposal of Alumina Limited Shares or WMC Resources Shares

This Section 9.2.3(d) applies to the Alumina Limited Shares held by a WMC Shareholder at the time of the Demerger and the WMC Resources Shares transferred to that shareholder pursuant to the Demerger.

If a WMC Shareholder sells their post-CGT Alumina Limited Shares or post-CGT WMC Resources Shares at a price greater than the cost base of those shares (determined in accordance with the calculations described in Section 9.2.3(b)), the shareholder will realise a capital gain equal to the excess.

The method of calculating this capital gain depends on whether the shareholder is an individual, company, trust or superannuation fund, the period of time the Alumina Limited Shares and WMC Resources Shares have been held, and when the shareholder originally acquired their Alumina Limited Shares (as WMC Shares).

If the post-CGT Alumina Limited Shares were acquired (as WMC Shares) before 21 September 1999, that shareholder can choose to index the cost base of their disposed of Alumina Limited Shares to include indexation. Indexation is calculated by reference to changes in the Consumer Price Index from the calendar quarter in which the Alumina Limited Shares were acquired until the calendar quarter ended 30 September 1999. Alternatively, the WMC Shareholder may choose to claim a CGT discount in calculating the amount of the capital gain, which is described below. Subject to the special provisions which apply to listed investment companies (and which are not detailed in this Section 9.2.3(d)), companies are not entitled to this CGT discount.

An individual, trustee of a trust or complying superannuation entity may choose to claim a CGT discount if the shareholder has held their Alumina Limited Shares or WMC Resources Shares for at least 12 months and in respect of Alumina Limited Shares, has not adjusted the cost base of their shares for indexation. In determining whether a shareholder has held their WMC Resources Shares for at least 12 months, the shares will be deemed to have been acquired by that shareholder at the time at which their Alumina Limited Shares were acquired (as WMC Shares).

For an individual, the CGT discount to which they may be entitled is determined as follows:

- the individual must calculate the gross capital gain on the difference between the price received for the disposal of their Alumina Limited Shares or WMC Resources Shares (as the case may be) and the cost base of those shares (without indexation);
- if the individual has any capital losses, they must be used to offset the capital gain; and
- of the remaining capital gain (if any), one half (50% discount) of the capital gain is then included in their assessable income.

For complying superannuation entities, the same general methodology as above is used, with the exception that two-thirds (33.3% discount) of the remaining capital gain after the offset of available capital losses (if any) is included in assessable income.

The methodology for trusts is complex and has not been outlined in this Section 9.2.3(d). Trustees should obtain specific tax advice in this regard.

For Alumina Limited Shares or WMC Resources Shares which are disposed of for a price less than their reduced cost base, the WMC Shareholder may incur a capital loss. This capital loss may be available to be offset against capital gains in the same year of income or may be carried forward for offset in future years of income. It cannot be used to offset other assessable income.

9.2.4 Income tax consequences of the Demerger – Treatment of the Share Scheme Dividend

The Share Scheme Dividend should not be taxable as a dividend or a deemed dividend pursuant to section 45B of the ITAA to WMC Shareholders by virtue of the provisions of the Demerger Relief Act. WMC expects the ATO Class Ruling to confirm this position.

9.3 United Kingdom

9.3.1 Scope

This Section 9.3 describes in general terms the United Kingdom tax position of WMC Shareholders who are resident or ordinarily resident in the United Kingdom in relation to the Demerger.

The description relates to WMC Shareholders who own WMC Shares as a capital asset and does not describe the position in relation to WMC Shares which may be owned as a trading asset. It also does not refer to the position of WMC Shareholders who are exempt from United Kingdom corporation tax or CGT in respect of gains arising from their shareholdings.

The description has been prepared on the basis that no United Kingdom resident WMC Shareholder holds, together with persons connected with them, more than 10% of WMC Shares. Where a shareholding greater than this level is held, other provisions of United Kingdom tax law may apply.

This Section 9.3 deals with the United Kingdom tax position of WMC Shareholders in general terms only and does not describe the position of any particular WMC Shareholder. United Kingdom resident WMC Shareholders or WMC Shareholders who are otherwise within the charge to United Kingdom taxation in respect of their WMC Shares should take their own advice on the United Kingdom tax implications of the Demerger.

9.3.2 CGT consequences of the Demerger – Treatment of the Capital Reduction

The Capital Reduction is likely to be treated as a capital distribution to UK resident WMC Shareholders for the purposes of UK CGT or corporation tax.

The Capital Reduction is likely to result in UK resident WMC Shareholders being regarded as having made a part disposal of their WMC Shares for the purposes of UK CGT or corporation tax. This will give rise to a capital gain or loss calculated as the difference between the Reduction Amount (A$2.78 per WMC Share) and an appropriate proportion of the WMC Shareholder's eligible cost of their WMC Shares for the purposes of UK taxation of capital gains. The proportion of the relevant WMC Shareholder's WMC Share cost base is calculated by multiplying the eligible cost by the following formula:

$$\frac{A}{(A+B)}$$

where:

A = the Reduction Amount; and

B = the market value of the shareholder's Alumina Limited Shares after the Demerger.

Where a capital gain arises, this may be reduced by indexation of the eligible cost, an allowance related to the rate of increase of the UK retail price index over the period that the WMC Shares have been held by the relevant WMC Shareholder. Individual shareholders are not, however, generally entitled to this relief for periods after April 1998, but may instead be entitled to a reduction of the gain in accordance with the relief known as 'taper relief', depending on the period for which the shareholding has been held and whether it represents a business or non business asset for the purposes of the UK taxation of capital gains.

9.3.3 Income tax consequences of the Demerger – Treatment of the Share Scheme Dividend

The Share Scheme Dividend (A$0.73 per WMC Share) is likely to represent foreign source dividend income for the purposes of UK income tax or corporation tax. Accordingly, UK WMC Shareholders are likely to incur UK income tax or corporation tax on the Share Scheme Dividend at the normal rates applicable to their income.

9.3.4 [illegible] WMC Resources Shares

For the purposes of computing capital gains or losses on any future disposal by UK WMC Shareholders of WMC Resources Shares transferred as part of the Demerger, those shareholders will be treated as having acquired WMC Resources Shares at a cost equivalent to the sum of the Reduction Amount and the Share Scheme Dividend (ie A$3.51 per WMC Resources Share).

9.4 New Zealand

9.4.1 Scope

This Section 9.4 describes in general terms only the tax position of WMC Shareholders resident in New Zealand in relation to the Demerger and who do not qualify for exempt tax treatment. New Zealand resident WMC Shareholders should seek their own specific taxation advice on the tax implications of the Demerger in respect of their individual circumstances.

9.4.2 Treatment of the Capital Reduction and the Share Scheme Dividend

It is likely that the Reduction Amount (ie A$2.78 per WMC Share under the Capital Reduction) and the Share Scheme Dividend (ie an amount of A$0.73 per WMC Share) will be treated as an assessable dividend for New Zealand resident WMC Shareholders. The tax treatment will be different for corporate and non-corporate shareholders.

(a) Corporate and unit trust shareholders

For New Zealand resident corporate WMC Shareholders, the Capital Reduction and the Share Scheme Dividend will be technically exempt from tax. Those WMC Shareholders will, however, be subject to an advance tax, referred to as a 'dividend withholding payment', at a rate of 33%. This will be reduced to the extent of Australian dividend withholding tax withheld.

A dividend withholding payment is only payable to the extent that the corporate WMC Shareholder is owned by New Zealand residents. Therefore, if it is wholly owned by non-residents, the dividend withholding payment is reduced to zero. For a corporate shareholder in a loss position, the amount payable can be further reduced.

New Zealand resident unit trust WMC Shareholders will be treated in the same way as companies.

(b) Non-corporate shareholders

For non-corporate New Zealand resident WMC Shareholders, including individuals and superannuation funds, the Reduction Amount and the Share Scheme Dividend will be gross income and therefore taxable at the individual's or fund's appropriate marginal tax rate. A foreign tax credit should generally be available for any Australian withholding tax deducted from the Reduction Amount or the Share Scheme Dividend.

9.4.3 Disposal of Alumina Limited Shares and WMC Resources Shares

There is no capital gains tax in New Zealand. A sale or disposal of Alumina Limited Shares or WMC Resources Shares will only give rise to tax implications where those shares are held on revenue account by the WMC Shareholder.

Shares will normally be held on revenue account if they:

- are held as part of a business of share dealing; or
- were acquired for the purpose, or the dominant purpose if there was more than one purpose, of selling or otherwise disposing of them; or
- were used in the carrying on or the carrying out of any undertaking or scheme entered into or devised for the purpose of making a profit.

For New Zealand resident WMC Shareholders who hold WMC Shares on revenue account, the cost base of their Alumina Limited Shares will be the same as the cost base of their WMC Shares immediately prior to the Demerger. In other words, no adjustment will be made to the cost base of the WMC Shares as a result of the Demerger.

For New Zealand resident WMC Shareholders who hold WMC Resources Shares on revenue account, the cost base will be equal to the sum of the Reduction Amount and the Share Scheme Dividend (ie A$3.51 per WMC Share), which is used to acquire those shares. Any subsequent sale or disposition of the WMC Resources Shares will be taxable, although a deduction would be available for the cost base of the shares.

Under the Demerger, there is no sale or disposal of Alumina Limited Shares or WMC Resources Shares by WMC Shareholders.

9.5 United States

For WMC Shareholders in the US, Deloitte & Touche LLP has advised WMC that it is more likely than not that tax relief in respect of the Demerger will be available under section 355 of the Internal Revenue Code of 1986 (US). Deloitte & Touche LLP's opinion, which sets out applicable US federal tax laws and their application to the Demerger for certain WMC Shareholders in the US, is provided in full in Section 13. WMC Shareholders in the US should note that the availability of relief under section 355 of the Internal Revenue Code of 1986 for the Demerger is not certain, and shareholders may have a tax liability if the section does not apply. US shareholders are advised to seek their own advice on this issue.

10. Additional information

10.1 Introduction

This section 10 sets out additional information required pursuant to section 412(1)(a)(ii) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations and other additional information.

10.2 WMC Directors

The WMC Directors in office at the date of lodgement of this Scheme Booklet for registration by ASIC are:

Name	Position
Mr Ian G R Burgess AO	Chairman
Mr Hugh M Morgan AC	Chief Executive Officer
Mr Tommie C-E Bergman	Deputy Chairman
Professor Adrienne E Clarke AO	Director
Mr Peter J Knight	Director
Mr David E Meiklejohn	Director
Mr Andrew G Michelmore	Director
Mr Roger A G Vines	Director
Mr Ian E Webber AO	Director

10.3 Directors' recommendation

The WMC Directors believe that the Demerger, including the Share Scheme, the Capital Reduction, the Share Scheme Dividend and the matters proposed under the Ancilliary Demerger Resolutions, and the Option Scheme, are fair and reasonable to all WMC Shareholders and WMC Optionholders, are in the best interests of WMC, WMC Shareholders and WMC Optionholders and will not materially prejudice WMC's ability to pay its creditors.

Each WMC Director recommends that all WMC Shareholders and all WMC Optionholders (as relevant) vote in favour of the Schemes, the Capital Reduction, each Ancillary Demerger Resolution and the WMC Option Plan Resolution.

10.4 Intentions of WMC Directors

Each WMC Director intends to vote in favour of the resolutions required to implement the Demerger and the resolutions required to implement the Option Scheme.

10.5 Payments or other benefits to directors, secretaries or executive officers

No payment or other benefit is proposed to be made or given to any director, secretary or executive officer of WMC, or of any related body corporate of WMC, as compensation for loss of or as consideration for or in connection with his or her retirement from office in WMC or in a related body corporate as a result of the Demerger.

10.6 Marketable securities held by or on behalf of WMC Directors and Alumina Limited Directors

10.6.1 Marketable securities in WMC

There are no marketable securities of WMC held by or on behalf of WMC Directors or Alumina Limited Directors, or to which such persons are otherwise entitled, as at the date of this Scheme Booklet other than as listed below:

WMC Director	WMC Shares	WMC Options
Mr Ian G R Burgess	18,039	-
Mr Hugh M Morgan	402,141	950,000
Mr Tommie C-E Bergman	10,000	-
Professor Adrienne E Clarke	5,063	-
Mr Peter J Knight	2,020	-
Mr Andrew G Michelmore	21,341	380,000
Mr David E Meiklejohn	5000	-
Mr Roger A G Vines	1,368	-
Mr Ian E Webber	20,000	-

In addition, Mr Morgan holds 400,000 WMC SAPs issued to him under the August 2002 WMC Stock Appreciation Plan (as described in more detail in Section 8.2.4(a)).

Alumina Limited Director	WMC Shares	WMC Options
Mr Donald M Morley	310,492	395,000
Mr John Marlay	-	-
Mr Peter A F Hay	-	-
Mr Ronald J McNeilly	-	-
Mr Mark R Rayner	10,000	-

In addition, Mr Morley holds 250,000 WMC SAPs issued to him under the June 2002 WMC Stock Appreciation Plan (as described in more detail in Section 8.2.4(a)).

10.6.2 Marketable securities in WMC Resources

There are no marketable securities of WMC Resources held by or on behalf of WMC Directors or to which such persons are otherwise entitled, as at the date of this Scheme Booklet.

It should be noted that as WMC Resources is, as at the date of this Scheme Booklet, a wholly owned subsidiary of the WMC Group, all of the WMC Directors collectively control all the issued shares in WMC Resources.

In addition:

- WMC Directors who are WMC Shareholders will be entitled to receive WMC Resources Shares under the terms of the Share Scheme;
- WMC Directors who are WMC Optionholders will be granted WMC Resources Options under the Option Scheme; and
- Mr Morgan, as a holder of WMC SAPs, will be granted WMC Resources SAPs under the proposal for dealing with all holders of WMC SAPs (described in Section 8.2.4).

10.7 Intention of WMC Directors concerning the businesses of Alumina Limited and WMC Resources

It is the intention of the WMC Directors following implementation of the Demerger that:

(a) the businesses of Alumina Limited and WMC Resources will continue as set out in Sections 6 and 7 respectively; and

(b) the future employment of the present employees of WMC Group and related employment policies will be as set out in Sections 6, 7 and 8.

However, the businesses of WMC Resources and Alumina Limited will be the responsibility of their respective new boards following the Demerger and therefore beyond the control of the WMC Directors in that capacity.

10.8 Agreements or arrangements with WMC Directors and others relating to the Schemes

Except as set out below, there are no agreements or arrangements made between any WMC Director and any other person in connection with or conditional upon the outcome of the Schemes.

WMC Resources will establish the WMC Resources Employee Share Scheme as set out in Section 8.3.1 and those WMC Directors who will be WMC Resources executive directors may elect to participate in the WMC Resources Employee Share Scheme.

WMC Resources will enter into arrangements with each of its non-executive directors setting out the terms of their engagement as non-executive WMC Resources Directors. It is proposed that the terms of these arrangements will be identical to the terms of the existing arrangements between WMC and its non-executive directors, other than with respect to retirement benefits. The proposed retirement benefits for WMC Resources' non-executive directors are set out in Section 7.10.3(b).

10.9 Material changes in the financial position of WMC

Within the knowledge of WMC Directors, and other than as disclosed in this Scheme Booklet, the financial position of WMC has not materially changed since 30 June 2002, being the date of the half yearly accounts for WMC lodged with ASX.

10.10 Other information material to the making of a decision in relation to the Demerger or the Option Scheme

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Demerger or the Option Scheme, being information that is within the knowledge of any WMC Director, or any director of any related body corporate of WMC, which has not been previously disclosed to WMC Shareholders and WMC Optionholders (as relevant).

10.11 Quotation of WMC Resources Shares

WMC Resources Shares are not currently granted official quotation on a securities exchange, however an application is to be made on or about the date of this Scheme Booklet for WMC Resources to be admitted to the official list of the ASX and for official quotation of WMC Resources Shares on the stock market conducted by the ASX. An application will also be made to the NYSE to list WMC Resources Shares on the NYSE in the form of ADRs.

No securities of WMC Resources have been sold in the three months immediately before the date of this Scheme Booklet.

10.12 Consents and interests of experts and other parties

10.12.1 Independent expert's report

Grant Samuel has prepared the independent expert's report set out in Section 11, stating its opinion as to whether the Demerger:

- is in the best interests of WMC Shareholders; and
- is materially prejudicial to WMC's creditors.

Grant Samuel will be paid a total fee of A$300,000 plus out of pocket expenses for the preparation of this report.

Grant Samuel has given and has not withdrawn its consent to the inclusion in Section 11 of the independent expert's report in the form and context in which it is included and to the reproduction of the summary and conclusions of the independent expert's report in the Letter from the Chairman and Sections 1.7, 4.6.3 and 5.1.1(c) of this Scheme Booklet.

10.12.2 Investigating accountants' reports

PricewaterhouseCoopers has given and has not withdrawn its consent to the inclusion in Section 12 of the Investigating Accountant's Report on the historical financial information in this Scheme Booklet in the form and context in which it is included. PricewaterhouseCoopers Securities Ltd has given and has not withdrawn its consent to the inclusion in Section 12 of the Investigating Accountant's Report on the forecast financial information in this Scheme Booklet in the form and context in which it is included.

10.12.3 US tax opinion

Deloitte & Touche LLP has given and has not withdrawn its consent to the inclusion in Section 13 of its tax opinion on the US federal tax consequences of the Demerger for certain WMC Shareholders in the form and context in which it is included.

10.13 ASIC exemptions and modifications and ASX waivers and confirmations

10.13.1 ASIC

Clause 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires an explanatory statement in relation to a scheme of arrangement to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of the scheme company or of a related body corporate of the scheme company as compensation for loss of, or as consideration for or in connection with his or her retirement from, office in the scheme company or a related body corporate of the scheme company.

ASIC has allowed WMC to depart from those requirements. The effect of this relief is that:

(a) WMC is not required to disclose particulars of payments or benefits which may be made to a person referred to in Clause 8302(d) (**Relevant Person**) in relation to their loss of office or retirement from office, unless:
   (i) the Relevant Person will lose office or retire from office as a consequence of, or in connection with, the Demerger; or
   (ii) the amount of any payment or benefit which may be made to the Relevant Person upon their loss of office or retirement from office may be materially affected by the Demerger;
(b) the Scheme Booklet is not required to state the identity of any Relevant Person who will lose office or retire from office in connection with the Demerger, unless that person is a WMC Director; and
(c) the Scheme Booklet is not required to state particulars of payments or benefits to Relevant Persons, other than WMC Directors, that would otherwise be required to be disclosed under paragraph (a), provided:
   (i) such payments or benefits are disclosed on an aggregate basis; and
   (ii) the Scheme Booklet discloses the number of Relevant Persons who will receive a payment or benefit that is required to be disclosed under paragraph (a) and which falls within each successive $10,000 band, commencing at nil, where the number of Relevant Persons is not less than one.

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires an explanatory statement in relation to a scheme of arrangement to set out whether, within the knowledge of the directors of the scheme company, the financial position of the scheme company has materially changed since the date of the last balance sheet laid before the scheme company in general meeting or sent to its shareholders in accordance with section 314 or 317 of the Corporations Act.

ASIC has allowed WMC to depart from complying with that requirement on the basis that:

- WMC complies with Division 2 of Part 2M.3 of the Corporations Act in respect of the period ending 30 June 2002;
- this Scheme Booklet states that WMC will give a copy of the documents referred to in section 302 of the Corporations Act, free of charge, to anyone who asks for them before the Demerger is approved by order of the Court (see Section 10.23); and
- any material change in WMC's financial position occurring after the balance date of WMC's financial report for the period ending 30 June 2002 is disclosed in this Scheme Booklet (see Section 10.9).

ASIC has also allowed WMC to depart from the requirements of clauses 8201(a), (b), (c), (d) and (e) and 8203(a) and (b) of Part 3 of Schedule 8 to the Corporations Regulations in the form of pro forma instruments of relief 191 and 192 referred to in ASIC Policy Statement 142 (Schemes of arrangement and ASIC review).

10.13.2 ASX

The ASX has granted waivers to WMC or in principle approval to WMC Resources to the waiver of the following Listing Rules:

(a) Listing Rule 1.1, Condition 3 to the extent necessary to permit this Scheme Booklet to comply with Appendix 1A to the Listing Rules except Item 116, on condition that this Scheme Booklet contains the statement set out in Section 10.18;
(b) Listing Rule 6.23.3 to permit the amendments to the terms and conditions of the WMC Option Plans in accordance with the Option Scheme;
(c) Listing Rule 6.24 to relieve WMC from the requirement to comply with paragraph 1 of Appendix 6A in connection with the Share Scheme to the extent necessary to allow WMC to comply with the timetable prescribed by the Share Scheme;
(d) Listing Rule 7.22.3 to permit the amendments to the terms and conditions of the WMC Option Plans in accordance with the Option Scheme;
(e) Listing Rule 7.1 so that WMC Resources Options granted pursuant to the Option Scheme are not counted in calculating the number of equity securities that WMC Resources may issue in the 12 month period after its admission to the official list of the ASX without being required to obtain the approval of the holders of its ordinary securities;
(f) Listing Rule 7.40 to relieve WMC from the requirement to comply with paragraph 6 of Appendix 7A in connection with the Share Scheme and the Option Scheme to the extent necessary to allow WMC to comply with the timetables prescribed by the Share Scheme and the Option Scheme;

(g) Listing Rule 7.40 to relieve WMC Resources from the requirement to comply with paragraph 5 of Appendix 7A in connection with the conversion of its shares into a smaller or larger number of shares (as required) pursuant to section 254H of the Corporations Act;
(h) Listing Rule 10.1 to relieve WMC from the obligation to seek shareholder approval to the transfer of WMC Resources Shares to any of WMC's substantial shareholders pursuant to the Share Scheme;
(i) Listing Rule 10.11 to relieve WMC Resources from the obligation to seek shareholder approval for the grant of WMC Resources Options to WMC Directors and WMC Resources Directors pursuant to the Option Scheme; and
(j) Listing Rule 10.17 to permit WMC's existing directors' fee cap to be exceeded on condition that:
   (i) WMC Resources establishes, in accordance with Listing Rule 10.17, its own maximum amount that may be paid to WMC Resources Directors after the implementation of the Share Scheme; and
   (ii) that amount is disclosed in this Scheme Booklet.

10.14 Deeds of indemnity, insurance and access

10.14.1 Alumina Limited Directors

WMC Limited has entered into deeds in favour of each of the Alumina Limited Directors providing for certain terms of office.

In broad terms, each deed executed in favour of an Alumina Limited Director (an **Alumina Limited Director's Deed**) will:

- provide an ongoing indemnity (to the extent that Alumina Limited is not precluded by law from so doing so and the relevant director is not otherwise indemnified) to the Alumina Limited Director against liabilities arising as a result of the conduct of the business of Alumina Limited or any subsidiary of Alumina Limited, or any act or omission of the Director as a director of Alumina Limited or as a director or officer of any subsidiary. Liability relating to the Alumina Limited Director's involvement in, or conduct in connection with, the Demerger will be specifically included;
- require that Alumina Limited maintain normal insurance policies taken up for the benefit of the Alumina Limited Director for the term of their appointment and continuing for 15 years after the date on which they cease to be an Alumina Limited Director or, in respect of liability arising out of the Demerger, for 15 years after the Demerger Date; and
- ensure that the Alumina Limited Director has access (subject to strict confidentiality obligations and legal professional privilege restrictions) to the board papers of Alumina Limited and any other documents relating to the performance of their duties to Alumina Limited or any subsidiary for a period of 15 years after the date on which they cease to be an Alumina Limited Director and to any documents relating to the Demerger for a period of 15 years after the Demerger Date, for the purpose of the director defending legal proceedings or appearing before an inquiry or hearing relating to the performance of their duties as an Alumina Limited Director or as a director or officer of any subsidiary.

The indemnity will continue after the relevant Alumina Limited Director ceases to hold office with Alumina Limited.

Each Alumina Limited Director's Deed will also require:

- Alumina Limited to provide cash advances to the relevant Alumina Limited Director to cover any costs associated with the defence of any proceeding that may result in a claim under the indemnity, such advances to be repaid once the actual amount liable to be indemnified is ascertained;
- the relevant Alumina Limited Director to promptly notify Alumina Limited of any circumstances that may lead to a claim under the indemnity, and to take such action as Alumina Limited reasonably requests, at Alumina Limited's expense, to mitigate any consequent liability; and
- the relevant Alumina Limited Director to provide all reasonable assistance and co-operation, at Alumina Limited's expense, to Alumina Limited and its insurers in connection with any proceeding that may lead to a claim under the indemnity, and to subrogate Alumina Limited and its insurers to the Alumina Limited Director's rights in relation to the proceeding (subject to such subrogation not prejudicing any rights the Alumina Limited Director may have in relation to defamation by a third party).

10.14.2 WMC Resources Directors

At the General Meeting, WMC Shareholders will be asked to pass a resolution approving the entry into, and performance of, deeds by WMC Resources in favour of each WMC Director, providing for certain terms of office of those WMC Directors as directors of WMC Resources. In addition, WMC Resources has executed a deed in favour of Mr Morley to cover any residual liability he may have incurred in his capacity as a former director of WMC Resources, to the extent that it is not covered by the deed executed in his favour by WMC referred to in Section 10.14.3.

Each deed to be executed by WMC Resources (a **WMC Resources Director's Deed**), will be in substantially similar terms to the Alumina Limited Director's Deed, as described in Section 10.14.1. The WMC Resources Director's Deeds will only apply in relation to liability incurred by the relevant WMC Director in or arising out of the conduct of the business of WMC Resources or any subsidiary of WMC

Resources, or any act or omission of the WMC Director as a director of WMC Resources or as a director or officer of any subsidiary of WMC Resources. Further detail in relation to the WMC Resources Director's Deeds is contained in the explanatory notes to the notice convening the General Meeting contained in Section 16.

10.14.3 Demerger cover

As noted in Sections 10.14.1 and 10.14.2, specific cover will be provided in each Alumina Limited Director's Deed and WMC Resources Director's Deed for the relevant directors' involvement in, and conduct in relation to, the Demerger. However, it is intended that the Alumina Limited Director's Deeds and WMC Resources Director's Deeds will primarily provide cover for directors going forward from the date the Demerger is implemented, and in the course of the conduct of the relevant business after that time. It is intended that liability of current directors and relevant former directors within the WMC Group arising prior to or in relation to the Demerger will be primarily covered by deeds executed by WMC in favour of the WMC Directors (**WMC Directors Deeds**), which WMC Shareholders will be asked to approve at the General Meeting. The intent is that, to the extent that a WMC Director incurs liability as a director of WMC Resources or as a director or officer of any of its subsidiaries prior to the Demerger, or arising out of the Demerger itself, their primary recourse should be against WMC under its indemnity. Further detail in relation to the WMC Director's Deeds is contained in the explanatory notes to the notice convening the General Meeting contained in Section 16.

10.15 Directors' and officers' liability insurance

10.15.1 Directors and officers of WMC

WMC has paid a premium in respect of a contract to insure directors and officers of the WMC Group against liabilities incurred in the performance of their duties on behalf of the WMC Group prior to or on the date of implementing the Demerger, including liabilities arising out of the Demerger (subject to a number of exclusions that apply to the coverage generally).

The officers of the WMC Group covered by the insurance policy include any natural person acting in the course of duties for the group who is or was a director, secretary or executive officer of a WMC Group company as well as senior and executive staff of the WMC Group (including WMC Resources and its post-Demerger subsidiaries).

The insurance contract provides cover for a 12 month period ending on the earlier of 31 March 2003 and the Demerger Date. An additional up-front premium will be paid to extend cover for a period of seven years from the Demerger Date in respect of liabilities incurred prior to or on that date.

10.15.2 Directors and officers of WMC Resources

WMC Resources will pay a premium in respect of a contract to insure directors and officers of the WMC Resources Group against liabilities incurred in the performance of their duties on behalf of the WMC Resources Group after the Demerger Date (subject to a number of general exclusions). For the period from 31 March 2002 to the Demerger Date, directors and officers of the WMC Resources Group are covered by the WMC insurance policy described in Section 10.15.1.

The officers of the WMC Resources Group to be covered by the insurance policy will include any natural person acting in the course of duties for the group who is or was a director, secretary or executive officer of a WMC Resources Group company, as well as senior and executive staff.

10.15.3 Directors and officers of Alumina Limited

Alumina Limited will pay a premium in respect of a contract to insure directors and officers of the Alumina Limited Group against liabilities incurred in the performance of their duties on behalf of the Alumina Limited Group after the Demerger Date (subject to a number of general exclusions). For the period from 31 March 2002 to the Demerger Date, directors and officers of the Alumina Limited Group are covered by the WMC insurance policy described in Section 10.15.1.

The officers of the Alumina Limited Group to be covered by the insurance policy will include any natural person acting in the course of duties for the group who is or was a director, secretary or executive officer of an Alumina Limited Group company, as well as senior and executive staff.

10.16 Proposed tax consolidation regime

'Tax consolidation' refers to the proposed Australian income tax provisions contained in the Demerger Relief Act, the *New Business Tax System (Consolidation) Bill (No 1) 2002*, the *New Business Tax System (Consolidation and Other Measures) Bill (No 1) 2002* and several yet to be released proposed Bills.

Whilst some of these Bills have been passed, the consolidation provisions will only come into effect upon Royal Assent being given to later Bills.

The effect of tax consolidation on corporate groups that elect to consolidate is that they are treated for income tax purposes as if they were a single entity.

It is not compulsory that companies elect to form a consolidated group. However, there are a number of potential disadvantages for corporate groups that do not elect into consolidation. These potential disadvantages primarily relate to the tax treatment of transactions between members of the group as well as the inability to transfer tax losses.

10.16.1 Tax cost base of assets in the consolidated group

Where a group elects to consolidate, the tax cost base of the assets of the members of the group may be reset. Depending on the particular circumstances of the members in the group, this may result in an increased reset tax cost base. The consolidated group may be advantaged as a consequence of this reset due to a higher tax cost base. Specific provisions apply in relation to the ability to claim depreciation deductions.

10.16.2 Utilisation of tax losses within the consolidated group

Where a group elects to consolidate, losses of an entity joining the consolidated group can be transferred to and utilised by the consolidated group. The transfer of losses to the consolidated group requires the joining entity to pass either an ownership or same business test. Once losses are transferred to the group they may be utilised subject to certain restrictions. The general method for restricting the rate at which losses are utilised is known as the 'available fraction'. The available fraction is, broadly, calculated by reference to the market value of the loss entity as a proportion of the market value of the group (with certain concessions available where a group elects to consolidate within a specified period). This fraction is then applied against the income of the group to determine the quantum of losses that may be used in a given period.

10.16.3 Other impacts

There are also other impacts on entities where a group elects to consolidate. These include the following:

- the franking surpluses of the subsidiaries of the group will be 'transferred' to the head company of the group, which will then maintain the franking account for the consolidated group; and
- the consolidated group will lodge a single consolidated income tax return. Generally, the head company of the consolidated group will primarily be responsible for the income tax liability of the group.

10.17 Material agreements

10.17.1 Implementation Deed

WMC, WMC Resources, Fertilizers and ODC have entered into the Implementation Deed, pursuant to which each has agreed to do everything necessary to implement the Share Scheme and (in the case of WMC and WMC Resources) the Option Scheme. This includes, in the case of WMC, doing everything necessary to implement the Capital Reduction and the Share Scheme Dividend.

WMC and WMC Resources have also agreed to take all actions necessary or desirable to ensure that various conditions precedent to each Scheme are satisfied. In addition, WMC and WMC Resources have agreed to negotiate in good faith the terms of the Demerger Deed and the Transitional Services Agreement, and any ancillary agreements necessary in relation to the Demerger.

In accordance with the Implementation Deed, each of WMC Resources, Fertilizers and ODC has also executed a deed poll in favour of WMC Shareholders and (in the case of WMC Resources) WMC Optionholders, pursuant to which it undertakes to perform its relevant obligations under the Schemes.

A copy of the Implementation Deed is contained in Section 14.

10.17.2 Demerger Deed

(a) Nature of deed

WMC Resources and Alumina Limited will enter into the Demerger Deed on or before the Demerger Date. The Demerger Deed deals with transitional and miscellaneous commercial and legal issues arising in connection with the legal and economic separation of WMC Resources from Alumina Limited.

(b) Key terms

(i) Fundamental Demerger principle

The fundamental principle of the separation of WMC Resources from Alumina Limited is that, following the Demerger, WMC Resources will have the entire economic benefit, risk and liabilities of all the WMC Resources businesses, companies and assets as if WMC Resources had owned and operated those businesses, companies and assets at all times. Alumina Limited will continue to have the entire economic benefit, risk and liabilities of its companies and assets following the Demerger.

(ii) Acknowledgement

Consistent with the fundamental Demerger principle outlined above, Alumina Limited and WMC Resources acknowledge that, once the Demerger is complete, WMC Resources will not have any rights against Alumina Limited, and Alumina Limited will not have any rights against WMC Resources, except in specified circumstances. Neither Alumina Limited nor WMC Resources will have any right to make a claim for loss or damage arising directly or indirectly in relation to the Capital Reduction, the Share Scheme Dividend, the Schemes, the internal restructure of the WMC Resources Group (summarised in Section 5.5.1) and the operation of the WMC Resources Group's businesses prior to the Demerger, unless expressly permitted by the Demerger Deed or any other document or agreement between the parties (such as the Transitional Services Agreement or other ongoing commercial arrangements).

(iii) Business restructure
WMC's non-AWAC businesses and companies have been or will be substantially restructured pursuant to a series of separate restructure agreements prior to the Demerger so that an identifiable corporate group will come into existence comprising the companies that own the WMC Resources assets and constitute the WMC Resources businesses. The Demerger Deed makes provision for:

- the approach to be adopted by the parties to the restructure of WMC's non-AWAC businesses and companies prior to the Demerger;
- the practical, economic and legal effect of the separation of WMC Resources from Alumina Limited;
- the mechanism under which Alumina Limited and WMC Resources can transfer to the other group any asset or contract which a group member owns or holds after the Demerger Date but which at the Demerger Date was most directly used in the other group's business, or was incorrectly transferred as part of the restructure of WMC's non-AWAC businesses; and
- if any asset or share transfers required to establish the WMC Resources Group have not been completed prior to the date of execution of the Demerger Deed, the principles in accordance with which the parties will conduct their arrangements pending each transfer, so as to ensure that, to the extent possible, each transferee gets the benefit and all risks of the asset or company being transferred as from the Accounting Effective Date.

(iv) Accounting separation
The Demerger Deed confirms that, for accounting purposes, Alumina Limited and WMC Resources will be treated as being demerged as from 30 November 2002, or on such other date as may be agreed between Alumina Limited and WMC Resources, with the intention that it be the date of the closest month end preceding the Demerger Date.

(v) Access to records
Records held by each of Alumina Limited and WMC Resources at the Demerger Date that relate to the other must be maintained. Each of Alumina Limited and WMC Resources must allow the other to access those records and must notify the other prior to any destruction of those records so that they can be copied or retrieved.

(vi) Financial and tax assistance
Alumina Limited and WMC Resources will assist each other in relation to future and past financial and tax matters, and each will allow the other access to financial and other records in connection with the preparation of tax returns or tax audits by the ATO of either Alumina Limited or WMC Resources.

(vii) Employees and superannuation
The Demerger Deed addresses matters relating to the transfer of certain employees of WMC Resources to Alumina Limited. Alumina Limited is obliged to indemnify WMC Resources against all costs and expenses (including claims) relating to the transfer. WMC Resources and Alumina Limited are each obliged to indemnify the other against all costs and expenses (including claims) relating to any redundancy, retrenchment or termination of a former Alumina Limited employee or WMC Resources employee (as applicable).

In accordance with the fundamental Demerger principle, WMC Resources is required to meet all costs relating to the provision of retirement savings or retirement income benefits and other related benefits for its employees. The Demerger Deed also requires Alumina Limited to assume responsibility for the superannuation arrangements of those employees transferring to it from WMC Resources.

(viii) Use of intellectual property
The Demerger Deed sets out the general principles that determine ownership of intellectual property by Alumina Limited and WMC Resources (other than trade marks and business names). The Demerger Deed also sets out the restrictions on the use of jointly-owned intellectual property.

Under the Demerger Deed, Alumina Limited is required as soon as practicable, and in any event within one month, after the Demerger Date to cease the use of the 'WMC' name (and derivatives) and the 'WMC' logo, and to arrange for the change of Alumina Limited Group company names including the 'WMC' name (or derivatives).

(ix) Litigation management
Alumina Limited and WMC Resources will assist each other in relation to the management of current and new litigation matters involving WMC Resources (other than in respect of litigation between Alumina Limited and WMC Resources). Each of Alumina Limited and WMC Resources indemnifies the other in respect of liability or loss suffered in connection with a claim where that liability relates to the business of the other.

(x) Insurance
WMC Resources will provide its own group business insurance and insurance for the WMC Resources Directors and officers from the Demerger Date. However, WMC Resources and the WMC Resources Directors and officers will have access to the existing

directors' and officers' insurance policy maintained by Alumina Limited for the remaining life of that policy in respect of matters which occurred on or before the Demerger Date.

(xi) Guarantees
WMC Resources must use its best endeavours to procure the removal of all Alumina Limited parent guarantees of the WMC Resources Group businesses prior to the Demerger. WMC Resources indemnifies Alumina Limited in respect of liability or loss suffered in connection with a claim under any guarantee not removed.

(xii) Indemnities
Alumina Limited and WMC Resources each give certain indemnities to the other, including tax indemnities, consistent with the fundamental Demerger principle outlined above, to ensure that the intended economic effect of the Demerger is achieved.

10.17.3 Transitional Services Agreement

(a) Nature of agreement

WMC Resources and Alumina Limited will enter into the Transitional Services Agreement on or before the Demerger Date. Under the agreement, WMC Resources will provide, or will procure the provision of, certain services to the Alumina Limited Group for a period of up to six months after the Demerger Date.

(b) Key terms

(i) Services
WMC Resources will provide the following services to Alumina Limited and to members of the Alumina Limited Group:

- General corporate services;
- Accounting and finance;
- IT support;
- Human resources;
- Company secretarial and legal; and
- Corporate affairs.

(ii) Charges for services
WMC Resources will charge Alumina Limited a set monthly fee for providing, or procuring the provision of the services described above.

(iii) Protection of information
The Agreement imposes obligations on each of WMC Resources and Alumina Limited to keep confidential all information, records, reports and other data and other agreements or documents relating to or used in connection with the Agreement.

(iv) Indemnity
WMC Resources must indemnify Alumina Limited against all claims and losses which may be made or brought against Alumina Limited or incurred or suffered by Alumina Limited as a result of the wilful misconduct of WMC Resources or its directors, employees, officers, agents or contractors.

10.17.4 WMC Resources Loan Facility

(a) Nature of contract

WMC will put in place the WMC Resources Loan Facility through its wholly owned subsidiary, WMC Finance, for the purposes discussed in Section 5.5.4. The facility is a US$1.1 billion loan note facility arranged and underwritten by Commonwealth Bank of Australia, Deutsche Bank, JP Morgan and Westpac Banking Corporation as joint lead arrangers. Although the WMC Resources Loan Facility has not yet been entered into, WMC has obtained binding commitments from the lenders to arrange and underwrite the facility.

(b) Key terms

(i) Components
The WMC Resources Loan Facility has two components:

- a US$500 million 364 day term facility which is intended to be refinanced by a medium to long-term debt capital markets issuance after the Demerger is implemented; and
- a US$600 million syndicated revolving facility with a 364 day term (which may be extended at the discretion of the lenders) and a three year tranche.

The periods above terminate on the relevant anniversary of the date of execution of the WMC Resources Loan Facility.

(ii) Guarantors
The WMC Resources Loan Facility will initially be guaranteed by WMC Resources and the entities that will be its principal subsidiaries, together representing no less than 85% (by EBITDA and tangible assets) of the WMC Resources Group, and by WMC. Once the Demerger is implemented, WMC (Alumina Limited, as it will then be renamed) will cease to be a guarantor of the facility.

(iii) Pricing
The pricing of the WMC Resources Loan Facility is generally consistent with that which a BBB rated entity might obtain for a facility of this size and nature.

(iv) Undertakings
The WMC Resources Loan Facility contains undertakings by WMC Resources and its subsidiaries that are customary for a facility of this nature, including negative pledges and guarantees by WMC Resources and the guaranteeing subsidiaries.

(v) Events of default
The WMC Resources Loan Facility contains events of default and review events that are customary for a facility of this nature.

10.18 Capital raising by WMC Resources

WMC Resources has not raised any capital for three months before the date of lodgement of this Scheme Booklet for registration by ASIC and will not need to raise any capital for three months after the date of lodgement of this Scheme Booklet for registration by ASIC (other than the issue of shares contemplated by the Share Scheme or following the exercise of WMC Resources Options or as otherwise described in this Scheme Booklet).

10.19 Privacy

WMC and WMC Resources may collect personal information in the process of implementing the Demerger. Such information may include the name and contact details and securityholding of WMC Shareholders and WMC Optionholders, and the name of persons appointed by WMC Shareholders and WMC Optionholders to act as proxy, corporate representative or attorney at any or all of the Meetings. The primary purpose of collection of the personal information is to assist WMC in the conduct of the Meetings and to enable the Demerger to be implemented by WMC and WMC Resources in the manner described in this Scheme Booklet. Without this information, WMC and WMC Resources may be hindered in their ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the WMC Share Registry and to the WMC Resources Share Registry, print and mail services providers, authorised securities brokers and to related bodies corporate of WMC and WMC Resources. The personal information of Ineligible Overseas Shareholders may also be disclosed to a person nominated by WMC as the Sale Agent, to enable the Sale Agent to sell the WMC Resources Shares that are attributable to the Ineligible Overseas Shareholders and to remit the net proceeds to them in accordance with the terms of the Share Scheme.

WMC Shareholders and WMC Optionholders have certain rights to access personal information that has been collected. WMC Shareholders and WMC Optionholders should contact Ms Angela Kasjan on +61(0)3 9685 6000, in the first instance, if they wish to request access to their personal information.

WMC Shareholders and WMC Optionholders who appoint a named person to act as their proxy, corporate representative or attorney at any or all of the Meetings should ensure that they inform that person of the contents of this Section 10.18.

10.20 Regulatory and legal

10.20.1 Foreign exchange controls

The Reserve Bank of Australia generally does not restrict the import and export of Australian Dollars. There are currently no Australian exchange controls or other limitations, other than any applicable withholding of Australian tax, which restrict the remittances of any dividends, interest or other payment by WMC (Alumina Limited) or WMC Resources to non-resident holders of WMC Shares (Alumina Limited Shares) or WMC Resources Shares outside Australia, provided they are not nationals of or connected with Iraq, Libya, the Federal Republic of Yugoslavia (Serbia and Montenegro), the Taliban (also referred to as the Islamic Emirate of Afghanistan), or the National Union for the Total Independence of Angola (also known as UNITA), in which case remittance is prohibited.

10.20.2 Restrictions on foreign ownership

There are no limitations under Australian law on the right of non-residents to hold or vote WMC Shares (Alumina Limited Shares) or WMC Resources Shares other than the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**). The FATA may affect the right of certain persons to hold or control WMC Shares (Alumina Limited Shares) or WMC Resources Shares. Acquisitions of shares in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the FATA. The FATA applies to any acquisition by a foreign person or associated foreign persons which would result in a holding of 15% or more of the issued shares of, or control of 15% or more of the voting power in, an Australian company. Further, it applies to any acquisition by non-associated foreign persons which would result in a holding by those persons of 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company.

10.21 Documents available for inspection

Copies of the following documents are available for inspection at the registered office of WMC between 9.00 am and 4.00 pm on Business Days until the Share Scheme Record Date.

- Constitution of WMC;
- Constitution of WMC Resources;
- WMC Director's Deeds; and
- WMC Resources Director's Deeds.

10.22 Supplementary disclosure

WMC will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Listing Date:

- a material statement in this Scheme Booklet is misleading or deceptive;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in the Scheme Booklet.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, WMC may circulate and publish any supplementary document by:

- placing an advertisement in a prominent published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on WMC's website; and
- making an announcement to the ASX.

10.23 Half-yearly accounts

WMC will give a copy of the following documents free of charge to anyone who asks for them before the Share Scheme is approved by order of the Court (expected to occur on 2 December 2002):

- WMC's financial report for the half-year ending 30 June 2002;
- the auditor's review report on WMC's financial report for the half-year ending 30 June 2002;
- WMC Directors' declaration on WMC's financial report for the half-year ending 30 June 2002; and
- WMC's directors' report for the half-year ending 30 June 2002.

Copies of these documents can be obtained by calling WMC's information line on 1800 301 080, toll free, if within Australia, or +61 (0)3 9611 5970 if outside Australia.

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Reports and Opinions

C

Fertilizer

11. Independent Expert's Report

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

LEVEL 6
1 COLLINS STREET
MELBOURNE VIC 3000
T: +61 3 9654 7300 / F: +61 3 9654 7338
www.grantsamuel.com.au

28 October 2002

The Directors
WMC Limited
Level 16 IBM Centre
60 City Road
Southbank VIC 3006

Dear Sirs

Proposed Demerger

1 Introduction

WMC Limited ("WMC") is a diversified Australian resources company. Its major assets are:

- a 40% interest in Alcoa World Alumina and Chemicals ("AWAC"), which consists of a number of bauxite mining, alumina refining and aluminium smelting assets, both in Australia and elsewhere, jointly owned by WMC and Alcoa Inc ("Alcoa");
- the Olympic Dam copper/uranium mine and processing plant in South Australia;
- a large integrated nickel mining, smelting and refining business in Western Australia ("Nickel Business Unit"); and
- the Queensland Fertilizer Operation ("QFO"), which consists of an integrated phosphate mine and ammonium phosphate fertilizer production facility.

On 21 November 2001, WMC announced a proposal to separate its interest in AWAC from its other mineral businesses ("Demerger"). Following the passage of Australian legislation that facilitates corporate demergers, WMC announced in late October 2002 that the Demerger would be submitted for shareholder approval.

The Demerger will result in the transfer of all WMC's non-AWAC assets to a new listed company, WMC Resources Ltd ("WMC Resources"). WMC will be renamed Alumina Limited ("Alumina Ltd") and will continue to hold WMC's interest in AWAC. WMC Resources will hold Olympic Dam, the Nickel Business Unit and the QFO, together with all WMC's other non-AWAC associated assets. Alumina Ltd will hold $600 million of WMC's debt. WMC Resources will assume the balance of WMC's debt along with all of its hedging commitments. Both Alumina Ltd and WMC Resources will be listed on the Australian Stock Exchange ("ASX").

The result of the Demerger is that WMC shareholders will receive one share in WMC Resources for each share held in WMC (to be renamed Alumina Ltd). Shareholders will have the same economic interest in WMC's assets after the Demerger as they did prior to the Demerger, but held through shares in two separately listed companies that can be retained or dealt with separately as shareholders deem appropriate.

The Demerger will be effected through a scheme of arrangement and associated capital reduction and dividend. The Demerger requires the approval of WMC fully paid shareholders in relation to the scheme of arrangement and the capital reduction.

The directors of WMC have requested that Grant Samuel prepare an independent expert's report stating whether the Demerger is in the best interests of WMC shareholders and the reasons for that opinion. The report will form part of the Scheme Booklet to be sent by WMC to its shareholders. Grant Samuel is independent of WMC and has no other involvement with, or interest in, the Demerger.

GRANT SAMUEL & ASSOCIATES PTY LTD ABN 28 050 036 372

2 Summary of Opinion

The Demerger will have no direct impact on the asset portfolio in which WMC shareholders have an economic interest. WMC shareholders will continue (at least initially) to hold interests in the same set of assets, although through different corporate structures. Accordingly, evaluation of the Demerger requires an assessment of whether a change in the asset ownership structure is, of itself, likely to:

- **promote more efficient utilisation of the assets;**
- **enhance share market perceptions of the value of the assets, as reflected in share prices; or**
- **increase the price that could be realised for the assets in the context of a takeover or similar transaction.**

The Demerger will result in the creation of two more focussed companies, with expected benefits in terms of investor flexibility, transparency and the alignment of management incentives with corporate performance. These factors suggest that the Demerger should result in more efficient utilisation of the assets of WMC Resources and should increase investor interest in both Alumina Ltd and WMC Resources. On the other hand, the Demerger will result in some inefficiencies, including the duplication of some corporate costs, a sub-optimal capital structure for Alumina Ltd (at least initially), higher gearing in WMC Resources and, potentially, an increase in the cost of capital for Alumina Ltd and WMC Resources by comparison with the cost of capital of WMC in its current form. Assessment of the net effect of all these advantages and disadvantages is essentially judgemental. Some of the expected benefits should be achievable, at least in part, within WMC in its current form.

WMC's current structure severely limits the number of parties that could realistically be considered potential acquirers of WMC. In Grant Samuel's view, the Demerger will significantly increase the competitive tension between potential buyers of WMC (or its assets), and materially enhance the prospect that any change of control (by way of takeover or otherwise) will occur at prices reflecting full underlying value. In recent years there has been a substantial degree of rationalisation in the resources sector. WMC's assets are likely to be highly attractive to a number of the major resources companies. In this context, the Demerger's promotion of a more competitive market for control of WMC represents a compelling advantage. Moreover, market expectations of corporate activity are likely to provide material support for the share prices of Alumina Ltd and WMC Resources.

In Grant Samuel's view shareholders are likely to be better off if the Demerger proceeds than if it does not. The Demerger will help to ensure that competition for ownership of WMC's assets is maximised. As demonstrated in recent takeovers of large Australian resources companies, competitive bidding processes can deliver substantially enhanced value to shareholders. By comparison, other advantages and disadvantages of the Demerger are unlikely to be material. Accordingly, Grant Samuel has concluded that the Demerger is in shareholders' best interests.

3 Key Conclusions

- **The Demerger will have no direct impact on the asset portfolio in which WMC shareholders have an economic interest. WMC shareholders will continue (at least initially) to hold interests in the same set of assets, although through different corporate structures.**

  Immediately following the Demerger, WMC shareholders will hold interests in the same set of assets to which they currently have economic exposure through WMC. WMC shareholders' current interest in WMC's 40% of AWAC will continue to be held through WMC, which will be renamed Alumina Ltd. WMC shareholders' current interests in Olympic Dam, the Nickel Business Unit and the QFO will be held through WMC Resources. Essentially, the Demerger is no more than a restructuring of the basis on which WMC shareholders hold their interest in WMC's asset base.

Accordingly, evaluation of the Demerger requires an assessment of whether the Demerger, merely by changing the ownership structure for WMC's assets, is likely to allow WMC shareholders to realise greater value for their investment. This could be achieved if the Demerger has the effect of:

- improving the utilisation of WMC's asset base;
- increasing investor interest in WMC's assets or the demerged companies, which would be reflected in higher share prices; or
- ensuring that any change of control of WMC's assets (by way of takeover or otherwise) occurs at the highest possible price, by removing impediments for potential acquirers and promoting a competitive market for control of the WMC assets.

The potential benefits of the Demerger need to be weighed against the disadvantages and costs of the Demerger, both for WMC and for its shareholders.

- **The Demerger will result in the creation of two more focussed companies, with expected benefits in terms of investment flexibility, transparency and the alignment of management incentives with corporate performance.**

The Demerger will result in the creation of two more focussed companies. Alumina Ltd will hold an investment in a pure alumina/aluminium company. WMC Resources will own and operate three substantial resources assets. Currently, WMC investors seeking exposure to the AWAC assets are obliged to also hold an exposure to WMC's other assets. Conversely, investors whose principal interest is in WMC's Olympic Dam or Nickel Business Unit are obliged to hold an exposure to the AWAC interest. The separation will allow potential investors to make their own choices as to their investment exposures to the two sets of assets. Investors will be able to make their own diversification choices, rather than have the diversification implied by the WMC asset portfolio imposed upon them. Moreover, it is arguable that, historically at least, the AWAC asset portfolio was not fully understood by investors in WMC. The transfer of the non-alumina assets out of Alumina Ltd will focus investor attention on the AWAC assets and facilitate comparisons between Alumina Ltd, Alcoa and other alumina/aluminium companies.

It is reasonable to expect that, at least at the margin, the greater investment flexibility and transparency promoted by the Demerger should result in increased investor interest in the demerged companies, with consequent benefits in terms of higher share prices. The promotion of direct comparisons between Alumina Ltd, Alcoa and other alumina/aluminium companies should help to ensure that the value of the AWAC interest is fully recognised in the Alumina Ltd share price.

The Demerger will also assist in aligning management incentives with corporate performance. Currently, WMC's overall performance is substantially affected by the performance of AWAC, over which Alcoa has general operational management. Management of WMC Resources will be clearly accountable for the performance of that company, and can be incentivised accordingly. The Demerger is likely to impose increased financial and operational disciplines on the new management of WMC Resources, which will not be able to rely on the relatively stable cash flows of AWAC to fund future growth opportunities.

However, the extent of some of these benefits is unclear. While specialisation and the creation of investment "pure plays" should be attractive to investors in theory, the resources sector has seen the growth of large resources companies with exposure to a wide range of commodities. Rio Tinto and BHP Billiton are successful diversified resources companies with significant exposure to alumina/aluminium and a range of other assets. It appears that, for many investors, the diversification and share liquidity provided by investing in these large, diversified resources businesses are attractive investment characteristics.

It may be the case that the AWAC asset portfolio was not fully appreciated by WMC investors in the past. However, market focus on the discussions in 2001 between WMC and Alcoa, and the extensive information that WMC has subsequently released in relation to AWAC, should reduce the significance of this issue in the future. Moreover, there are various ways in which management could be incentivised to maximise the performance of WMC's non-alumina assets, without separating the assets through the Demerger. On one view, the Demerger will essentially be a catalyst for the achievement of various benefits that, at least in part, should be achievable within WMC in its current form. Accordingly, while it is credible that the Demerger should encourage investor interest and promote better utilisation of the non-AWAC assets, in Grant Samuel's view it is difficult to be confident that the benefit directly attributable to the Demerger will be material.

- **On the other hand, the Demerger will result in some inefficiencies, including the duplication of corporate costs, a sub-optimal capital structure for Alumina Ltd (at least initially), increased gearing in WMC Resources and, potentially, an increase in the overall cost of capital for the two new companies.**

The Demerger will not be without disadvantages. It will result in a duplication of the costs associated with running a listed company and, potentially, some management costs. There will be some costs associated with implementation of the Demerger. However, these additional costs will not be material in the context of the asset bases, earnings and market values of Alumina Ltd and WMC Resources.

Alumina Ltd will hold $600 million of WMC's debt. WMC Resources will assume the balance of WMC's debt together with all of its hedging obligations. Alumina Ltd is not expected to be able to utilise the tax benefits arising from its gearing given the majority of its earnings are expected to be franked or tax exempt dividends from AWAC. While this is not ideal, Alumina Ltd expects to investigate ways to refinance its debt in a more cost efficient manner following the Demerger. Furthermore, the unutilised tax benefits are unlikely to be material in the context of the earnings and market value of Alumina Ltd.

WMC Resources' gearing will be higher than the current gearing of WMC (at least in the short term) but not inappropriate. It is expected that WMC Resources will be rated BBB (long term), an investment grade rating, by Standard & Poor's. WMC Resources is not expected to require any significant additional funding in the short term. Major investments at Olympic Dam and the Queensland Fertilizer Operation have been largely completed, and (depending upon commodity prices) WMC Resources should generate substantial free cash flows from operations. For example, at average 2002 commodity prices WMC Resources expects to generate net cash flows before debt repayment and dividends of more than $130 million for the year ending 31 December 2003 even though Olympic Dam is operating below capacity. In any event, if there were some urgent and significant capital requirement, WMC Resources would always have the option of raising additional equity.

While Alumina Ltd and WMC Resources will both be large resources companies by Australian standards, they will be considerably smaller than the current WMC. It is possible that the reduction in market capitalisation and potential reduction in share liquidity of the demerged companies will reduce their attractiveness to some investors, with a consequent increase in their cost of equity. WMC currently has an A/A-1 rating from Standard & Poor's. It is expected that WMC Resources will be rated BBB. Alumina Ltd has not obtained a rating at this stage but is considered unlikely to hold WMC's current rating. This rating decline will increase WMC Resources' and Alumina Ltd's cost of debt, albeit modestly based on current conditions in debt markets. Accordingly, it is arguable that the Demerger may result in the two demerged companies facing higher costs of capital than WMC in its current form. However, in Grant Samuel's view any negative impact on the share prices of the demerged companies is unlikely to be material. In the short term, at least, perceptions of the possibility of corporate activity involving the demerged companies are likely to have a far more significant impact on the share prices of the demerged companies.

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- **WMC's current structure severely limits the number of parties that could realistically be considered potential acquirers of WMC. In Grant Samuel's view, the Demerger will significantly increase the competitive tension between potential buyers of WMC or its assets, and materially enhances the prospect that any change of control of the demerged companies will occur at prices reflecting full underlying value.**

In recent years there has been a significant degree of rationalisation of the international resources sector. This has resulted in the development of a small number of large multinational resources companies, including Rio Tinto, BHP Billiton and Anglo American. The process has seen keen competition for high quality resources assets.

WMC's assets are likely to be very attractive to a range of potential acquirers. WMC's interest in AWAC is a unique expansion opportunity for Alcoa, which is prevented by competition regulation from making any other major acquisition in the upstream aluminium industry, and may also be attractive to parties seeking to enter the aluminium industry. Olympic Dam and the Nickel Business Unit are world class assets, with competitive production costs, long lives and attractive risk characteristics given their Australian location. Alcoa's approach to WMC in October 2001 with a proposal to acquire all the shares in WMC, and WMC's discussions with a number of other major resources companies, are clear evidence of the attractiveness of WMC's asset portfolio.

However, WMC's current structure, together with the legal agreements underpinning AWAC, severely limit the number of parties that could realistically be considered potential acquirers of WMC. WMC's size is such that only a limited number of resources sector participants could fund an acquisition of 100% of the company. Of these, a number with existing aluminium/alumina operations are likely to be disinclined to bid for WMC, because of concerns about anti-competition regulation and the potential impact of the AWAC agreements. Those agreements could be construed to require any acquirer of WMC to contribute its aluminium/alumina assets to AWAC or divest them. Competition regulations are likely to restrict any major acquisition by AWAC and accordingly these potential acquirors would risk having to divest their alumina assets. While there is no legal impediment to Alcoa bidding for WMC, Alcoa presumably has little interest in the non-alumina assets. It may be reluctant to take the risk of paying full underlying value and then on-selling the non-alumina assets. In any event, in the absence of competition or the threat of competition, there is no reason for Alcoa to pay full underlying value for WMC.

The Demerger should ensure that the market for control of WMC (or its assets) is significantly more competitive. While Alcoa will remain the most obvious acquirer of Alumina Ltd, it is possible that a potential new entrant to the aluminium industry could consider bidding for the company. In any event, Alcoa's perception of the value of Alumina Ltd will not be affected by issues associated with acquiring a suite of significant non-alumina assets. WMC Resources, and particularly Olympic Dam and the Nickel Business Unit, should be highly attractive to a number of potential acquirers.

The on-going internationalisation process in the resources sector, the high quality nature of WMC's assets and the approaches already made to WMC all suggest that there would be a high likelihood of corporate activity involving the demerged Alumina Ltd and WMC Resources. The Demerger should engender competitive tension between potential acquirers and maximise the price realised for the companies. Recent transactions characterised by competitive bidding processes (such as the takeovers of Normandy Mining Limited, North Limited and Ashton Mining Limited) have shown that competition can deliver significantly enhanced value for shareholders. Conversely, in the absence of the Demerger, it appears far less likely that any change of control of WMC would occur in a competitive environment. There would be a real risk that control of WMC could pass at less than full underlying value.

In Grant Samuel's view the Demerger's promotion of competition in the market for control of WMC is a compelling benefit. It offers shareholders a real prospect that, through corporate activity in the short to medium term, they will realise significantly greater value than may otherwise have been available. In the interim, market expectations of corporate activity are likely to provide material support for the share prices of Alumina Ltd and WMC Resources.

- **It is expected that the Demerger will have no adverse tax consequences for either WMC or the vast majority of its shareholders.**

  WMC expects to receive private tax rulings from the Australian Taxation Office ("ATO") confirming that, pursuant to recently passed Australian tax legislation, the Demerger will have no adverse tax consequences for WMC. The corporate restructuring required to separate WMC's AWAC interest from the non-alumina assets will have no capital gains tax implications. Undistributed franking credits currently held in WMC will be available for distribution by Alumina Ltd. WMC Resources should have the benefit of the tax losses currently available to WMC.

  Australian resident shareholders who hold WMC shares on capital account should not experience any adverse tax consequences. If an Australian resident shareholder elects to obtain demerger relief under the recently passed Australian tax legislation, then any capital gain or taxable dividend that may otherwise have arisen will be disregarded. Shareholders' current cost base for their WMC shareholdings will be apportioned between their Alumina Ltd and WMC Resources shares based on market values. Shareholders who hold pre-CGT shares will continue to enjoy that pre-CGT status: the Alumina Ltd and WMC Resources shares that they will hold immediately after the Demerger will be treated as pre-CGT shares. Australian resident shareholders holding shares on revenue account are unlikely to face any adverse tax consequences.

  WMC has received advice that, for certain United States resident beneficial shareholders in WMC, it is more likely than not that the Demerger will qualify as a tax free spin off for US Federal income tax purposes. Accordingly, those United States resident shareholders are unlikely to experience adverse tax consequences as a result of the Demerger.

  The tax consequences for other shareholders will vary depending upon their domicile and tax status. Pension funds in some countries are entitled to tax exemptions and accordingly are unlikely to face any adverse tax consequences. However, for some shareholders (for instance certain United Kingdom resident taxpayers or ineligible overseas shareholders) the distribution or cashing out of WMC Resources shares under the Demerger is likely to give rise to a tax liability. Australian and US resident shareholders and tax exempt pension funds are estimated by WMC to account for approximately 85% of the total WMC shares on issue (based on the geographic breakdown of its share register and industry and national statistical information). Accordingly, it appears that the Demerger will have no adverse tax consequences for the vast majority of shareholders.

  Neither this letter nor the accompanying detailed report constitutes taxation advice and shareholders should not rely upon this letter or the attached detailed report when assessing the tax consequences of the Demerger. The impact of the Demerger on the tax position of WMC shareholders depends on the individual circumstances of each shareholder. Shareholders should read Section 9 of the Scheme Booklet, which summarises the taxation implications of the Demerger for WMC shareholders resident in Australia, the United States, the United Kingdom and New Zealand and Section 13 which contains an opinion on the United States Federal tax consequences for certain United States resident shareholders. Shareholders should consult their own professional adviser if in any doubt as to the taxation consequence of the Demerger.

- **Grant Samuel has concluded that, on balance, shareholders are likely to be better off if the Demerger proceeds than if it does not. Accordingly, in Grant Samuel's view the Demerger is in the best interests of WMC shareholders.**

  An overall assessment of the Demerger requires a balancing of the benefits and disadvantages of the transaction. In Grant Samuel's view the Demerger's promotion of a more competitive market for control of WMC and its assets is a compelling benefit. By comparison, other advantages and disadvantages are unlikely to be significant. Shareholders are likely to be better off if the Demerger proceeds than if it does not. Accordingly, Grant Samuel has concluded that the Demerger is in the best interests of shareholders.

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- **The Demerger does not materially prejudice the interests of creditors of WMC Resources or Alumina Ltd.**

  The majority of WMC's creditors will become creditors of WMC Resources. In effect these creditors will lose the credit support of WMC's 40% interest in AWAC. WMC Resources will be a substantial company with shareholders' funds of approximately $3.5 billion (based on WMC's proforma net assets at 30 June 2002) and expected profit after tax of $261 million for the year ending 31 December 2003. Its gearing will be at levels broadly consistent with other listed resources companies. Furthermore, the short term creditors of WMC will be largely repaid in the next 1-2 months and will have the opportunity to reassess for themselves whether or not they wish to grant continued credit to WMC Resources.

  A smaller number of creditors will be exposed to Alumina Ltd. Alumina Ltd will be a substantial company with an expected profit after tax of $331 million for the year ending 31 December 2003 and shareholders' funds of approximately $1.1 billion (based on WMC's proforma net assets at 30 June 2002). Its gearing will be more conservative than other listed alumina/aluminium companies. Alumina Ltd will have newly established debt facilities from financiers who have made their own judgements as to the financial risk of Alumina Ltd in the full knowledge of its position.

  In Grant Samuel's opinion, the WMC creditors who will become exposed to WMC Resources and Alumina Ltd are not materially prejudiced by the Demerger. Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by WMC, Alumina Ltd or WMC Resources to their creditors as at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial positions of Alumina Ltd and WMC Resources.

4 Other Matters

If the Demerger proceeds, the future share price of the demerged companies will be subject to a variety of influences, including (but not restricted to) commodity prices, exchange rates, interest rates, and the performance of individual businesses and operations owned by Alumina Ltd and WMC Resources. The price of shares in Alumina Ltd and WMC Resources could fall as well as rise. Grant Samuel does not warrant or guarantee the share price performance of any of WMC, Alumina Ltd or WMC Resources.

Voting for or against the Demerger is a matter for individual shareholders, based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy and tax position. Shareholders who are in doubt as to the action that they should take in relation to the Demerger should consult their own professional adviser. Any decision to continue to hold shares in the demerged companies is a separate investment decision. Grant Samuel does not give any advice or offer any opinion in this regard. Shareholders who are in any doubt as to their actions in this regard should consult their own professional adviser.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

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1 Details of the Proposal

On 21 November 2001, WMC Limited ("WMC') announced a proposal to separate its interest in Alcoa World Alumina and Chemicals ("AWAC") from its other mineral businesses ("Demerger"). Following the passage of Australian legislation that facilitates corporate demergers, WMC announced in late October 2002 that the Demerger would be submitted for shareholder approval.

The Demerger will result in the transfer of all WMC's non-AWAC assets to a new listed company, WMC Resources Ltd ("WMC Resources"). WMC will be renamed Alumina Limited ("Alumina Ltd") and will continue to hold WMC's interest in AWAC. WMC Resources will hold Olympic Dam, the Nickel Business Unit and the QFO, together with all WMC's other non-AWAC associated assets. Alumina Ltd will hold $600 million of WMC's debt. WMC Resources will assume the balance of WMC's debt together with all of WMC's hedging commitments. Both Alumina Ltd and WMC Resources will be listed on the Australian Stock Exchange ("ASX").

The Demerger will be effected through a scheme of arrangement and associated capital reduction and dividend. The result of the Demerger is that WMC shareholders will receive one share in WMC Resources for each share held in WMC (to be renamed Alumina Ltd). Shareholders will have the same economic interest in WMC's assets after the Demerger as they did prior to the Demerger, but held through shares in two separately listed companies that can be retained or dealt with separately as shareholders deem appropriate.

The key steps involved in implementing the Demerger are as follows:

- a number of internal transfers will occur resulting in the transfer of all the non-AWAC assets of WMC to WMC Resources. WMC Resources will assume the debt and hedging obligations of WMC other than A$600 million of debt which will continue to be held by Alumina Ltd;
- a notional cash dividend of $0.73 per WMC share will be declared. This dividend will not be paid directly to shareholders but will be applied on their behalf as outlined below;
- WMC's capital will be reduced by an amount of $2.78 per WMC share. The capital reduction will not be paid directly to shareholders but will be applied on their behalf as outlined below;
- the dividend and the capital reduction will be applied automatically on behalf of shareholders to acquire one WMC Resources share for every WMC share held; and
- WMC will be renamed "Alumina Ltd".

For regulatory reasons, certain shareholders in some jurisdictions outside Australia will not be transferred shares in WMC Resources. Instead, these shareholders will be "cashed out": the shares in WMC Resources to which they would otherwise have been entitled will be sold on market following the Demerger and the net proceeds remitted to them. However, these shareholders will continue to have an interest in Alumina Ltd through their renamed WMC shares.

The Demerger is not expected to give rise to any adverse capital gains tax ("CGT") consequences for Australian resident shareholders. The capital gains tax consequences of the Demerger are prescribed by recently passed legislation, *A New Business Tax System (Consolidation, Value Shifting, Demergers and other Measures) Act 2002* (Cth). In addition, WMC expects to obtain a Class Ruling from the Australian Taxation Office that provides certainty as to the taxation treatment of certain Australian resident WMC shareholders arising from the Demerger.

WMC has received taxation advice that, for certain United States resident beneficial shareholders in WMC, it is more likely than not that the Demerger will qualify as a tax free spin off for US Federal income tax purposes. Accordingly, those US resident shareholders are more likely than not to experience no material adverse tax consequences as a result of the Demerger. The tax consequences for shareholders not resident in Australia or the US will vary depending upon their domicile and tax status.

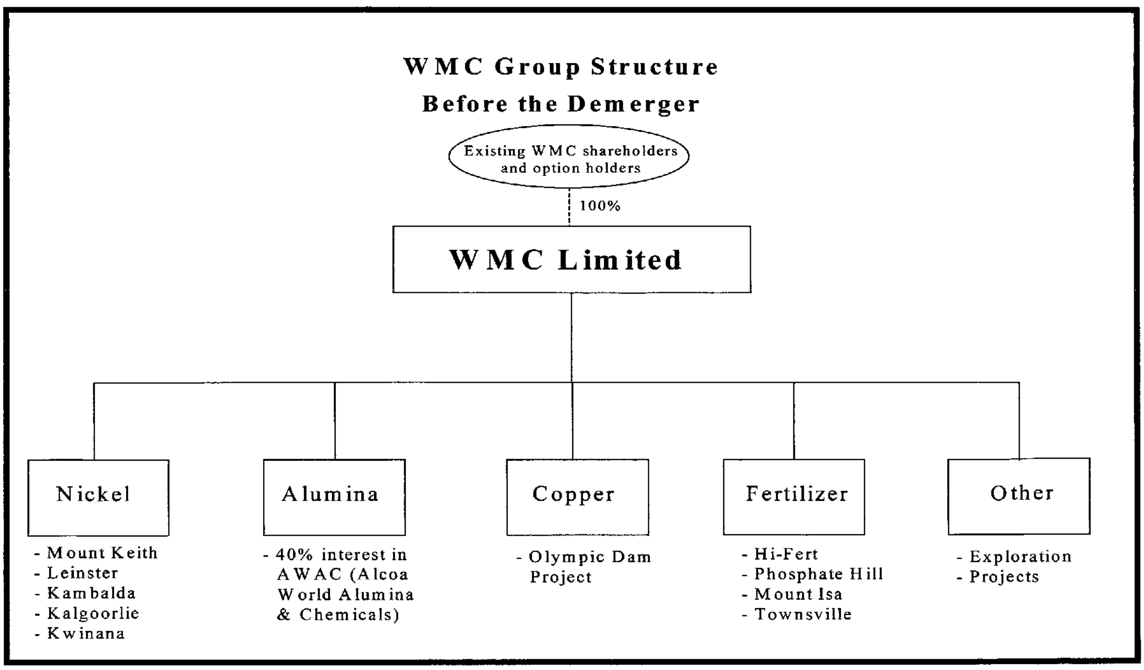
The Demerger requires the approval of WMC fully paid shareholders in relation to:

- the scheme of arrangement; and
- the reduction of capital.

In addition to the scheme of arrangement between WMC and the fully paid shareholders of WMC, a scheme of arrangement will be proposed between WMC and the WMC option holders. The intent of the option holders' scheme is to preserve, to the extent possible, the existing position of option holders. Under the option holders' scheme, the terms of the WMC options will be amended and new options over WMC Resources shares will be granted. The amendment to the terms of the WMC options will ensure they are exercisable for a similar period after the Demerger and reduce the exercise price by the proportion that the market price of WMC Resources shares bears to the sum of the market prices of Alumina Ltd and WMC Resources shares over the first five days on which those shares are traded on the ASX. Option holders will also be issued one option to subscribe for a WMC Resources share for every WMC option held at an exercise price equal to the reduction in exercise price made in respect of that WMC option. To the extent practicable all other terms and conditions of the WMC Resources options will reflect those of the existing WMC options and the plans that govern them.

The option holders' scheme will occur concurrently with the shareholders' scheme. Implementation of the Demerger is not conditional upon approval of the option holders' scheme, although the option holders' scheme is conditional on the Demerger. If the option holders' scheme is not approved, the Demerger will still proceed (subject to all other approvals being obtained) and the WMC options on issue will remain exercisable. However, in most cases the options will only be exercisable for 30 days after implementation of the Demerger, and at an exercise price adjusted only for the capital reduction amount and not the notional cash dividend.

The impact of the Demerger on WMC's Group corporate structure is illustrated below:



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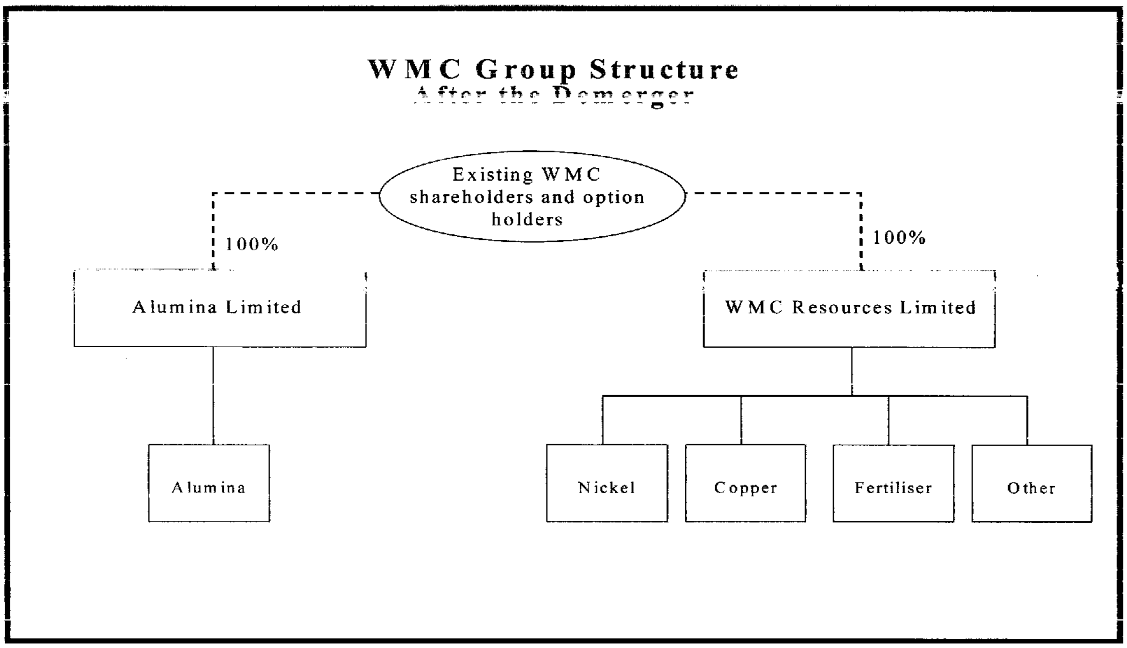
Following an internal restructure, the WMC Group will be demerged to form WMC Resources and Alumina Ltd:



2 Scope of the Report

2.1 Purpose of the Report

The Demerger is subject to the Corporations Act and the ASX Listing Rules. In particular, certain aspects of the Demerger are subject to approval in general meeting by WMC shareholders pursuant to:

- Section 411 of the Corporations Act ("Section 411"); and
- Sections 256B and 256C of the Corporations Act ("Sections 256B and 256C").

Section 411 and Sections 256B and 256C govern schemes of arrangement and reductions of share capital respectively. They require the prior approval of shareholders before a scheme of arrangement or capital reduction can be effected. Sections 256B and 256C do not require an independent expert's report to be prepared. Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. The information provided to shareholders under Part 3 of Schedule 8 must include an independent expert's report when a party to the scheme of arrangement has a prescribed shareholding or where any of its directors are also directors of the scheme company. The independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders and state reasons for that opinion.

The Directors of WMC have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report stating whether, in its opinion, the Demerger is in the best interests of WMC shareholders. The Directors of WMC have requested that the report be prepared as required under Part 3 of Schedule 8. Grant Samuel has also been requested to give its opinion as to whether the Demerger is materially prejudicial to creditors.

This report has been prepared by Grant Samuel for the benefit of WMC shareholders and option holders (and no other party) to assist them in considering the resolutions to approve the transaction. It will accompany the Notices of Meetings and Scheme Booklet to be sent to shareholders and option holders. The sole purpose of the report is as an expression of Grant Samuel's opinion as to whether the Demerger is in the best interests of WMC shareholders and as to whether the Demerger is materially prejudicial to creditors.

Grant Samuel's opinion should not be construed as a recommendation as to whether or not to vote in favour of the resolutions. Approval or rejection of the Demerger is a matter for individual shareholders based on their own circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Demerger should consult their own professional adviser.

2.2 Basis of Evaluation

There is no legal definition of the expression *"in the best interests"*. The Australian Securities Commission (now the Australian Securities and Investments Commission) issued Policy Statement 75 which established certain guidelines in respect of independent expert reports prepared for the purposes of Section 411, 648 and 703 of the Corporations Law (now Corporations Act). Policy Statement 75 is primarily directed towards reports prepared for the purpose of Section 648 and comments on the meaning of *"fair and reasonable"* in the context of a takeover offer. The statement gives limited guidance as to the regulatory interpretation or meaning of *"in the best interests"* other than to imply that it is similar to *"fair and reasonable"*.

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, *"in the best interests"* must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgement on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal

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and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not.

In Grant Samuel's opinion, the most appropriate basis on which to evaluate the Demerger is to assess its overall impact on the shareholders of WMC and to form a judgement as to whether the expected benefits to the shareholders outweigh any disadvantages and risks that might result.

In determining whether the Demerger is in the best interests of WMC shareholders, Grant Samuel has considered a range of factors including:

- the impact on business operations if the Demerger proceeds;
- the effect on earnings and dividends attributable to existing shareholders;
- the financial position of Alumina Ltd and WMC Resources;
- the impact on the markets for Alumina Ltd and WMC Resources shares;
- the effect on competition for WMC's assets in the event of a takeover; and
- the costs, disadvantages and risks of the Demerger.

2.3 Sources of Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

- the Scheme Booklet which this report accompanies;
- annual reports of WMC for the five years ended 31 December 2001;
- half year and quarterly reports for the two years ended 30 September 2002;
- industry data and reports;
- recent press articles on WMC and relevant industries;
- recent brokers' reports on WMC, relevant industries, and listed companies in Australia and overseas that are comparable to Alumina Ltd and WMC Resources;
- other information on relevant industries and listed companies comparable to Alumina Ltd and WMC Resources including annual reports, interim financial results, public announcements, regulatory filings, press reports and sharemarket data;
- board papers and other internal briefing papers related to the Demerger;
- five year financial forecasts for each of WMC Resources and Alumina Ltd; and
- other confidential correspondence, taxation advice, legal advice and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of WMC and certain of their financial and taxation advisers.

2.4 Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially subsequent to the date of this report, the opinion could be different in these changed circumstances. However, Grant Samuel has no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this report or to review, revise or update its report or opinion.

This report is also based on financial and other information provided by WMC. Grant Samuel has considered and relied upon this information and its completeness, accuracy and fair presentation. WMC has represented in writing to Grant Samuel that, to its knowledge, the information provided was complete, accurate and not misleading in any material respect. The information provided to Grant Samuel has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Demerger is in the best interests of WMC shareholders. However, in preparing reports such as this, time is limited and Grant Samuel does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. Except as expressly set out in this report, Grant Samuel has not attempted to independently verify the completeness, accuracy or fair presentation of any of the information provided by WMC. In any event, an opinion as to whether a transaction is in the best interests of shareholders is more in the nature of an overall review rather than a detailed audit or investigation.

Grant Samuel has no reason to believe that any material facts have been withheld and WMC has confirmed in writing that it believes it has provided all relevant information of which it is aware but Grant Samuel does not represent that it has received all relevant information.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgements of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of WMC. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the methods of accounting in previous years (except where noted or where required due to a change in accounting standards).

The information provided to Grant Samuel included financial forecasts for each of Alumina Ltd and WMC Resources for the years ending 31 December 2002 and 31 December 2003. These were prepared by the management of WMC. Grant Samuel has considered these financial forecasts for the purposes of its analysis. Grant Samuel has assumed that these financial forecasts were prepared appropriately and accurately based on the information available to management at the time and within the practical constraints and limitations of such estimates. Grant Samuel has assumed that these financial forecasts do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise. However, Grant Samuel takes no responsibility for these forecasts. Grant Samuel does not warrant the achievement of these forecasts. Forecasts by their nature involve assessments of uncertain future events. Actual future performance may be significantly more or less favourable than the forecasts.

In forming its opinion, Grant Samuel has also assumed that:

- the information set out in the accompanying Scheme Booklet is complete, accurate and fairly presented in all material respects;

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- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the legal agreements required to give effect to the Demerger will be implemented in accordance with their terms; and
- the legal mechanisms to effect the Demerger are appropriate and will be effective.

3 Profile of WMC

3.1 Overview

WMC is one of Australia's leading resources companies, with a history dating back to the incorporation in 1933 of Western Mining Corporation Ltd. Re-named "WMC Limited" in 1995, WMC is still often referred to as 'Western Mining'. WMC is one of Australia's largest companies with consolidated assets at 30 June 2002 of approximately \$9.1 billion and revenue and earnings for the year ended 31 December 2001 of \$2.8 billion and \$402 million respectively.

WMC's main business is the discovery, development, production, processing, and marketing of minerals and metals. WMC's major assets are:

- an interest of approximately 40% in AWAC. WMC has a 39.25% interest in the Australian operations of AWAC and a 40% interest in the other worldwide operations of AWAC;
- the Olympic Dam copper/uranium mine and treatment plant, located in South Australia;
- an integrated nickel mining, smelting and refining business with operations in Western Australia ("Nickel Business Unit" or "NBU"); and
- the Queensland Fertilizer Operation ("QFO"), which consists of an integrated phosphate mine and ammonium phosphate fertilizer production facility.

In recent years, WMC has focussed on its core businesses of copper, uranium, nickel, alumina, and fertilizers. As part of this strategy, WMC has divested non-core assets:

- in 1998, WMC sold its interest in the Goldfields Gas Transmission Pipeline, certain gas and diesel fuel power generating and transmission assets in Western Australia, and the Nifty copper operation;
- during the course of 2001, WMC sold its European talc interests and its Australian talc mine and mill at Three Springs;
- in late 2001, WMC sold its St Ives and Agnew gold operations;
- in October 2001 Croesus Mining NL and Central Norseman Gold Corporation Ltd, in the latter of which WMC had a 50.48% interest, announced a merger by way of a scheme of arrangement. On 22 January 2002, WMC announced that it had divested its entire interest in the resultant merged entity by way of a placement to various institutions; and
- during 2002, WMC has sold a number of its mature Kambalda nickel mines to allow it to focus on its processing activities at Kambalda.

At the same time, WMC has focused on further developing its portfolio of large low cost assets:

- during 1999, WMC completed a major expansion at its copper operation at Olympic Dam. WMC subsequently committed to a further expansion of Olympic Dam that will increase copper production capacity to 235,000 tonnes per annum by the end of 2003. WMC has established a project group to review further increases;
- WMC completed construction of the QFO at Phosphate Hill, Mount Isa and Townsville in 1999. Commissioning of the new fertilizer operations occurred during 2000 and 2001; and
- in February 2001, WMC acquired the Yakabindie nickel leases near its Mount Keith operations.

3.2 Financial Performance and Position

3.2.1 Financial Performance

The consolidated historical financial operating performance of WMC is summarised below:

WMC – Financial Performance				
	Year ended 31 December			
(A$ million)	1998[1] (actual)	1999 (actual)	2000 (actual)	2001 (actual)
Sales revenue				
Nickel	1,241.0	1,033.7	1,862.1	1,342.4
Gold	590.2	399.4	402.6	430.2
Copper	545.7	498.8	894.8	913.2
Fertilizers	283.2	191.9	229.6	382.4
Other	47.5	22.7	23.4	19.6
Group sales	**2,707.6**	**2,146.5**	**3,412.5**	**3,087.8**
EBIT[2]				
Nickel	(109.1)	123.7	606.5	138.1
Alumina	468.2	276.0	571.9	561.1
Gold	130.5	109.9	88.0	63.8
Copper	22.0	16.4	165.7	113.3
Fertilizers	(3.9)	(2.1)	(59.8)	(91.2)
Exploration & New Business	(145.5)	(83.6)	(64.9)	(97.5)
Other	8.1	(3.1)	7.7	1.9
Corporate	(55.4)	(32.8)	(43.4)	(57.7)
Group EBIT	**314.9**	**404.4**	**1,271.7**	**631.8**
Net interest	(4.6)	(78.6)	(148.1)	(140.9)
Group profit before tax	**310.3**	**325.8**	**1,123.6**	**488.7**
Tax expense (incl associates)	(38.2)	(36.4)	(379.1)	(180.2)
Abnormal items (net of tax)	2.7	(9.5)	23.8	93.2
Minority interests	(6.7)	(4.1)	(3.2)	(2.2)
Profit attributable to WMC shareholders	**268.1**	**275.8**	**764.9**	**401.7**
Attributable profit excluding abnormals ($m)	*265.4*	*240.5*	*741.1*	*308.5*
EBIT margin (ex AWAC) (%)	*1%*	*12%*	*26%*	*8%*
EBIT/average capital employed (%)	*5%*	*6%*	*17%*	*9%*
Net interest expense/EBIT (%)	*1%*	*19%*	*12%*	*22%*
Effective tax rate (%)	*12%*	*11%*	*34%*	*37%*

Source: WMC Annual Reports, Scheme Booklet. Numbers shown in this table may not add due to rounding.

WMC's financial performance over the last four years reflects the cyclical nature of its business and the developmental stage of some of its assets. In analysing WMC's financial performance, the following should be noted.

- WMC does not report sales derived from its alumina operations, due to the associate nature of its interest in AWAC. Earnings from WMC's interest in AWAC are equity accounted and reflected in reported EBIT for the alumina division;
- WMC's financial year changed in 1998 from a June 30 year end to a December 31 year end. Accordingly, financial results for 1998 represent the eighteen months ended 31 December 1998;

1 Results for 1998 represent the eighteen months ended 31 December 1998

2 Divisional EBIT includes hedging

- in 1998, the Asian economic crisis coupled with increased supply of copper and nickel in commodity markets resulted in a slump in world metal prices. Nickel, copper and gold prices ended the year 33%, 27%, and 11% lower respectively. As a result, WMC's earnings fell significantly against prior years;
- higher nickel prices in 1999 helped to offset the impact of lower copper, alumina and gold prices. Lower operating costs in the nickel division and improving performance at Olympic Dam following its expansion helped the turnaround in earnings;
- earnings increased significantly in 2000. This resulted from increased production at all of WMC's operations (including AWAC), cost reductions at Olympic Dam, AWAC and WMC's nickel operation, a general increase in commodity prices, and a decline in the Australian dollar against the US dollar. However, the increase was partially offset by foreign currency and commodity price hedging losses;
- net interest expense increased significantly in 1999 and 2000 reflecting a higher level of net debt (partly due to a weakening Australian dollar) and lower levels of capitalised interest following completion of the Olympic Dam expansion and the QFO;
- group EBIT was affected in 2001 by a significant decline in commodity prices. In particular, the fall in the nickel price resulted in EBIT for the Nickel Business Unit declining by 77% from $606.5 million to $138.1 million; and
- abnormal items (now referred to as individually significant items) for 2001 totalled $93 million. These included the profit from asset sales of the St Ives and Agnew gold operations ($170 million), the Three Spring Talc operation ($20 million), and the interest in Mondo Minerals ($51 million). These profits were offset somewhat by the costs associated with the fire at Olympic Dam ($72 million), the write down of AWAC related assets ($7 million), and the cost of redundancies relating to the restructure of the WMC exploration function ($12 million).

Movements in earnings per share are summarised in the table below:

WMC – Earnings and Dividends Per Share (A$million)

	Year ended 31 December			
	1998[3]	1999	2000	2001
Earnings available to ordinary shareholders	268.1	275.8	764.9	401.7
Dividends paid or payable to ordinary shareholders	171.1	149.5	455.0	320.9
Weighted average number of shares (million)	1,137.3	1,146.1	1,127.1	1,103.3
Earnings per share (cents)	*23.6*	24.1	67.9	36.4
Dividend declared per share (cents)	*15.0*	13.0	40.7	29.0
Percentage of dividends franked (%)	*100%*	*100%*	*100%*	*100%*
Payout ratio (%)	*64%*	*54%*	*59%*	*80%*

Source: WMC Annual Reports.

Earnings per share for 2000 increased to 67.9 cents with a dividend of 40.7 cents per share. The significant increase in earnings per share reflected WMC's strong earnings growth and (to a lesser extent) a reduction in the number of shares on issue as a result of WMC's on-market share buyback. Earnings per share for 2001 fell sharply to 36.4 cents per share, reflecting lower commodity prices and earnings. Dividends also fell in 2001 although proportionally less than earnings, resulting in an increase in the dividend payout ratio.

[3] Results for 1998 represent the 18 months ended 31 December 1998

3.2.2 Cash Flow

WMC's businesses generate strong operating cash flows:

WMC Group – Cash Flow				
(A$ million)	Year ended 31 December			
	1998[4]	1999	2000	2001
Group EBIT	314.9	404.4	1,271.7	629.6
Depreciation and amortisation	(568.7)	(459.1)	(569.6)	(613.9)
Group EBITDA	**883.8**	**863.5**	**1,841.3**	**1,243.6**
Movements in working capital	(457.2)	(504.1)	(716.0)	(475.3)
Cash flow from operations	**426.6**	**359.4**	**1,125.3**	**768.3**
Capital expenditure	(2,629.1)	(654.5)	(403.5)	(362.6)
Net investments and acquisitions	509.7	29.8	(15.8)	653.4
Cash flow after investing in operations	**(1,692.8)**	**(265.3)**	**706.0**	**1,059.1**
Net movement in borrowings	894.0	361.4	(37.7)	(778.3)
Capital management initiatives	5.6	21.5	(396.3)	67.6
Dividends paid (incl. minorities)	147.8	98.2	(76.1)	(19.4)
Net interest paid	(112.4)	(132.5)	(158.2)	(153.4)
Other	84.6	(65.3)	(71.1)	(49.9)
Net group cash flow	**(673.2)**	**18.0**	**(33.4)**	**125.7**

Source: WMC. Numbers shown in this table may not add due to rounding.

In reviewing the above table the following should be noted:

- depreciation and amortisation exclude AWAC's depreciation and amortisation, as AWAC's earnings are equity accounted;
- capital management initiatives in 2000 principally consisted of a $417 million share buyback;
- capital expenditure in 1998 and 1999 largely related to the expansion of Olympic Dam and the development of the QFO;
- the $778 million movement in borrowings in 2001 represented a repayment of debt by WMC; and
- depreciation and amortisation charges increased to $613.9 million in 2001. This reflected a full year's charge for the Queensland Fertiliser Operation, compared with only five months of depreciation in 2000, and increased amortisation of development properties.

[4] Results for 1998 represent the 18 months ended 31 December 1998

3.2.3 Financial Position

The historical consolidated balance sheet of WMC is summarised below:

WMC – Consolidated Financial Position					
(A$ million)	As at 31 December				As at 30 June
	1998	1999	2000	2001	2002
Receivables and prepayments	249.1	383.4	435.5	266.0	478.2
Inventories	453.5	527.1	541.3	492.6	565.0
Creditors and provisions	(247.9)	(209.4)	(244.3)	(235.7)	(361.0)
Provisions for income tax	(6.7)	(5.7)	(4.4)	(7.7)	(3.2)
Net working capital	**448.0**	**695.4**	**728.1**	**515.2**	**761.2**
Property, plant and equipment	4,804.8	5,295.7	5,193.1	4,775.3	4,630.4
Investments in jointly controlled entities	1,711.0	1,610.6	1,803.1	1,675.6	1,605.8
Net hedging contracts	(39.3)	(72.0)	286.6	306.7	178.8
Provisions – rehabilitation	(76.4)	(80.8)	(87.3)	(83.9)	(85.7)
Provisions – employees	(13.5)	(12.2)	(15.0)	(12.6)	(12.1)
Exploration	11.5	27.0	33.7	64.5	62.3
Future income tax benefit	104.5	102.1	181.8	303.7	284.7
Deferred tax liability	(240.4)	(192.9)	(412.5)	(434.9)	(444.1)
Other (net)	217.4	14.5	69.2	(8.4)	20.2
Total capital employed	**6,927.6**	**7,387.4**	**7,780.8**	**7,101.2**	**7,001.5**
Net debt	(2,229.8)	(2,538.3)	(2,871.5)	(2,103.7)	(1,987.3)
Provision for dividends	(34.3)	(115.1)	(219.6)	(144.1)	-
Net assets of WMC group	**4,663.5**	**4,734.0**	**4,689.7**	**4,853.4**	**5,014.2**
Minority interests	(19.9)	(4.6)	(13.5)	(9.0)	(0.8)
Net assets attributable to WMC shareholders	**4,643.6**	**4,729.4**	**4,676.2**	**4,844.4**	**5,013.4**
Number of shares on issue (million)	*1,145.0*	*1,151.0*	*1,097.9*	*1,108.8*	*1,112.4*
Net assets per share ($)	*4.06*	*4.11*	*4.26*	*4.37*	*4.51*
Group gearing (net debt/total capital) (%)	*32.4%*	*34.9%*	*38.0%*	*30.3%*	*35.7%*

Source: WMC audited financial statements. Numbers shown in this table may not add due to rounding.

In analysing WMC's balance sheet it is important to note the following:

- gearing increased significantly in the three years to 31 December 2000, reflecting the substantial level of debt-funded capital expenditure over the period. With completion of the major expansion at Olympic Dam and the QFO, gearing has fallen considerably. Notwithstanding the increased gearing, WMC has maintained a strong credit rating, with a long term rating of A/A-1 from Standard & Poor's;

- net debt increased in 2000 to $2.9 billion, largely as a result of the impact of the falling Australian dollar on US dollar denominated debt. However, in 2001, WMC repaid $778 million in debt on the back of strong cash flows from operations and receipts from the sale of a number of its gold assets. This was partially offset by a decline in the Australian dollar exchange rate, which increased the Australian dollar value of US dollar denominated debt by $159 million; and

- after reaching a peak in December 1999 following completion of the Olympic Dam expansion and the QFO development, property, plant and equipment has fallen, reflecting lower capital expenditure.

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3.3 Capital Structure and Share Price Performance

3.3.1 Capital Structure

As at 30 June 2002, WMC had the following securities on issue:

- 1,112,419,643 fully paid ordinary shares; and
- 24,195,573 options over unissued ordinary shares with varying exercise prices, maturity dates and other conditions, issued under the WMC Employee Share Scheme.

The top 10 shareholders in WMC accounted for approximately 64% of shares on issue at 2 July 2002.

WMC – Major Shareholders

Shareholders	As at 2 July 2002 Shares (million)	As at 2 July 2002 Percentage (%)
JP Morgan Nominees Australia Ltd	219.5	19.7%
National Nominees Ltd	192.6	17.3%
Westpac Custodian Nominees Ltd	117.4	10.6%
ANZ Nominees Ltd	50.0	4.5%
Citicorp Nominees Pty Ltd	29.8	2.7%
Commonwealth Custodial Services Ltd	26.7	2.4%
Queensland Investment Corp	20.4	1.8%
AMP Life Ltd	19.0	1.7%
MLC Ltd	12.0	1.1%
RBC Global Services Australia Nominees Pty Ltd	11.0	1.0%
Subtotal – Top 10 Shareholders	**698.4**	**62.8%**
Other shareholders	414.0	37.2%
Grand Total	**1,112.4**	**100.0%**

As of 26 July 2002, WMC had one substantial shareholder. The Capital Group Companies Inc holds approximately 107.1 million shares, which represents 9.6% of total issued capital.

Details of the options on issue as at 30 June 2002 are as follows:

WMC – Details of Options

Options over Ordinary Shares (000's)	Expiry date	Exercise price Per share
[illegible]	[illegible]	5.46
612.1	22-Dec-02	4.91
375.0	21-Dec-03	5.37
1,122.3	21-Dec-03	4.88
4,044.1	17-Dec-04	8.42
6,470.5	18-Dec-05	7.52
11,196.7	01-Dec-06	9.35

3.3.2 Share Price Performance

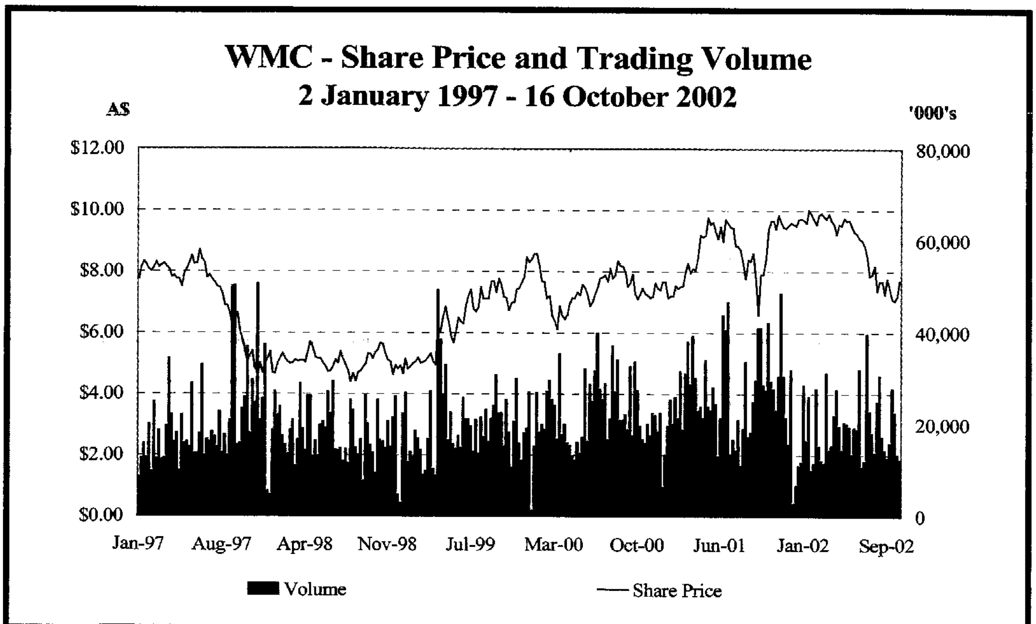
The share price performance and trading volume of WMC shares since 1997 is set out below:

WMC – Share Trading History					
Period	Share Price ($)			Average Monthly Volume (000's)	Average Monthly Transactions
	High	Low	Close		
1997	8.80	4.15	5.35	89,423	11,784
1998	5.73	4.16	4.92	77,720	9,302
1999	8.55	4.61	8.40	84,795	10,614
2000	8.99	5.97	7.66	97,489	13,572
2001 (quarter ended)					
March	8.75	6.92	8.03	114,363	14,101
June	10.22	8.00	9.58	121,442	17,247
September	9.87	6.45	7.90	100,347	16,489
December	10.12	7.35	9.57	120,118	20,225
2002 (month ended)					
January	10.28	9.45	9.60	69,975	13,597
February	10.15	9.18	9.60	72,489	13,843
March	9.96	9.47	9.73	76,022	10,589
April	9.94	9.14	9.21	85,361	11,412
May	9.84	9.15	9.67	87,273	11,168
June	9.64	8.72	9.09	83,404	12,185
July	9.24	7.75	8.37	95,892	16,725
August	8.40	7.13	7.68	93,261	16,775
September	7.84	6.90	7.09	76,712	11,987
October (to 16 October)	7.70	6.86	7.45	78,021	11,852

Source: DFS IRESS.

Average monthly volumes for WMC have remained reasonably consistent over the last five years. The average monthly volume of shares traded was in the range 77.7-97.5 million shares from 1997 to 2000. Volumes traded were above the long term average throughout 2001, reflecting increased market speculation regarding corporate activity involving WMC. Trading volumes have reverted to more typical levels in 2002 as market speculation has subsided.

WMC's share price and trading history is shown below:



Source: DFS IRESS

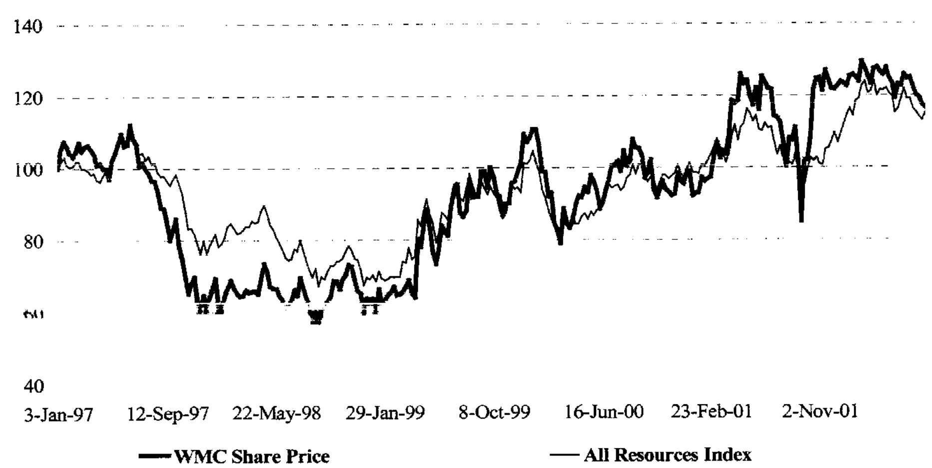
WMC has traded in the range $4.15-10.28 over the last five years. Towards the end of 1997, WMC's share price fell significantly as a result of the Asian financial crisis and falling metal prices. WMC's shares traded around $5.00 during this period. After recovering to around $8.00, WMC's share price declined sharply in early 2000 as investors shifted funds from traditional blue chip companies to 'new economy' stocks.

During the first half of 2001, WMC's share price generally increased reaching a high of $10.22 in June reflecting takeover speculation about WMC and in the resources sector generally. However, the share price fell significantly in the third quarter of 2001 as this speculation abated, falling commodity prices affected earnings expectations and the impact of the September 11 terrorist attacks was felt. The WMC share price recovered to a high of $10.12 on 12 November 2001, following speculation of a takeover offer from Alcoa.

Following the announcement of the Demerger on 21 November 2001, continued takeover speculation ensured the share price generally remained in the range $9.00 - $10.00. However, the share price has declined significantly since June 2002 reflecting concerns over continued operational difficulties at Olympic Dam and QFO, falling commodity prices and earnings expectations and declining speculation of a takeover.

Since 1998, WMC has generally performed in line with the All Resources Index. Speculation that WMC might be the subject of a takeover offer or involved in some other corporate transaction resulted in WMC shares significantly outperforming the All Resources Index during the second half of 2001. Since the beginning of 2002, WMC Resources has generally tracked the All Resources Index and its peer group.

WMC vs All Resources
2 January 1997 - 5 July 2002

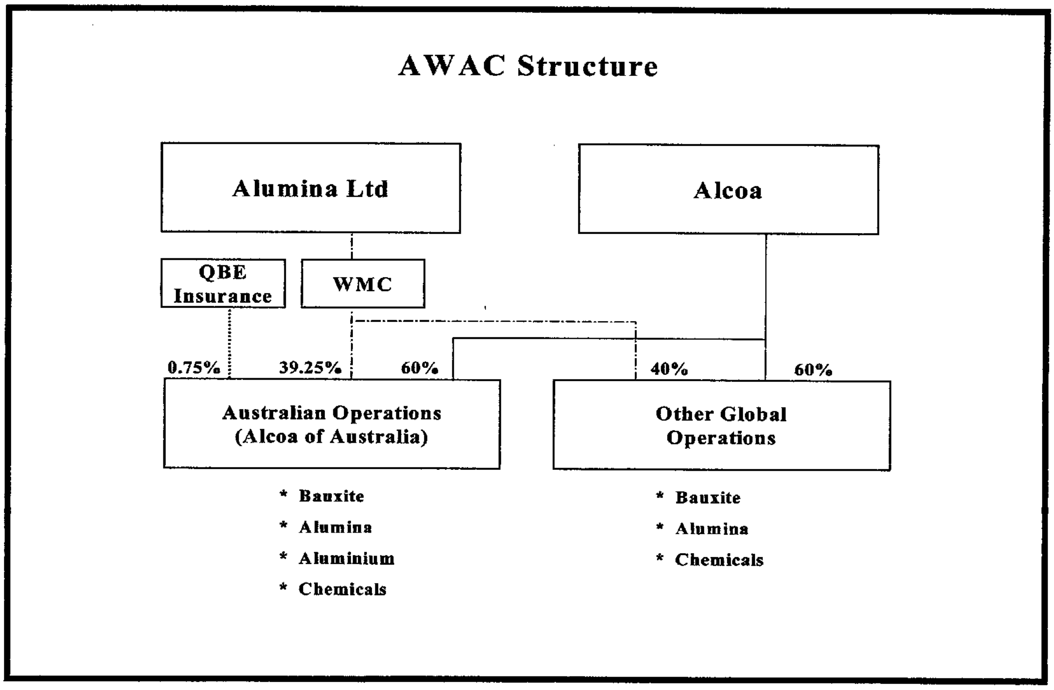


Source: *DFS Iress*
Note: *Iress ceased to prepared the All Resources Index in July 2002. It has since been replaced with the much broader Materials Index*

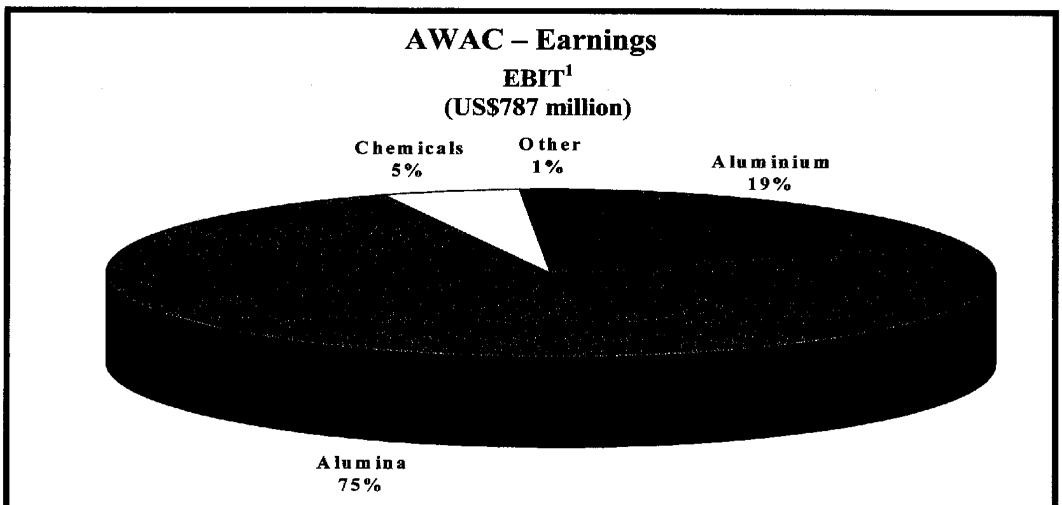
4 Profile of Alumina Ltd

4.1 Overview

The primary asset of Alumina Ltd will be WMC's 40% interest in AWAC. AWAC, jointly owned by WMC and Alcoa Inc, is the largest producer of alumina and alumina chemicals worldwide and also produces aluminium in Australia. AWAC was formed in 1995 through the pooling of WMC's Australian alumina related interests and Alcoa's global alumina related interests. As a result of that transaction, WMC emerged with a 39.25% interest in AWAC's Australian assets and a 40% interest in AWAC's global alumina business assets. Alumina Ltd will acquire this interest as a result of the Demerger:



AWAC's business consists of three principal operations: bauxite and alumina, aluminium and alumina chemicals. The importance of each division is depicted below:



Notes: (1) For the year ended 31 December 2001. Based on US GAAP and stated before significant items.

4.2 Description of AWAC Operations

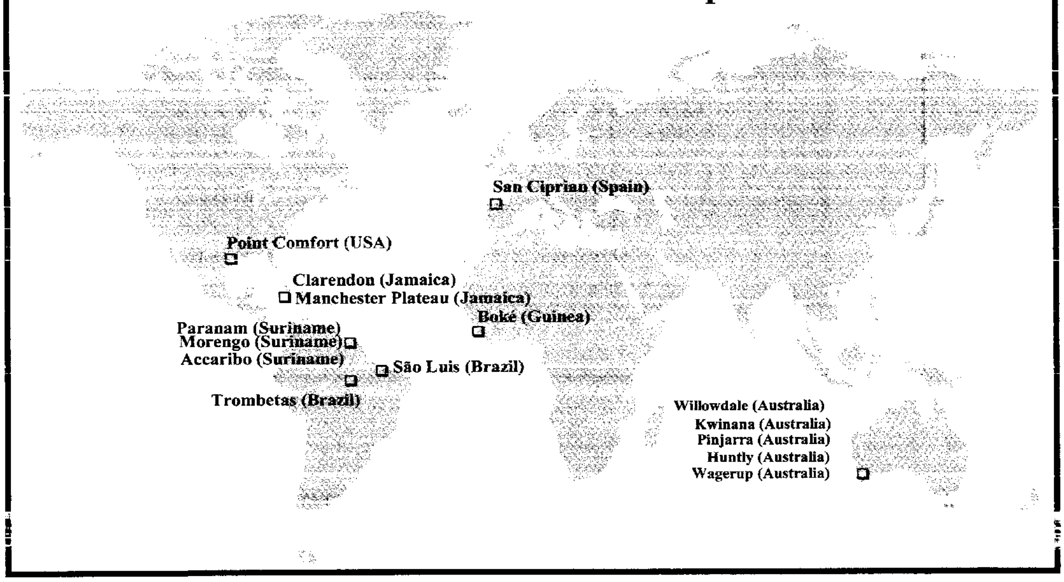
4.2.1 Alumina Operations

AWAC's largest operations are its alumina refineries and their associated bauxite mines:

AWAC Bauxite and Alumina Operations		
	Australia	**Global**
Bauxite Mines	Huntly, Australia (99.25%) Willowdale, Australia (99.25%)	Trombetas, Brazil (4.6%) Boké, Guinea (37.0%) Manchester, Jamaica (50.0%) Moengo, Suriname (100.0%) Accaribo. Suriname (24.0%)
Alumina Refineries	Kwinana, Australia (99.25%) Pinjarra, Australia (99.25%) Wagerup, Australia (99.25%)	São Luis, Brazil (18.9%) Clarendon, Jamaica (50.0%) San Ciprian, Spain (100.0%) Paranam, Suriname (55.0%) Point Comfort, United States (100.0%)

The location of AWAC's bauxite and alumina operations is depicted on the map below:

AWAC Bauxite and Alumina Operations



The alumina and bauxite operations are run on an integrated basis, with almost all AWAC's bauxite entitlements refined in AWAC alumina refineries. All AWAC's alumina refineries other than Point Comfort and San Ciprian are located at or near dedicated bauxite mines. The major source of bauxite for the Point Comfort and San Ciprian refineries is the Boké mine in Guinea.

AWAC's production of alumina has increased significantly since 1997 through acquisition, brownfield expansion and optimisation of operations:

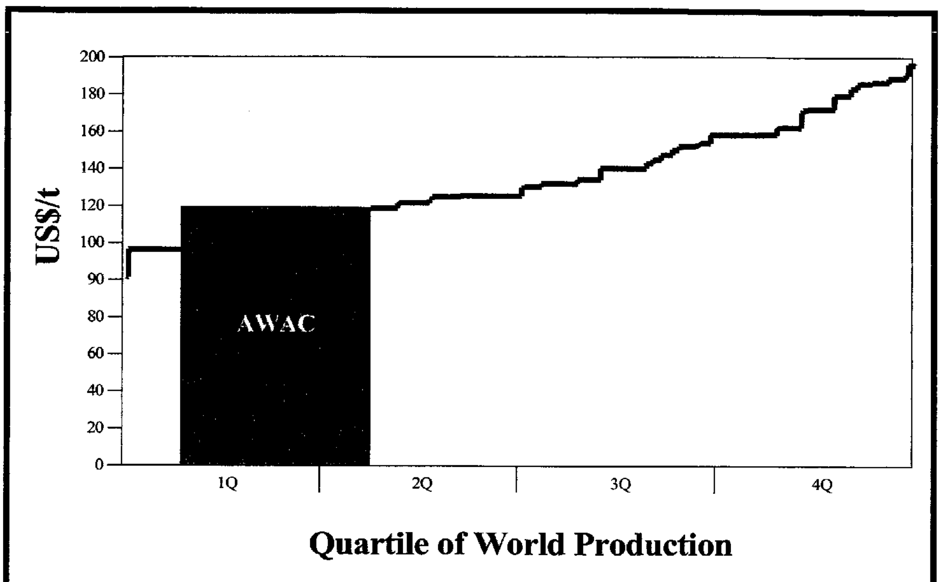
AWAC – Alumina Production Summary[1]				
('000 tonnes)	Year ended 31 December			
	1998	1999	2000	2001
Australia				
Kwinana	1,945	1,955	2,058	2,024
Pinjarra	3,187	3,279	3,400	3,427
Wagerup	1,778	1,929	2,219	2,318
	6,910	7,163	7,677	7,769
Global				
Sao Luis, Brazil[2]	202	214	235	209
Clarendon, Jamaica[2]	423	443	478	412
San Ciprian, Spain[3]	1,110	1,112	1,122	1,186
Paranam, Suriname[2]	978	1,021	1,047	1,042
Point Comfort, United States[4]	2,269	2,247	2,279	1,285
St Croix, United States[5]	408	420	415	-
	5,390	5,457	5,577	4,134
Total AWAC Production	**12,300**	**12,620**	**13,254**	**11,903**

Notes: *(1) Digester production*
(2) AWAC Share
(3) Acquired in February 1998. Production for 1998 includes full year of production
(4) Production is currently curtailed
(5) Swing producer reopened in 1998 and then closed permanently in 2001

Alcoa and AWAC owned/managed smelters (including AWAC's Australian smelters) currently account for approximately 40% of AWAC's metallurgical grade alumina sales. The balance is sold to the free or "untied" market. Sales by AWAC in the free market are largely made pursuant to long term contracts, usually with 3-5 year terms. While the nature of contracts varies widely, approximately 90% of contracts have pricing linked, to some degree, to the LME aluminium price. Sales to Alcoa for its owned/managed smelters are made pursuant to a transfer pricing agreement that largely reflects the pricing of AWAC's third party sales.

AWAC produces both metallurgical grade and non-metallurgical grade alumina. Non-metallurgical grade alumina is predominantly sold as bulk hydrate but is also used in AWAC's chemical division to produce alumina chemicals for a range of products including refractories, ceramics and abrasives.

AWAC's alumina refining assets on a collective basis straddle the first and second cost quartile of the industry cost curve, reflecting the fact that four of its refineries (Pinjarra, Wagerup, Suriname and Kwinana) are among the lowest cost operations in the world:



Source: AME Minerals

AWAC's alumina and bauxite assets are described below.

Australian Assets

AWAC's Australian alumina and bauxite assets form part of Alcoa of Australia, in which Alumina Ltd will hold a 39.25% interest.

AWAC's operations were established in 1961 following the discovery of substantial bauxite resources in Western Australia's Darling Ranges, southwest of Perth. The operations which are run on an integrated basis now consist of three alumina refineries (Kwinana, Pinjarra and Wagerup) and two bauxite mines (Huntly and Willowdale).

The Huntly and Willowdale mines sit within Mining Lease 1A. The resource covered by this lease is extensive with indicated mineral resources in excess of 2,400 million tonnes over an area of approximately 7,129 square kilometres. AWAC's right to mine bauxite on the lease extends to 2044. While the resource has relatively low alumina content, it also has a low reactive silica content.

Kwinana

The Kwinana refinery is located at the port of Kwinana, 30 kilometres south of Perth. It was commissioned in November 1963 and is AWAC's oldest Australian refinery. The refinery has an annual production capacity of 2.1 million tonnes per annum. The refinery produces predominantly metallurgical grade alumina with small amounts of non-metallurgical grade alumina. Bauxite for Kwinana is brought in by rail from the Huntly mine via the Pinjarra refinery. Alumina produced at the refinery is shipped from AWAC's port facilities located adjacent to the refinery.

Pinjarra

The Pinjarra refinery is located approximately 80 kilometres south of Perth, 20 kilometres inland from Mandurah. It is the largest of AWAC's refineries and one of the largest refineries in the world with an annual production capacity of 3.4 million tonnes. Bauxite for the refinery is sourced via overland conveyor from the Huntly mine, 10 kilometres west. Alumina produced at the refinery is transported by rail for shipping from AWAC's port facilities at either Bunbury, 80 kilometres south, or Kwinana, 50 kilometres north.

Wagerup

The Wagerup refinery is located approximately 55 kilometres north west of the port of Bunbury and 80 kilometres south of Perth. Commissioned in 1984, it is AWAC's most modern refinery, with an annual production capacity of 2.2 million tonnes. AWAC has received government environmental approvals to expand the Wagerup facility to a capacity of 3.3 million tonnes, although additional governmental approvals will be required before such an expansion could be commenced. Bauxite for the refinery is sourced via an overland conveyor from the adjacent Willowdale mine. Alumina produced at the refinery is taken by rail to AWAC's port facilities at Bunbury for shipping.

AWAC's Australian refineries are among the lowest cost producers of alumina in the world, reflecting their proximity to bauxite and infrastructure, favourable energy costs, ability to share services and access to a high quality workforce. The cost competitiveness of the refineries has seen production expand significantly over the last five years through an expansion of the Wagerup facility together with a range of plant optimisation initiatives at each refinery.

Global Assets

Brazil

AWAC's Brazilian assets comprise:

- a 4.6% interest in Mineração Rio do Norte ("MRN"), which owns and operates the Trombetas bauxite mining project in the state of Para in northern Brazil. AWAC will acquire a further 5% of MRN from Alcoa (which it inherited as part of its acquisition of Reynolds Metal Company); and

- an 18.9% interest in the Sào Luis alumina refinery in Brazil's north-eastern state of Maranhão.

MRN is jointly owned by AWAC, affiliates of Alcoa, Alcan, BHP Billiton, and Norsk Hydro, and certain Brazilian interests. MRN currently operates two bauxite mines in Trombetas with a total annual production of approximately 11.0 million tonnes. The Trombetas bauxite deposit is extensive with reserves and resources of approximately 200 million tonnes. Bauxite produced at Trombetas is principally sold under long term contracts to the joint venture partners of the Sào Luis refinery and the Alunorte refinery (located in Belem, Brazil).

The Sào Luis refinery, located at the port of Sào Luis in northern Brazil, is owned by a joint venture between AWAC (18.9%), Alcoa Aluminio SA (35.1%), BHP Billiton (36%) and Alcan (10%). The refinery is operated by Alcoa Aluminio SA, a joint venture between Alcoa (59%) and Camargo Corporation (41%). The refinery, commissioned in July 1984, has a nameplate capacity of 1.3 million tonnes per annum. Approximately 50% of production from the refinery is used as feed stock to the adjacent aluminium smelter, which is owned by Alcoa Aluminio SA (54%) and BHP Billiton (46%). The balance of production is either supplied to other Brazilian smelters or exported.

AWAC, which owns the rights to 54% of production from any expansion of the Sào Luis refinery, has examined the potential to expand the facility further. Whether the expansion proceeds will be largely determined by market conditions and the cost of bauxite from MRN. The high landed cost of bauxite, which includes a profit margin to MRN, place the refinery in the third quartile of the industry cost curve.

China

On 6 November 2001, Alcoa announced a strategic alliance with Aluminium Corporation of China Limited ("Chalco"). Chalco is the sole alumina producer and largest producer of primary aluminium in China. It also produces alumina chemicals. Pursuant to the strategic alliance, Alcoa and Chalco will form a 50/50 joint venture at Chalco's facility at Pingghou, which comprises an alumina refinery with capacity of 0.4 mtpa and an aluminium smelter with an annual capacity of 220,000 tonnes. The joint venture intends to significantly expand both facilities. Subject to the successful negotiation between Alcoa and Chalco of the joint venture arrangements for Pingguo, the bauxite and alumina interests will be offered for incorporation into AWAC, under the terms of the AWAC agreements.

Guinea

AWAC has a managing 37% interest in Halco (Mining) Inc. ("Halco"), a bauxite mining consortium. AWAC will acquire a further 6% of Halco from Alcoa (which it inherited as part of its acquisition of Reynolds Metal Company). Halco owns a 51% interest in Compagnie des Bauxites de Guinee ("Compagnie Guinee"), which owns and manages the bauxite mining operations at Boké in Guinea, West Africa. The remaining 49% interest in Compagnie Guinee is owned by the Republic of Guinea.

The Boké bauxite mines are located north west of Conakry, the capital of Guinea. Compagnie Guinee holds the exclusive rights to mine bauxite within a 10,000 square mile area until 2038. The bauxite deposits within Compagnie Guinee's lease are extensive, with reserves and resources of approximately 900 million tonnes. The bauxite mostly trihydrate, is high grade with very high levels of alumina and low levels of reactive silica.

Approximately 12.7 million tonnes of bauxite are currently mined at Boké each year. The shareholders of Halco purchase all bauxite mined by Compagnie Guinee in proportion to their equity interest in Halco under long term take or pay contracts that expire in 2011. AWAC ships Boké bauxite to its San Ciprian and Point Comfort refineries.

Jamaica

AWAC's Jamaican interests are held through a joint venture called Jamalco, which is owned 50% by AWAC and 50% by the Jamaican Government. The Jamalco operation comprises the Manchester Plateau and Harmons Valley bauxite mines (50% interest) and the Clarendon alumina refinery on the coast, 40 kilometres south. The Jamalco joint venture is managed by AWAC (although each partner is separately responsible for marketing its share of alumina production).

Bauxite for Jamalco's refinery is supplied from the Manchester Plateau and Harmons Valley mines via rail. The mining operations at Manchester Plateau and Harmons Valley are being undertaken by Jamalco in joint venture with Alumina Partners of Jamaica, itself a joint venture between Kaiser Aluminium (65%) and Norsk Hydro (35%). The deposit at Manchester Plateau has total resources and reserves of approximately 70 million tonnes of mostly trihydrate grade bauxite with low reactive silica content. While the mining joint venture has a relatively short mining tenure of 20 years, the Jamaican Government's usual practice is to grant new tenures upon expiry or exhaustion of resources.

The Jamalco refinery was commissioned in 1972 and has an annual capacity of 1.0 million tonnes. In April 2002, AWAC announced that Jamalco would expand its refining to 1.25 million tonnes per annum at a cost of US$115 million. At the same time the Jamaican government announced that it would remove a bauxite levy from 2003 to coincide with the planned completion of the expansion. A further expansion of the Jamalco refinery of 700,000 tonnes a year is currently being evaluated, which, if undertaken, will significantly lower the cost of production per tonne at the site.

The Jamalco refinery is currently a third quartile cost producer, reflecting relatively high Government levies and high labour costs. The current expansion of the facility, accompanied by the reduction in government levies, is expected to reduce costs by approximately 30% significantly improving Jamalco's competitiveness.

Spain

AWAC acquired the San Ciprian alumina refinery, located on the eastern coast of Spain, in February 1998. The refinery was commissioned in 1980 and has an annual production capacity of 1.5 million tonnes. Unlike AWAC's other refineries, San Ciprian employs a high temperature and pressure technology. Bauxite for the refinery is shipped from the Boké mine in Guinea.

Approximately 70% of alumina produced at the San Ciprian refinery is metallurgical grade, which is supplied primarily to Alcoa's smelters in Spain. The balance of production is non-metallurgical grade alumina that is largely sold as commodity hydrated alumina to AWAC's chemicals business and to other chemical manufacturers in Europe.

While the refinery is a relatively efficient producer, the cost of shipping bauxite from Guinea impacts considerably upon the refinery's competitiveness. As a consequence, the refinery is in the third quartile of the industry cost curve. Notwithstanding its place on the industry cost curve, the refinery is well positioned to supply commodity hydrated alumina into the European market, given its location within the European Economic Community.

Suriname

AWAC's alumina operations in Suriname consist of the Moengo bauxite mine, a 24% interest in the Accaribo bauxite mine and a 55% interest in the Paranam alumina refinery. AWAC also owns the Afobaka Lake hydro-electric power station which formerly supplied electricity to the Paranam aluminium smelter (now closed).

Bauxite for the Paranam refinery is supplied from the Moengo and Accaribo mines. The Moengo mine has limited resources and reserves which at current mining rates are expected to be fully depleted by 2015. The Accaribo mine, majority owned and operated by AWAC's joint venture partner BHP Billiton, also has limited reserves which are expected to be depleted by 2007 at current mining rates.

AWAC has secured the rights to additional mining leases in which initial drilling has indicated the presence of significant resources of bauxite with high grades of trihydrate alumina. AWAC expects to exploit these resources following exhaustion of its existing bauxite reserves at Moengo and Accaribo.

The Paranam refinery is operated by AWAC on behalf of its joint venture partner BHP Billiton. The refinery was constructed in 1968 and has an annual capacity of 1.9 million tonnes. Bauxite for the refinery is either barged 200 kilometres from the Moengo mine or transported by road from the Accaribo mine. Alumina produced at the refinery is shipped from AWAC's adjacent port facilities, principally to smelters in South America. The refinery is considered to be in the lowest cost quartile of refineries as a result of its relative proximity to bauxite and favourable labour costs.

United States

AWAC owns and operates the Point Comfort refinery, located 210 kilometres south of Houston in Texas. Commissioned in 1960, the refinery has an annual production capacity of 2.3 million tonnes per annum. Production was curtailed in February 2001 in response to weak markets and high costs and is currently running at 1.3 – 1.6 million tonnes per annum. Approximately 0.3 – 0.4 million tonnes of production is non-metallurgical grade alumina, which is used in the chemicals operation of Point Comfort.

Bauxite for the refinery is mostly sourced from the Boké mines in Guinea and supplemented when necessary with spot purchases of alumina from Jamaica and French Guiana. While the refinery is well located to service aluminium smelters in certain parts of the United States market, it is in the third to fourth quartile of the industry cost curve because of its distance from bauxite sources and, in more recent times, its higher energy costs and strength of the US Dollar. The refinery is AWAC's highest cost 100% owned plant and is accordingly a swing producer.

4.2.2 Aluminium Operations

AWAC's aluminium assets form part of Alcoa of Australia, in which Alumina Ltd will hold a 39.25% interest. The aluminium assets are located in Victoria and comprise:

- a 55% interest in the Portland smelter, 300 kilometres west of Melbourne; and
- a 100% interest in the Point Henry smelter near Geelong, 90 kilometres south west of Melbourne.

The Portland smelter is owned by a joint venture comprising AWAC, Marubeni Aluminium Australasia Ltd (22.5%) and China International Trust and Investment Corporation (22.5%). AWAC operates the smelter on behalf of the joint venture. The Portland smelter, commissioned in 1986, has an annual nameplate production capacity of 345,000 tonnes of primary aluminium. The smelter sources all of its alumina requirements from AWAC's Western Australian refineries with each of AWAC's joint venture partners having a long term supply contract with AWAC. Electricity for the smelter is supplied by the State Electricity Commission of Victoria ("SECV") under a long term contract that expires in 2016.

The Point Henry smelter was commissioned in 1963. It is a much smaller facility than Portland with an annual nameplate production capacity of 180,000 tonnes of primary aluminium. The Point Henry smelter also sources its alumina requirements from AWAC's Western Australian alumina refineries. Approximately 40% of the smelter's electricity requirements are supplied by an AWAC owned 150 megawatt station located at Anglesea, 35 kilometres south west of Geelong. The balance of the smelter's electricity requirements are supplied by the SECV under a long term contract that expires in 2014.

Almost all the aluminium from the Portland and Point Henry smelters is sold in the form of high purity ingot. Approximately 70% of production is exported, predominantly to North and South East Asia. Nearly 50% of Point Henry's production is sold to KAAL, a joint venture between Alcoa and Kobe Steel Limited which operates an extrusion facility adjacent to the smelter.

The key production statistics for AWAC's aluminium operations for the four years ended 31 December 2001 are summarised below:

AWAC – Aluminium Production Summary				
	Year ended 31 December			
('000 tonnes)	1998	1999	2000	2001
Portland[1]	138.0	143.2	151.9	187.0
Point Henry[2]	160.6	161.6	169.1	185.8
	298.6	304.8	321.0	372.0

Notes: (1) AWAC share. The significant increase in 2001 reflects the acquisition of Eastern Aluminium
(2) Production increased in 2001 after reopening additional pots

Both the Portland and Point Henry smelters are in the first quartile of the industry cost curve. The Portland smelter, which is based on more advanced technology and has the benefit of greater scale, is a marginally lower cost producer than Point Henry.

4.2.3 Alumina Chemicals Operations

AWAC is the world's largest supplier of commodity and specialty alumina based chemicals. The specialty alumina chemicals business ("AWC") produces more than 100 different alumina based products that fall into five principal categories:

- alumina products for refractory applications;
- calcined alumina, used primarily in the manufacture of high grade ceramics, fused alumina abrasives and many polishing applications;
- hydrated alumina, for use in a range of applications including as a combination filler and flame retardant in chemical, carpet, plastic and rubber compound manufacturing, as a brightener for paper and as a toothpaste compound;
- adsorbents and catalysts, used as substrate in the chemicals and petrochemicals industries; and
- aluminium fluoride, used as the electrolyte in the aluminium smelting process.

Hydrated aluminas and aluminium fluorides are generally considered commodity products while refractory aluminas, calcined aluminas and absorbents and catalysts are specialty products. Aluminas produced for the refractory market contribute in excess of 35% of AWC's revenue.

AWC has interests in 17 plants worldwide. Of these, four plants operate as grinding facilities, importing aluminas from other AWC plants for grinding to customer size specifications. AWC's plants and the products manufactured at each are summarised below:

AWC – Chemical Plants		
Location	**Products**	**AWAC Ownership**
North America		
Bauxite, Arkansas	tabular, calcined, hydrated aluminas and calcium aluminate cements	100.00%
Point Comfort, Texas	commodity and specialty hydrated aluminas, calcined aluminas, aluminium fluoride	100.00%
Fort Meade, Florida	aluminium fluoride	100.00%
Port Allen, Louisiana[1]	activated aluminas	100.00%
Vidalia, Louisiana	activated aluminas, catalysts, absorbents	100.00%
Dalton, Georgia	ground hydrated aluminas	100.00%
Leetsdale, Pennsylvania	ground hydrated and other aluminas	100.00%
Wurtland, Kentucky	brown fused alumina, white fused alumina, mullite	50.00%
Europe		
Rotterdam, The Netherlands	tabular aluminas, calcium aluminate cements	100.00%
Ludwigshafen, Germany	calcined aluminas, tabular aluminas	100.00%
San Ciprian, Spain	commodity and specialty hydrated aluminas, calcined aluminas	100.00%
Asia/Australia		
Iwakuni, Japan	tabular aluminas, spinel	75.00%
Naoetsu, Japan	ground hydrated and other aluminas	80.50%
Qingdao, China	ground hydrated and other aluminas	100.00%
Falta, India	ground hydrated and other aluminas	60.00%
Rockingham, Australia[2]	fused materials	33.08%
Kwinana, Australia[3]	commodity and specialty hydrated aluminas, calcined aluminas	99.25%

Notes: (1) The Hi Q plant was closed in July 2001.
(2) Alcoa of Australia owns 33.3% of this operation known as Australian Fused Materials
(3) Alcoa of Australia owns 100% of this plant

Alumina feedstock for most of AWC's plants is supplied by AWAC's alumina division from Kwinana, Point Comfort or San Ciprian. AWC is one of AWAC's largest customers, accounting for approximately 1.0 million tonnes of alumina production (metallurgical grade equivalent).

AWC's operations have been restructured significantly over the last couple of years in an attempt to address falling profitability caused by increasing competition. These initiatives have included the closure of several facilities and a significant reduction in headcount. AWC is continuing to rationalise its product range and operations to concentrate on returns from major commodities such as aluminium flouride, hydrate, calcines and refractory and tabular products.

4.2.4 Shipping Operations

AWAC owns and operates a shipping operation that provides transportation services to AWAC's alumina business and to third parties, including Alcoa. Operating both owned and chartered vessels, the shipping business transports dry and liquid bulk cargoes, including bauxite, alumina, caustic soda, fuel oil, petroleum, coke and limestone.

AWAC owns seven combination carriers. Two combination carriers ship alumina from Western Australia to the Victorian aluminium smelters. A further two large carriers carry alumina from Western Australia to smelters on the west coast of the United States and backfill with raw materials for the Australian operations. Three smaller vessels are employed in the Caribbean carrying alumina from Suriname and Jamaica to New Orleans on the south coast of the United States or Baltimore on the north coast of the United States. These ships are also backfilled with raw materials for the Suriname and Jamaican operations.

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4.3 Management of AWAC

The management of AWAC is governed by a series of umbrella agreements that deal with a range of issues. The most significant terms of the agreements are:

- Management

  Alcoa is responsible for the general operational management of AWAC, which is provided pursuant to an Administrative Service Agreement. However, WMC has provided active input into the management of the operations in such areas as exploration and workplace arrangements. All AWAC staff are seconded from Alcoa. WMC may request that its employees be seconded to AWAC, which has occurred in the past.

- Strategic Council

  The strategic council is broadly responsible for providing direction to management (through the directors of the entities that comprise AWAC) generally on matters of a strategic or policy nature. The strategic council comprises three Alcoa representatives and two WMC representatives and must meet at least twice yearly. WMC is entitled to appoint a proportionate number of directors on the boards of the constituent companies of AWAC, and Hugh Morgan and Andrew Michelmore, both executives of WMC, are on the boards of Alcoa of Australia, Alcoa World Alumina LLC and Alumina Espanola SA.

- Key decisions

  Certain key decisions require the approval of both Alcoa and WMC. These decisions include matters relating to changes in the scope of AWAC's activities, dividend policy, sale of all or the majority of assets, loans to Alcoa or WMC and equity calls on Alcoa and WMC (where greater than US$1 billion in any year). All other matters are decided by a majority vote.

- Exclusivity

  Subject to certain limited exceptions, WMC and Alcoa must conduct their bauxite, alumina and alumina chemicals operations through AWAC and may not compete with AWAC (unless otherwise agreed between WMC and Alcoa).

- Dividend policy

  AWAC must distribute by way of dividends at least 30% of the annual net income of each of the constituent entities (unless agreed otherwise by Alcoa and WMC). WMC and Alcoa have agreed to endeavour to distribute dividends above this level consistent with prudent financial management and in the context of the strategic and business objectives of AWAC. Historically, AWAC has distributed in excess of 100% of its net profit by way of dividend and capital returns.

- Gearing

  AWAC debt levels (net of cash) must not exceed 30% of total capital (being the sum of shareholders' equity, debt (net of cash) and minority interests). Gearing levels have traditionally been very low due to both partners' desire to maximise the cashflow from AWAC.

- Pre-emptive rights

  Alcoa and WMC have pre-emptive rights in respect of each other's interest in AWAC. The pre-emptive rights are not triggered by a change of control of either WMC or Alcoa.

4.4 Earnings

The pro forma historical and forecast earnings performance of Alumina Ltd are summarised below:

Alumina Ltd – Pro forma Earnings Performance					
(A$ million)	Year end 31 December				
	1999	2000	2001	2002F	2003F[1]
Operating Performance (100% of AWAC)					
Alumina production (kt)	12,614	13,252	11,903	12,440	12,930
Aluminium production (kt)	311	344	373	376	382
Average aluminium price (US$/t)	1,389	1,387	1,606	1,342	1,474
Alumina Ltd share of AWAC profit after tax	**216**	**387**	**378**	**263**	**376**
Amortisation of equity goodwill	(18)	(18)	(18)	(18)	(18)
Corporate costs	(5)	(2)	(3)	(8)	(8)
Alumina Ltd Profit before interest and tax	**194**	**367**	**357**	**273**	**350**
Net interest expense				(19)	(20)
Income tax				-	-
Alumina Ltd Profit After Tax				**219**	**331**

Source: Scheme Booklet, WMC. Note numbers may not add due to rounding.

In analysing the operating performance of Alumina Ltd, the following should be noted:

- results for the three years ended 31 December 2001 are based on audited accounts. Forecasts of earnings for the years ending 31 December 2002 and 31 December 2003 have been prepared by and are the responsibility of WMC management. Forecasts for the year ending 31 December 2002 are based on six months of actual results;

- the pro forma forecasts for the years ending 31 December 2002 have been prepared by WMC on the basis that the Demerger occurred on 1 January 2002. Pro forma forecasts for the year ending 31 December 2003 have been prepared assuming the Demerger occurs on 30 November 2002. Pro forma profit before interest and tax has been presented for the preceding three years on the basis that Alumina Ltd existed at the beginning of the period and excludes revenues and costs from discontinued operations. All pro forma information is stated before non-recurring items;

- in response to falling demand in 2001, alumina production was cut back significantly through the closure or curtailment of plants. Demand for alumina has improved significantly in 2002 with further improvement anticipated in 2003 . The increases in production to meet this demand is expected to be met in large part through the re-opening of capacity at Point Comfort, the return to normal production at the Jamaican operational (following labour strike), and creep at most of AWAC's refineries;

- earnings and margins improved significantly in 2000 as a result of higher aluminium and alumina prices, increased production volumes, depreciation of the A$:US$ exchange rate (partially offset by AWAC's hedging program) and the impact of Alcoa's cost reduction program;

- earnings in 2001 declined largely reflecting lower production as a result of the slowing economy. The closure of the St Croix refinery, disruptions at Jamalco caused by labour strikes and curtailment of Point Comfort accounted for the lower production and was only partially offset by stronger alumina and aluminium prices and a lower A$:US$ exchange rate. Earnings excludes WMC's share of non-recurring asset, writedowns and provisions of $81 million incurred in relation to the closure of St Croix refinery and Port Allen chemical plant, curtailment of Point Comfort and write off of the Suralco aluminium smelter assets;

- earnings are expected to fall again in 2002 reflecting sharply lower alumina and aluminium prices and the strengthening of the Australian dollar. A material improvement in earnings is

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forecast for 2003 primarily as a result of improving alumina and aluminium prices and increasing alumina production. The key assumptions underlying the forecasts are:

- aluminium prices of $US1,342/tonne in 2002 increasing to US$1,474/tonne in 2003. Alumina pricing is determined on the basis of existing long term contracts that are generally linked to the LME aluminium price;
- an exchange rate of A$1 = US$0.54 in 2002 strengthening to A$1 = US$0.58 in 2003;
- alumina production in 2002 increases to 12.4 million tonnes met in large part through the re-opening of capacity at Point Comfort, the return to normal production at the Jamaican operations (following a labour strike), and production creep at most of AWAC's refineries. Aluminium production at Portland increases marginally so that total production reaches 376,000 tonnes;
- alumina production in 2003 increases to 12.9 million tonnes met in large part through the further re-opening of capacity at Point Comfort and production creep at most of AWAC's refineries. Aluminium production creep causes total production to increase to 382,000 tonnes;
- unit production costs decline in real terms by 1% in 2002 and 2003 reflecting the impact of production creep at most refineries;
- interest expense reflects the proposed capital structure of Alumina Ltd and average borrowing costs of 3.25% in 2002 and 3.75% in 2003; and
- no income tax is assumed to be payable in either 2002 or 2003 as dividends from AWAC are assumed to be fully franked or tax exempt.

The detailed pro forma financial information is set out in more detail in Section 6.6 of the Scheme Booklet. The key assumptions upon which the forecasts are based are set out in Section 6.6.2 of the Scheme Booklet. The forecasts should be read in conjunction with the risk factors described in Sections 4.5 and 6.5 of the Scheme Booklet, the sensitivity analysis set out in Section 6.6.2 of the Scheme Booklet, and the Investigating Accountant's Report set out in Section 12 of the Scheme Booklet. Grant Samuel takes no responsibility for these forecasts. Grant Samuel does not warrant the achievement of the forecasts. Forecasts by their nature involve assessments of uncertain future events. Actual future performance may be significantly more or less favourable than the forecasts.

4.5 Financial Position

The pro forma balance sheet for Alumina Ltd as at 30 June 2002 is summarised below:

Alumina Ltd – Pro forma Financial Position

(A$ million)	As at 30 June 2002
Investment in associate – AWAC	1,605.8
Cash	72.2
Other Assets	3.4
	1,681.4
Debt	(600.0)
Other Liabilities	(5.7)
	(605.7)
Shareholders' equity	**1,075.7**

Source: Scheme Booklet

The pro forma financial position of Alumina Ltd has been prepared on the basis that the Demerger had been completed on 30 June 2002. In analysing the pro forma financial position of Alumina Ltd, the following should be noted:

- Alumina Ltd's investment in AWAC is recorded at cost, adjusted for Alumina Ltd's share of retained profits and reserves in AWAC and for foreign currency revaluations;
- Alumina Ltd will have cash of $72.2 million. This will be applied to acquire Alumina Ltd's share of AWAC's acquisition of Reynolds Metal Company's 5% interest in MRN and 6% interest in Halco.; and
- Alumina Ltd will initially have debt of $600 million under a new facility. There are limited tax benefits available from leverage as the majority of Alumina Ltd's earnings are expected to be in the form of fully franked or tax exempt dividends from AWAC. Alumina Ltd intends to investigate various alternatives to refinance this debt in a cost efficient manner; and
- AWAC is expected to be self funding in the short to medium term.

A detailed description of the assumptions and adjustments incorporated in the pro forma balance sheet of Alumina Ltd is set out in Section 6.6.2 of the Scheme Booklet.

4.6 Taxation

Alumina Ltd's principal asset will be its interest in AWAC. Alumina Ltd will receive dividends from the various entities that comprise AWAC. These dividends flow from three key sources:

- Alcoa of Australia Limited ("A of A"), an Australian tax paying entity that holds all of AWAC's Australian assets. A of A pays Australian tax and therefore generally pays franked dividends;
- Alcoa World Alumina LLC ("AWA"), a US domiciled entity that holds AWAC's non-European assets. AWA pays two streams of dividends, one relating to income sourced from the United States and the other relating to income sourced from outside the United States. Dividends paid from United States sources are generally subject to withholding tax and received as exempt income by Alumina Ltd. Dividends paid from other sources are also generally received as exempt income; and
- other European domiciled companies that hold AWAC's European assets. Dividends paid from some parts of Europe are subject to withholding tax and constitute exempt income.

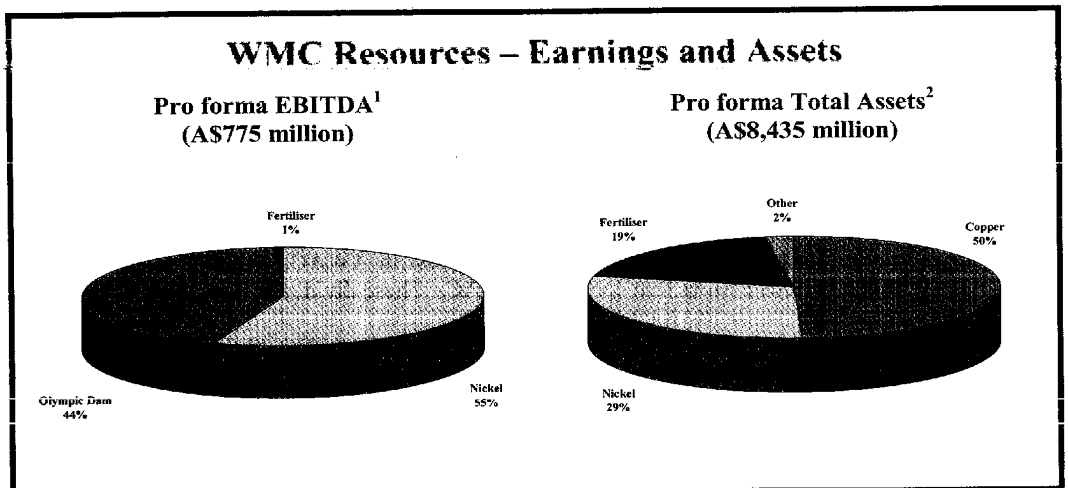
Historically, A of A has accounted for the majority of dividends from AWAC (83% in 2001). These dividends have been fully franked. The balance of dividends have historically been exempt foreign income. Accordingly, Alumina Ltd does not expect to pay income tax in the short to medium term. Based on its dividend policy of paying out all franked Australian dividends from AWAC, Alumina Ltd expects to have sufficient franking credits to pay fully franked dividends for the immediate future.

5 Profile of WMC Resources

5.1 Overview

WMC Resources will hold all of WMC's non-AWAC assets. These include the Olympic Dam operation, the Nickel Business Unit, the QFO and all non-AWAC related exploration projects.

WMC Resources' Olympic Dam operation and Nickel Business Unit account for the vast majority of earnings and assets. However, the earnings contribution from the fertiliser business is expected to increase as production from the QFO moves closer to full capacity.



Notes: (1) For the year ending 31 December 2001. Exclude corporate costs (A$37 million) and exploration and new projects costs (A$109 million)
(2) As at 30 June 2002.

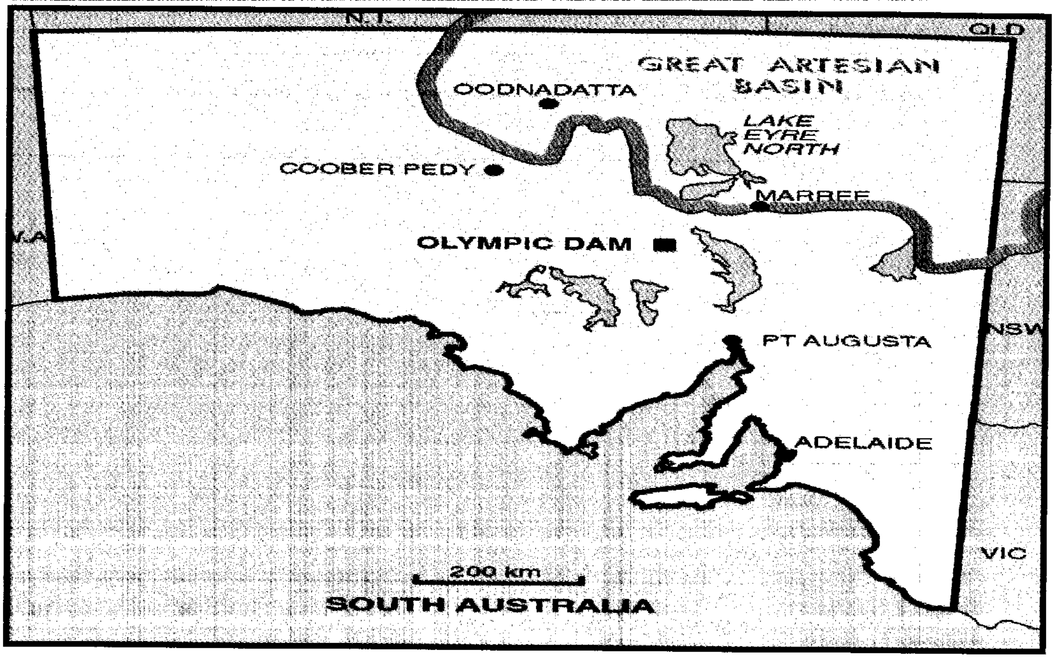
5.2 Olympic Dam

5.2.1 Overview

WMC's Olympic Dam copper/uranium mine is a world class operation. The ore body is the eighth largest copper ore body and the largest uranium oxide deposit in the world. The mine is the largest underground mine in Australia and employs approximately 1,270 staff (including contractors). By the end of 2003, production capacity is expected to reach 235,000 tonnes of copper based on the mining and treatment of approximately 9.8 million tonnes of ore. In 2001 production costs at Olympic Dam were among the lowest in the world. Given current reserves of over [illegible] million tonnes and a total resource base of more than 2.5 billion tonnes, Olympic Dam has the potential to support a very long life mining operation at production rates substantially greater than current rates.

The Olympic Dam operations consist of an underground mine, mineral processing plant, associated infrastructure and the mine town of Roxby Downs, approximately 16 km north of the mine. Located approximately 570 km north-west of Adelaide in South Australia, the Olympic Dam deposit was discovered by WMC in 1975 following drilling near a small stock water dam known as "Olympic Dam".

The following diagram depicts the location of Olympic Dam:



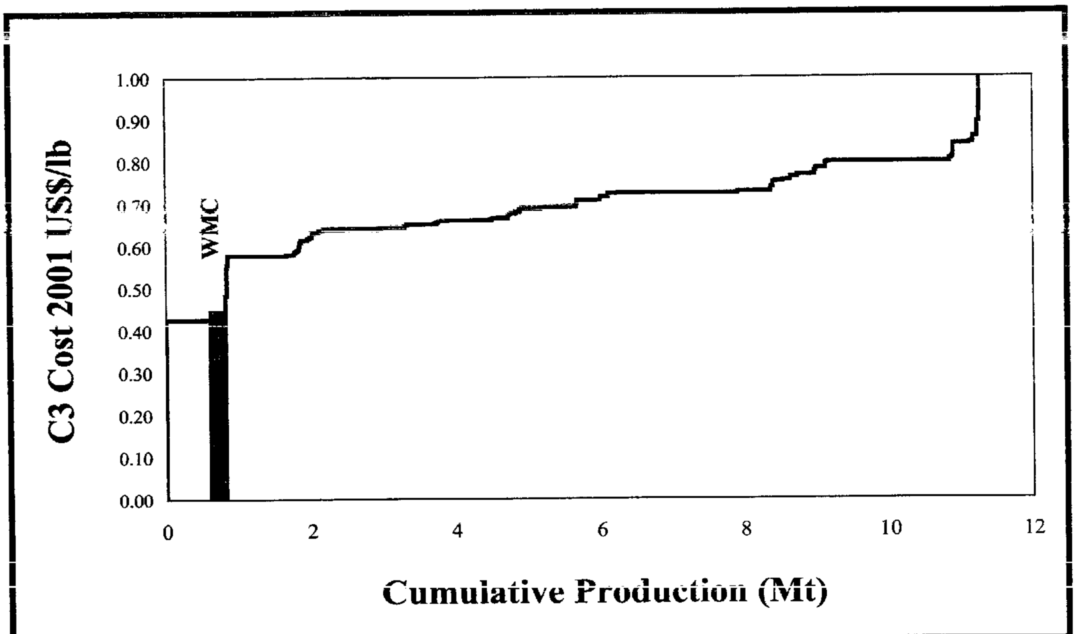
Following joint development by WMC (51%) and BP (49%), production commenced in 1988 at an annual rate of approximately 45 ktpa of copper and 1.2 ktpa of uranium oxide. WMC acquired the BP interest in 1993 for $315 million.

Expansion programs in 1992 and 1995, involving the construction of a second mine shaft, the installation of a new mill and the introduction of an electric furnace, resulted in an increase in copper production to approximately 84 ktpa from about 3 mtpa of ore. In 1996 a major further expansion to 200 ktpa of copper was announced. The expansion involved the installation of an automated underground electric rail haulage system, a new underground crusher, a third mine shaft, a new autogenous mill, a new smelter and expansions to the hydrometallurgical plant. The expansion was completed in 1999 at a cost of $1.94 billion.

Production capacity is being expanded further to 235,000 tpa through an optimisation project. However, production is not anticipated to reach this level until 2003. A fire at the copper and uranium solvent extraction circuits in October 2001 has constrained production of both copper and uranium oxide. The circuits are currently being rebuilt with full production of uranium expected to commence before the end of 2002. While the rebuild of the copper extraction circuit will be completed by March 2003, WMC expects to conduct a major maintenance program in the third quarter 2003 which will delay ramp up to the expanded capacity until later in the year.

Although copper sales are the major source of revenue for Olympic Dam, uranium, gold and silver are also sold. WMC sells uranium oxide concentrates under long term contracts with major international power utilities. For 2001, sales of uranium and precious metals contributed approximately 25% and 5% respectively of total revenue from Olympic Dam.

For the purpose of calculating unit production costs, uranium, gold and silver are treated as by-products. After taking into account their contribution, Olympic Dam's copper production costs (on a fully allocated basis) were within the lowest cost quartile in 2001. Production disruptions in 2002 and 2003 are likely to impact its position on the cost curve in those years:



Note: WMC data is for 2001 (excluding impact of the fire at the copper and uranium solvent extraction circuits).
Source: Brook Hunt March 2002.

WMC expects that it will be able to continue to reduce unit production costs as production volumes increase.

5.2.2 Reserves and Resources

The following table summarises mineral resources and ore reserves at 31 December 2001:

Olympic Dam Ore Reserves & Resources at 31 December 2001				
	Tonnes (Mt)	**Copper Cu (%)**	**Uranium Oxide U_3O_8 (kg/t)**	**Gold Au (g/t)**
Reserves				
Proved	123	2.4	0.6	0.6
Probable	594	1.5	0.5	0.6
Total Reserves	**717**	**1.7**	**0.5**	**0.6**
Resources				
Measured	520	1.7	0.5	0.5
Indicated	1,330	1.2	0.4	0.5
Inferred	810	1.0	0.3	0.4
Total Resources	**2,660**	**1.2**	**0.4**	**0.5**

Despite mining depletion, Olympic Dam reserves have grown in recent years. Olympic Dam resources could ultimately be sufficient to support a mine life of 50-70 years, potentially at much higher production levels than currently achieved.

Two major ore types may be distinguished: copper/uranium ore (which also contains gold and silver mineralisation) and gold ore, which generally has low levels of copper and uranium mineralisation. Copper is present as bornite/chalcocite mineralisation, grading over 3% Cu, which represents approximately 35% of the total resource tonnage, and as chalcopyrite mineralisation, grading around

2% Cu, which represents approximately 65% of the resource tonnage. Uranium grades in the ore body tend to vary with copper grades. Olympic Dam ore also contains significant iron mineralisation, with ore on average grading around 24% Fe. However, the iron mineralisation is currently not recovered.

5.2.3 Mining

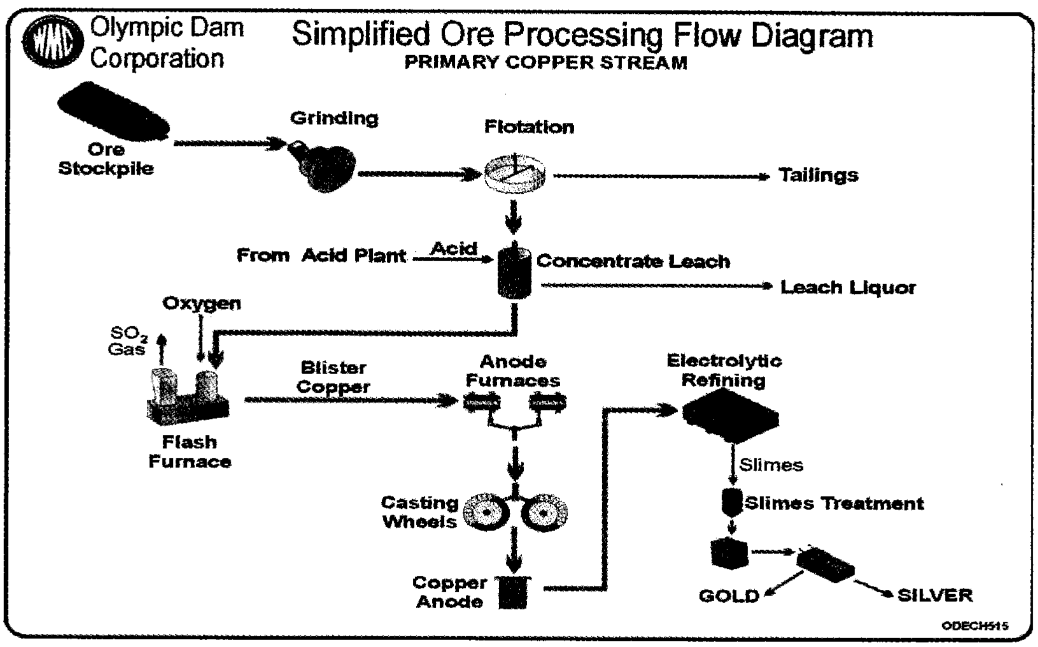
WMC is currently mining the northern end of the Olympic Dam deposit. Underground access is by way of three shafts and a service decline, and there are approximately 20 ventilation raises. Mining is by way of sub-level open stoping. Load haul dump units transport ore from stope drawpoints to the orepass system, which feeds ore to haulage trains through remote-controlled chutes. The automated trains discharge ore into an underground crusher, and the crushed ore is delivered by conveyor to the Clarke shaft for hoisting to the surface. The Whenan shaft provides additional crushing and hoisting capacity.

Approximately 20-22 stopes are mined at any one time. Stope voids are backfilled on completion with cemented aggregate fill and waste rock. A limestone quarry adjacent to the mine provides crushed aggregate, and approximately 100,000 tpa of Portland cement and 200,000 tpa of power station fly-ash are consumed. Backfill is a major mining cost, representing approximately 36% of total projected mining costs.

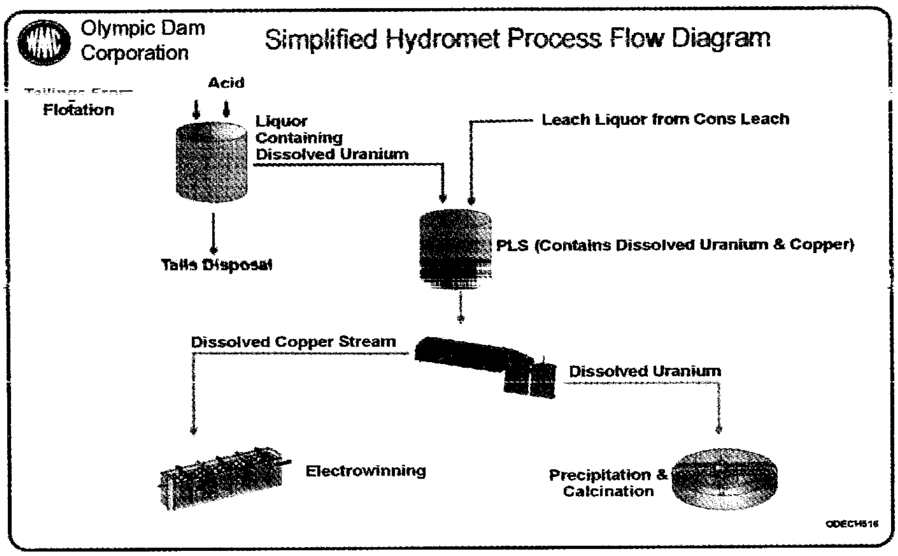
5.2.4 Processing

The Olympic Dam treatment facilities are large and complex. Following grinding of the crushed ore, the resultant slurry is treated in a flotation circuit to produce a copper concentrate grading of greater than 40% Cu, which also contains a small amount of uranium. The tails from the flotation circuit contain the majority of the uranium mineralisation, together with some copper. The copper concentrate is processed by leaching and smelting to extract the contained uranium and copper. The uranium rich tails from the flotation circuit are treated through various solvent extraction processes to extract the contained uranium and copper.

The following diagram illustrates the treatment of the copper concentrate:



The following diagram illustrates the treatment of the uranium rich flotation tails to produce uranium and copper:



A fire in October 2001 caused considerable damage to the uranium and copper solvent extraction circuits at Olympic Dam. Approximately 20,000 tonnes of copper production and 2,500 tonnes of uranium production is expected to be lost in the period to April 2003 when the rebuild of both circuits is anticipated to be fully completed. The total cost of the rebuild is estimated to be $250 million. WMC expects that the repair costs and lost profits will be partially offset by insurance reimbursements.

Production of copper in 2003 will be further disrupted. Following a review of the smelting operations, WMC announced that down time will be required for maintenance to the furnace roof and sidewall refractory and in adjacent taphole cooling jackets. WMC intends to bring forward a scheduled reline of the furnace to coincide with this maintenance and will also undertake a number of modifications to improve the operations efficiency. The total cost of these maintenance activities and associated refurbishment and modifications is estimated to be $120 million.

5.2.5 Operating and Financial Performance

The following table summarises the operating performance of Olympic Dam in recent years:

Olympic Dam Operating Performance				
	Year ended 31 December			
	1998	1999	2000	2001
Ore treated (Mt)	3.40	6.74	8.90	9.34
Grades				
Cu (%)	2.72	2.69	2.53	2.47
U_3O_8 (kg/t)	0.79	0.78	0.73	0.72
Au (g/t)	0.56	0.65	0.53	0.59
Ag (g/t)	5.29	5.29	5.03	4.45
Production				
Cu (tonnes)	73,645	138,272	200,423	200,500
U_3O_8 (tonnes)	1,740	3,221	4,539	4,379
Au (ounces)	31,590	30,510	69,967	113,400
Ag (ounces)	306,679	245,078	625,100	912,900
Cash Operating Costs (US$/lb)	**0.40**	**0.33**	**0.23**	**0.21**

In 1999, a fire in the then newly constructed solvent extraction plant reduced overall copper production by 7,150 tonnes. Similarly, production of copper and uranium in 2001 was adversely impacted by the fire in the uranium and copper solvent extraction circuits.

The following table summarises the historical profit and loss of the Olympic Dam operation:

Olympic Dam Financial Performance				
	Year ended to 31 December			
	1998	1999	2000	2001
Cu Sales (tonnes)	87,200	141,800	203,200	200,800
Cu Price (US$/lb)	0.75	0.71	0.82	0.72
US$:A$ exchange rate	0.63	0.65	0.58	0.52
Sales ($m)	546	499	895	913
EBITDA ($m)	80	165	435	333
EBIT ($m)	27	40	272	151

Note: EBIT and EBITDA before hedging and corporate allocations

Olympic Dam earnings for the year ended 31 December 2000 grew strongly, reflecting the ramp up of production to more than 200,000 tonnes per annum, a stronger copper price and a fall in the A$:US$ exchange rate. Although the exchange rate continued to fall in the year ended 31 December 2001, copper prices fell sharply in the period, back to 1999 levels which adversely affected divisional earnings. In addition, the fire at the solvent extraction plant in October 2001 contributed to lower earnings for the period. EBITDA for the year ended 31 December 2001 fell approximately 25% from the previous period to $333 million on sales of over $900 million.

5.3 Nickel Business Unit

5.3.1 Overview

WMC's nickel operations commenced in 1967 following the discovery of significant nickel ore reserves at Kambalda. The operations were significantly expanded in the early 1970's with the construction of a smelter in Kalgoorlie and a refinery in Kwinana. Today WMC's Nickel Business Unit is the world's third-largest producer of nickel concentrates and the largest producer in Australia. The NBU produced approximately 8% of the world's mined nickel in 2001.

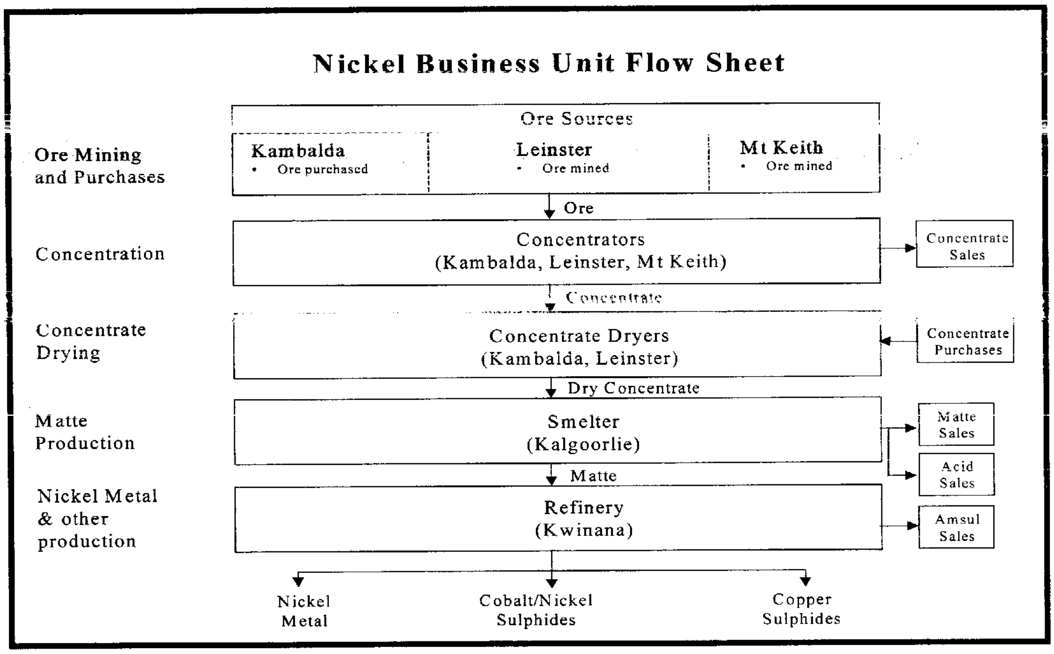
The NBU is a fully integrated nickel business located in Western Australia. Its operations consist of:

- mining operations at Leinster and Mt Keith and milling operations at Kambalda, Leinster and Mt Keith. Sulphide ore is mined from open-cut and underground mines at Leinster and Mt Keith and concentrated on site. Ore sourced from third parties is concentrated at the Kambalda milling facility. Concentrates are dried at both Kambalda and Leinster;

- nickel smelting operations at Kalgoorlie, 600 kilometres east of Perth. The majority of concentrate produced by the NBU is railed to Kalgoorlie for smelting into nickel matte. The balance is sold to other refiners; and

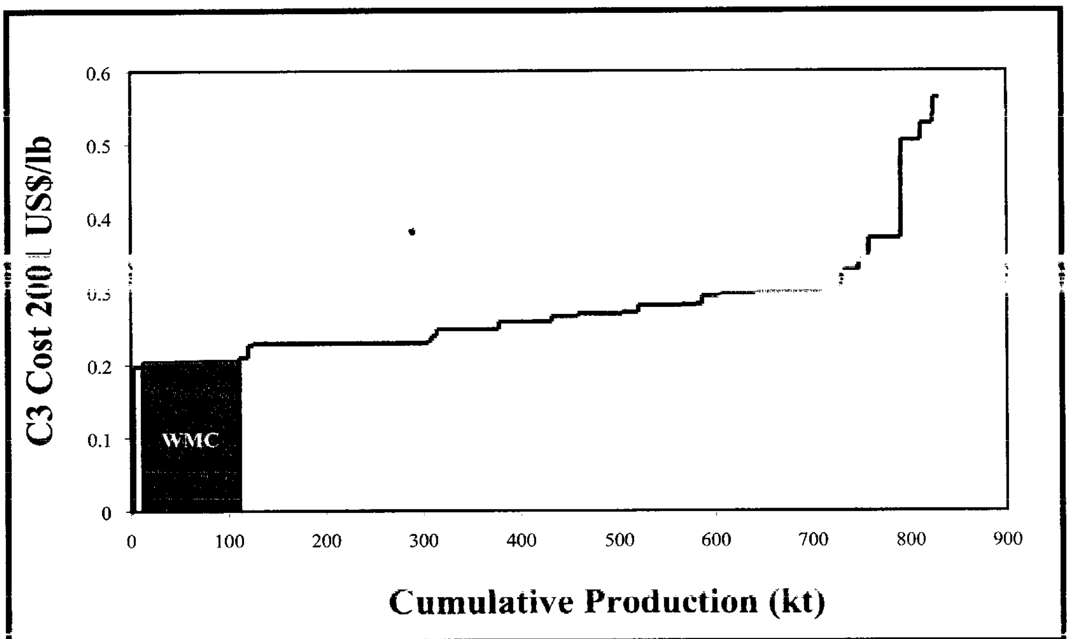
- nickel refining operations at Kwinana, just south of Perth. The bulk of nickel matte produced at Kalgoorlie is railed from Kalgoorlie to Kwinana and processed to produce high purity nickel briquettes, nickel powder, and other intermediate products. The balance is sold to other refiners.

A flowchart providing an overview of the NBU operations is set out below:



WMC's nickel concentrate, matte and metal production are exported to Asia, Europe and North America. Nickel produced by WMC is principally used in making stainless steels. The remainder is used in specialty applications such as automotive parts and domestic appliances.

The NBU is within the lowest cost quartile of the western world nickel industry:



Source: Brook Hunt 2001

5.3.2 Reserves and Resources

WMC's NBU is based on a large sulphide nickel resource base. The Leinster and Mt Keith operations currently have over 6 million tonnes of contained nickel in resource giving an operational life potentially in excess of 20 years. The resource from which the Kambalda operation sources its feed is expected to sustain the operation until at least 2006, although it is possible that supply could extend beyond this time. Ore Reserves as at 31 December 2001 are summarised below:

NBU Ore Reserves at 31 December 2001							
		Proved		Probable		Total	
Location		Ore (mt)	Grade (Ni %)	Ore (mt)	Grade (Ni %)	Ore (mt)	Grade (Ni %)
Leinster	u/g	14.3	1.6	8.5	1.8	22.8	1.7
	o/c	-	-	4.4	1.8	4.4	1.8
	s/p	0.3	1.5	-	-	0.3	1.5
Mt Keith	o/c	201	0.58	128	0.53	329	0.56
	s/p	21.4	0.49	-	-	21.4	0.49
Total		**237.0**	**0.64**	**140.9**	**0.65**	**377.9**	**0.65**

Notes: (1) u/g = underground, o/c = open-cut and s/p = stockpile.
(2) Excludes the Kambalda ore reserve at the Lanfranchi mine which has been mothballed ahead of its expected sale in 2003.

Mineral resources as at 31 December 2001 are summarised below:

NBU Mineral Resources at 31 December 2001									
		Measured		Indicated		Inferred		Total	
Location	Type	Resource (mt)	Grade (Ni %)	Resource (mt)	Grade (Ni %)	Resource (mt)	Grade (Ni %)	Resource (mt)	Grade (Ni %)
Leinster	u/g	15.2	2.3	15.3	2.4	13.1	1.9	43.6	2.2
	o/c sulphide	3.9	1.6	86.6	0.6	89.9	0.6	180.4	0.6
	s/p oxidised	6.4	1.5	-	-	-	-	6.4	1.5
Mt Keith	o/c	202.0	0.58	142.0	0.53	122.0	0.5	466.0	0.59
	s/p	21.4	0.49	-	-	-	-	21.4	0.49
	s/p oxidised	5.8	0.62	-	-	9.5	1.2	15.3	0.97
	o/c other	92.0	0.56	152.0	0.56	43.0	0.56	287.0	0.56
Total		**346.7**	**0.67**	**395.9**	**0.63**	**277.5**	**0.63**	**1,020.1**	**0.64**

Notes: (1) u/g = underground, o/c = open-cut and s/p = stockpile.
(2) The measured and indicated Mineral Resources are inclusive of those mineral resources that form part of the Ore Reserves.
(3) Excludes Kambalda ore reserves at the Lanfranchi mine which has been mothballed ahead of its expected sale in 2003.

The Leinster and Mt Keith deposits are located in the Norseman-Wiluna Greenstone Belt in the Eastern Goldfields Province of Western Australia. The Norseman-Wiluna belt extends over 600 kilometres. It ranges in width from 5 kilometres to 25 kilometres and hosts a number of nickel sulphide deposits. The Leinster deposits is generally higher grade than Mount Keith, which is a large tonnage, low grade disseminated nickel sulphide deposit.

WMC's NBU also owns the Yakabindie nickel deposit, the contiguous extension of the Yakabindie ore body and the North Six Mile deposit. The Yakabindie nickel deposit was reported to contain 287 million tonnes at 0.56% nickel in a large near-surface ore body. These deposits lie within 25 kilometres of WMC's Mt Keith operations.

In addition, WMC has a nickel prospect at West Musgrave in Western Australia. West Musgrave is located within the Musgrave Ranges north east of Laverton near the South Australian border. Exploration work at West Musgrave has shown variable results, although large volumes of nickel and copper sulphides have been identified and extended over a strike length of five kilometres.

5.3.3 Mining and Milling Operations

Kambalda

Kambalda is located 56 km south of Kalgoorlie in Western Australia. High-grade nickel sulphide ore is sourced from a number of mines in the region pursuant to long term agreements. Ore is milled and dried at Kambalda to produce nickel concentrate containing approximately 11-13% nickel. Concentrate is transported by rail to the Kalgoorlie nickel smelter for conversion to nickel matte.

Prior to 2000, Kambalda sourced the majority of its concentrator feed from its own mines. However, since that time WMC has sold all but one of its mines to third parties and entered into long term nickel purchase agreements with the purchasers. The agreements provide for the supply to, and processing of, ore at the Kambalda concentrator and the purchase of the subsequent concentrate by WMC for blending as smelter feed. WMC retains only one mine, the Lanfranchi mine which has been mothballed since April 2002, and is expected to be sold in 2003.

The mill at Kambalda has a capacity of 1.5 mtpa and the dryer has a capacity of 365 ktpa although neither is currently operating at capacity. Kambalda's operational life is expected to be at least four years based on a production rate of approximately 16 ktpa of nickel contained in concentrate and the resources available at each of the mines from which Kambalda sources its ore. This reflects the mature nature of the operations, which began in 1967. Whilst Kambalda has a short operational life, its main contribution to the NBU is the production of a concentrate with a high ratio of iron to magnesia (Fe:MgO), which facilitates the operation of the smelter.

Leinster

Leinster is located approximately 375 km north of Kalgoorlie in Western Australia. High and low-grade nickel sulphide ore is mined using both underground and open pit methods. Ore is milled and dried at Leinster to produce nickel concentrate containing approximately 11-13% nickel. Concentrate is transported by rail to the Kalgoorlie nickel smelter for conversion to nickel matte.

WMC established its Leinster nickel operations in 1988 following the acquisition of the Agnew nickel mine. Leinster is expected to have an operational life of 10 years based on a production rate of approximately 30-40,000 tonnes per annum of nickel in concentrate. Further infill drilling at the Perseverance underground mine to convert resources to reserves has the potential to increase the life to approximately 16 years.

The majority of Leinster production currently comes from the Perseverance underground mine. The remainder comes from the Harmony open pit. WMC's long term plans for Leinster assume 100% underground ore supply from 2004. Perseverance mine output is forecast to increase from the current 1.8 Mtpa to between 2.4-2.7 Mtpa from 2004 as two new ore surfaces (Hanging Wall Limb and Progress Shoot) are opened up and sub-level cave mining ramps up.

The Leinster mill is currently operating at 2.6 million tonnes of ore per year with an anticipated maximum capacity of approximately 2.7-3.0 million tonnes per annum. The current concentrator circuit is a conventional crush-grind flotation circuit. It includes primary crushing, SAG-ball milling, flotation and flash drying. The dryer has a capacity of 580,000 tonnes per annum and treats Leinster and Mt Keith concentrate. Nickel recoveries at the mill have averaged approximately 82.4% over the last four years, although WMC is working towards improving recoveries.

Mount Keith

Mt Keith is located approximately 450 km north of Kalgoorlie and 85 km north of Leinster in Western Australia. WMC began construction to develop the deposit in March 1993 following the acquisition of its joint venture partners interest. The Mt Keith operation was officially commissioned in January 1995.

The Mt Keith deposit is a large low-grade disseminated nickel sulphide reserve with a grade of approximately 0.56% nickel and is mined by open-cut methods by contractors. Mt Keith's expected operational life is 30 years based on a production rate of approximately 50,000 tonnes per annum of nickel-in-concentrate.

The mill currently has a throughput capacity of 11.2 million tonnes per annum of ore. WMC is currently examining the possibility of expanding Mt Keith throughput to 14 Mtpa of ore having already completed a pre-feasibility study of an expansion to 16 Mtpa of ore. The expected capital cost of this expansion is approximately $200 million. WMC has progressively improved recoveries at Mt Keith from 60.8% in 1998 to 70.8% in 2001. WMC expects recovery rates in the short to medium term to remain at levels at or above 70%.

WMC sells up to 14 ktpa of Mount Keith nickel in concentrate to OMG Harjavalta Nickel Oy ("OMG") under a long term contract. The contract term will expire when 140,000 tonnes in total have been delivered, which WMC expects to be in early 2005. WMC also has a long-term contract to supply 5,850 tonnes per annum of nickel in matte to OMG. The balance of production from Mt Keith is transported by road to Leinster or Kambalda for drying and blending with other concentrates before being railed to the Kalgoorlie nickel smelter.

5.3.4 Processing Facilities

Kalgoorlie Smelter

The Kalgoorlie nickel smelter is located 15 km south of Kalgoorlie in Western Australia. The smelter currently has a capacity of 750 ktpa concentrate or 110 ktpa nickel in matte, although WMC has identified a number of opportunities to expand capacity to between 115,000 and 120,000 tonnes per annum. Any expansion is likely to be made in conjunction with an expansion of Mt Keith and potential development of the Yakabindie nickel project.

The smelter uses a flash furnace and is based on a modified flash smelting process developed by Outokumpu. The flash furnace smelts sulphide concentrates with sand flux to concentrate the valuable minerals of nickel, copper, cobalt and precious metals into a sulphide matte. Low-grade nickel matte from the flash furnace is further smelted in three converter units. Concentrate for the smelter is sourced from Kambalda, Leinster and Mount Keith (after being blended at Kambalda or Leinster) as well as third party suppliers. High grade nickel matte (approximately 72% Ni) is exported to custom refiners and a lower grade matte (approximately 66% Ni) is delivered to WMC's refinery. Nickel recoveries are approximately 97%.

The smelter has operated in campaigns of varying length. The current operating furnace is in its fifth operating campaign having been upgraded on two occasions. In January 1999, the operations were stopped for 63 days due to a furnace leak. The furnace hearth was rebuilt at that time giving it an estimated life of 10 years.

The smelter includes an acid plant, constructed to capture approximately 90% of the SO_2 emissions. Total annual sulphuric acid production is approximately 550,000 tonnes. The sulphuric acid is sold to users in Western Australia, the most important of which are the nickel laterite plants of Cawse and Bulong. On 20 February 2002 a fire broke out at the acid plant. WMC estimates that the fire will result in the loss of approximately 2,000 tonnes of nickel production in 2002.

Approximately 70% of the roughly 100,000 tonnes of nickel matte produced is railed to WMC's Kwinana refinery for processing to nickel metal. The balance of nickel in matte is exported. Approximately 25% of nickel matte sales are to Sumitomo Metal and Mining Company Limited of Japan, pursuant to a contract that provides for delivery of 26,000 tonnes of nickel matte per annum until March 2005.

Kwinana Refinery

The Kwinana nickel refinery is situated 30 km south of Perth in Western Australia.

The refinery uses a modified Sherritt Gordon ammonia leach process to convert nickel matte from the Kalgoorlie smelter into LME grade nickel briquettes and nickel powder. 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. WMC receives a credit for the nickel and has the cobalt metal returned for subsequent sale.

The refinery has a capacity of approximately 67,000 tonnes per annum of nickel metal with nickel recoveries of approximately 98%. As a result of a fire at the Kalgoorlie smelter and consequently reduced production, output at the refinery is expected to be below capacity in 2002. Operating costs have been progressively reduced by increasing process intensity, improving process control and targeted de-bottlenecking. WMC expects that further de-bottlenecking will increase production capacity to 70,000 tonnes per annum of nickel metal. Further expansions to at least 80,000 tonnes per annum capacity are also being evaluated.

5.3.5 Operating and Financial Performance

The operating performance of WMC's NBU is summarised as follows:

NBU Operating Performance					
		Year ended 31 December			
		1998	1999	2000	2001
Mining & Milling					
Kambalda					
Ore milled	('000t)	1,386	369	540	602
Nickel grade	(%)	2.65	3.36	3.84	3.37
Recovery	(%)	90.8	89.7	92.7	93.0
Nickel-in-concentrate	('000t)	33.4	11.1	19.4	18.6
Leinster					
Ore milled	('000t)	2,256	2,098	2,642	2,324
Nickel grade	(%)	2.34	2.08	1.92	2.04
Recovery	(%)	83.9	82.2	80.4	80.2
Nickel-in-concentrate	('000t)	44.3	36.0	40.7	38.0
Mt Keith					
Ore milled	('000t)	10,628	10,435	10,685	10,920
Nickel grade	(%)	0.65	0.65	0.63	0.62
Recovery	(%)	60.8	61.1	71.0	70.2
Nickel-in-concentrate	('000t)	42.0	41.2	47.5	47.9
Total nickel-in-concentrate	**('000t)**	**119.7**	**88.3**	**107.7**	**104.5**
Kalgoorlie Smelter					
Concentrate treated	('000t)	722.4	575.2	737.2	704.3
Nickel grade	(%)	14.2	13.9	14.3	14.2
Recovery	(%)	[illegible]	[illegible]	[illegible]	[illegible]
Matte produced	('000t)	[illegible]	[illegible]	[illegible]	[illegible]
Nickel-in-matte produced	**('000t)**	**100.1**	**79.7**	**103.0**	**96.6**
Kwinana Refinery					
Matte treated	('000t)	84.1	83.1	94.0	94.2
Nickel grade	(%)	65.7	64.4	66.9	66.5
Recovery	(%)	97.4	97.8	97.5	97.2
Refined nickel produced	**('000t)**	**53.7**	**53.0**	**60.5**	**61.3**
Operating Costs and Capital Expenditure					
Cash costs (net of credits)	(US$/lb Ni)	1.21	1.15	0.96	1.18
Capital expenditure	($m)	222	133	156	228

Note: In 1999, the Kalgoorlie nickel smelter was shut down for 63 days for a major furnace rebuild following a furnace leak

The following table summarises the historical financial performance of the NBU:

NBU Financial Performance				
	Year ended 31 December			
	1998	1999	2000	2001
Ni Sales ('000t)	114.5	97.3	120.4	109.5
Ni Price (US$/lb)	3.35	2.74	3.92	2.69
A$:US$ exchange rate	0.63	0.65	0.59	0.52
Sales ($m)	1,241	1,034	1,862	1,342
EBITDA ($m)	171	345	1,035	511
EBIT ($m)	(40)	173	825	301

Note: EBIT and EBITDA before hedging and corporate allocations

The NBU achieved record profits in 2000, reflecting a high average nickel price for the year, the benefits of a depreciating A$ and business improvements. EBITDA fell in the 2001 financial year due largely to lower revenues, as a result of lower nickel prices reflecting reduced demand and higher operating costs in the period.

5.4 Fertilizer Business

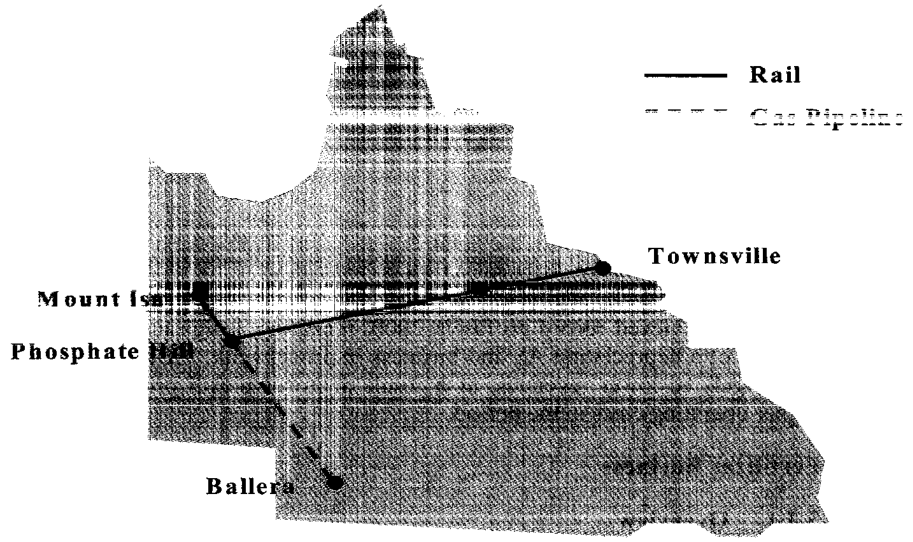
5.4.1 Overview

The fertilizer business consists primarily of the QFO, a phosphate rock mine and integrated phosphate/nitrogen fertilizer processing facility. The business also includes Hi-Fert, a distributor and marketer of fertilizer products in south eastern Australia.

The QFO produces and markets diammonium phosphate ("DAP") and monoammonium phosphate ("MAP"). With an expected long term production capacity of approximately 1.06 million tonnes per annum of DAP and MAP combined, the QFO is the largest fertiliser production facility in Australia. Once operating at full production capacity, the QFO is expected to become the lowest cash cost producer of DAP in the world.

The QFO, one of the most highly integrated fertilizer production operations in the world, consists of a sulphuric acid plant at Mount Isa, the mining operation and fertilizer plant at Phosphate Hill and storage and port facilities in Townsville. Phosphate Hill is approximately 160 kilometres south southwest of Mount Isa in north west Queensland:

Queensland Fertilizer Operation



WMC acquired its interest in the QFO project in 1980. It operated the existing facilities at Phosphate Hill until 1983 when it became clear the existing arrangements made it uneconomic to operate. The project became more attractive in the late 1990's when natural gas became available in the region on improved terms. In 1996, after securing supplies of natural gas, smelter gases for sulphuric acid production and government support for rail infrastructure, WMC announced its intention to develop the QFO. The QFO plant was constructed on a lump-sum turnkey basis and completed in late 1999. After delays during the commissioning period the plant was handed over to WMC in late October 2000.

Production at the QFO is yet to reach capacity on a consistent basis, although the plant has run at nameplate capacity for a number of months. WMC expects that, when the QFO operates at full capacity, it will become the lowest cash cost producer of DAP in the world. This strong competitive position primarily reflects:

- access to a low cost source of phosphate rock as a result of the nature of the mining operations (open cut mine with the ore body close to the surface), the short haulage routes from the mine to the processing plant and the simple beneficiation process;
- a competitive sulphur supply which is partly sourced from the waste gases from the MIM Mount Isa copper smelter;
- on-site production of ammonia, produced using natural gas purchased under long term contract arrangements; and
- proximity to key markets in Australia and the Asian region, reducing transport costs.

WMC has reviewed the carrying value of the QFO for the purposes of the Demerger. WMC Resources expects to write down the carrying value of property, plant and equipment of the QFO to fair value of approximately \$551 million following the Demerger (which involves the sale at fair value from WMC to WMC Resources). Furthermore, WMC is currently undertaking a strategic review of the QFO (including Hi-Fert) examining the range of options available to enhance shareholder value.

5.4.2 Reserves and Resources

The Phosphate Hill deposit is extensive and expected to support operations for more than 35 years at targeted operating rates. Occurring as apatite (calcium phosphate), quartz, alumina and iron oxide impurities, the resource has high grades of phosphate (measured as P_2O_5). However, the extent of the economic reserves is constrained by high concentrations of iron oxide (Fe_2O_3) which impacts the quality of DAP.

The following table summarises ore reserves and resources at 31 December 2001:

QFO Ore Reserves and Resources at 31 December 2001					
Reserves	**Tonnes (M)**	**P_2O_5 (%)**	**Resources**	**Tonnes (M)**	**P_2O_5 (%)**
Proved	25.5	24.2	Measured	32.9	24.5
Probable	65.5	24.1	Indicated	56.9	24.0
			Inferred	22.7	20.6
Total	**90.8**	**24.2**	**Total**	**112.5**	**23.6**

Note: The reserves have been determined using an average ore feed grade of 2.0% iron oxide with a maximum cut-off of 2.45%.

5.4.3 Mining

Three pits (Galah, Brolga and Jabiru) are currently mined at Phosphate Hill, with mining conducted by contractors. The five year mine plan focuses on blending hard and soft ores from the Brolga and Galah pits.

The mine pits are relatively simple and shallow with extraction of the phosphate ore being undertaken by excavator trucks without drilling or blasting. Overburden material, mostly shale and alluvium, varies in thickness from 0-100 metres, with an average of approximately 35 metres. Overburden is disposed of at nearby mine waste dumps. Ore is hauled using small-scale mining equipment to stockpiles at the beneficiation plant. The mining fleet includes six 50 tonne haul trucks, two 100 tonne excavators, two front end loaders and ancillary fleet.

The QFO is selectively mining the ore to maintain an average feed grade of no more than 1.8% iron oxide. WMC expects that it will be possible to increase the average feed grade to 2.0% after the installation of a magnetic separation unit in the beneficiation plant.

5.4.4 Processing

The processing facilities at the QFO are the first of their kind in Australia. The QFO is one of the few operations worldwide that fully integrate mining operations, the production of ammonia from natural gas and the production of DAP and MAP.

The main feedstocks for the process are phosphate ore, sulphuric acid and ammonia:

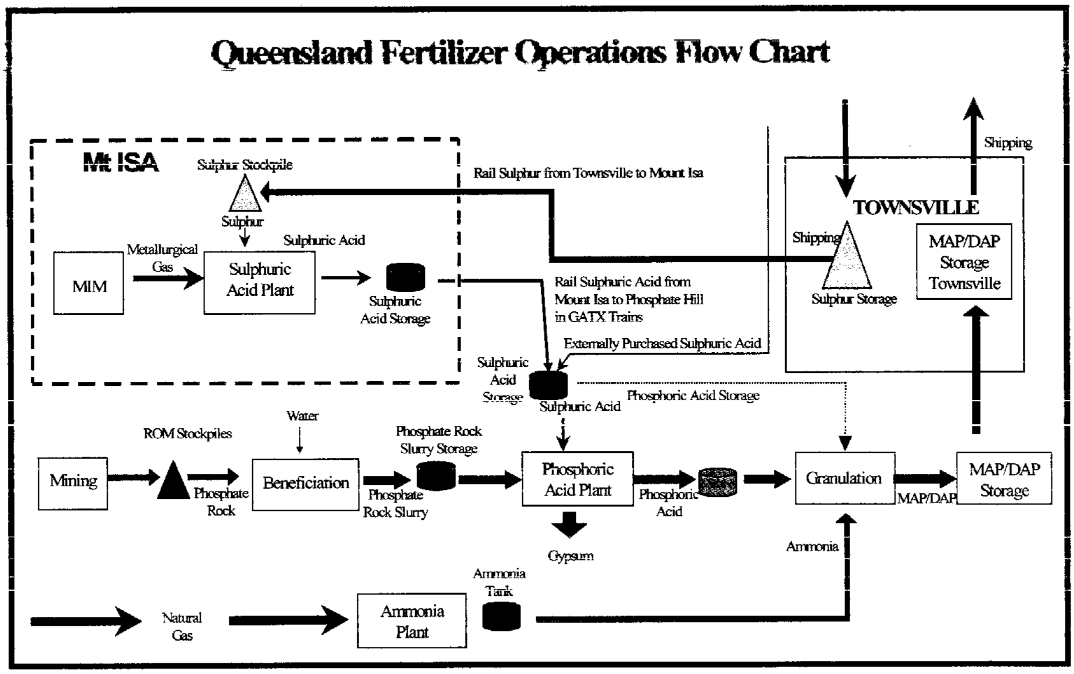
- phosphate ore is mined on site. The mined ore is crushed, washed and deslimed, ground and thickened at the beneficiation plant to produce a phosphate rock slurry. Selective mining is currently occurring to ensure targeted iron oxide levels for processing are met. As this is not sustainable in the long term, WMC is modifying its beneficiation plant to allow feeds of ore with an average concentration of 2.0% iron oxide;

- sulphuric acid is sourced from the QFO's sulphuric acid plant located in Mount Isa and purchased from Korea Zinc's refinery in Townsville. The QFO's sulphuric acid plant uses waste gases from MIM Holdings Limited's Mount Isa copper smelter. If there is a shortfall in gas from the smelter, externally purchased sulphur is burned at the acid plant. It is uncertain whether waste gases from the MIM smelter will be available after 2012 due to the expected decline in current stated reserves and resources. Sulphuric acid is transported by rail to Phosphate Hill from Mount Isa and Townsville;

- all the QFO's ammonia requirements are produced on site in its ammonia plant. Hydrogen is extracted from natural gas sourced from the Cooper Basin and transported to Phosphate Hill via AGL's Carpentaria gas pipeline.

Phosphate rock slurry is processed with sulphuric acid to first produce phosphoric acid. The phosphoric acid is then reacted with ammonia to form an ammonium phosphate slurry which is subsequently granulated to form MAP or DAP. The final product is railed to Townsville where it is stored and dispatched.

The following diagram illustrates the production process at the QFO:



The nameplate capacity of the plant is 975,000 tonnes. Since completion in late 1999, production at the QFO has been steadily increasing. In December 2001, the plant reached an annualised rate of 965,000 tonnes per annum of DAP equivalent. Production in the first half of 2002 has been below capacity largely because of a shortage of sulphuric acid created by operational difficulties at the QFO's sulphuric acid plant and issues with the rail infrastructure between Mount Isa and Phosphate Hill.

WMC expects to expand the QFO's capacity having identified a number of small capital projects and de-bottlenecking initiatives to increase capacity to 1.06 million tonnes per annum. The expansion process is anticipated to occur incrementally over the next few years. A major capacity expansion to 1.3 million tonnes per annum is also under consideration.

5.4.5 Markets

Approximately 74% of production is currently sold in Australia through major fertilizer distributors (Pivot and Incitec) and, at the retail level, Hi-Fert. Sales to Hi-Fert in 2001 accounted for approximately 20% of volume. The QFO's margin on domestic sales is greater than the margin on export sales due to the QFO's freight cost advantage in the domestic market.

Export sales are made through Cargill Fertilizers Inc ("Cargill") under a marketing agreement that expires in 2004 (subject to WMC exercising an option for a five year extension). Under the terms of this agreement WMC is contracted to supply a minimum of 350,000 tonnes per annum of DAP to Cargill. The majority of this product is targeted at the South East Asian market. Because of the differential between freight costs from North America and from Townsville, the QFO has a comparative advantage supplying product into these markets.

5.4.6 Hi-Fert

Hi-Fert operates a fertilizer marketing and distribution business in New South Wales, Victoria and South Australia, marketing 21 base fertilizers and 13 coated fertilizers. Hi-Fert has dispatch facilities in Newcastle, Lara, Portland, Adelaide, Kadina and Port Lincoln, from which it operates blending plants so that that fertilizer mixes can be produced to meet specific customer requirements.

5.4.7 Operating and Financial Performance

Operating costs have improved significantly since the plant was fully commissioned in October 2000, as production rates have increased towards nameplate capacity:

QFO Operating and Financial Performance

	Year ended 31 December	
	2000	**2001**
Operating Statistics		
Ore mined (kt)	1,075	1,904
DAP produced (kt)	326	651
MAP produced (kt)	-	58
Total production (kt)	326	710
% of nameplate	33%	73%
Realised Prices		
DAP average price (US$/t)	154	146
A$/US$ (cents)	0.58	0.52
Financial Performance		
Sales ($m)	72.2	206.4
EBITDA ($m)	(17.9)	6.1
Capital expenditure ($m)	93.3	42.3
Operating Costs		
Cash costs ($/tonne)	272	261
Total costs ($/tonne)	383	396

Earnings in 2001 were affected by low production rates and historically low DAP prices in the period. In addition, cost performance in 2001 was impacted by the extended shutdown of the plant in July and August to resolve a number of production issues. The performance of the QFO improved in the first half of 2002 notwithstanding the shortage of sulphuric acid. Total production in 2002 is expected to exceed 2001 levels (800,000 tonnes) which together with improved prices, is expected to see improved earnings.

Hi-Fert's historical financial performance is summarised in the following table:

Hi-Fert Financial Performance

	Year ended 31 December		
	1999	**2000**	**2001**
Sales ($m)	191.3	186.0	221.5
EBITDA ($m)	4.0	(3.4)	3.7
EBIT ($m)	1.4	(5.7)	1.4

Hi-Fert's margins in 2000 were affected by heavy competition and discounting. An increase in sales and a reduction in operating costs through workforce reduction and restructuring resulted in a significant improvement in profitability in 2001.

5.5 Other Assets

5.5.1 Projects

WMC Resources will have two advanced exploration projects which are subject to feasibility work: the West Meliadine gold project in Nunavut, Canada, and the Corridor Sands mineral sands project in Mozambique.

The West Meliadine project is located near Hudson Bay in sub-Arctic Northern Canada. WMC has been exploring in the area since 1995 and holds a 56% interest in the project. The balance is held by Comaplex Minerals Corp and Cumberland Resources Ltd, listed Canadian companies. WMC attempted to dispose of its interest in West Meliadine in 2001. While this was initially unsuccessful, discussions continue with a number of interested parties. The project has been put on care and maintenance pending the outcome of those discussions.

The Corridor Sands minerals sands project is located approximately 180 km north of Maputo, the capital of Mozambique, approximately 60 km inland from the coast. The project, owned by Southern Mining Corporation Ltd ("SMC"), envisages an integrated mining, concentration and smelting operation to produce titanium dioxide slag. WMC paid US$15 million for the right to conduct a bankable feasibility study and an exclusive option to acquire a controlling interest in the project.

A bankable feasibility study was completed in July 2002 identifying Mineral Resources totalling 16.6 billion tonnes of deposits containing high levels of total heavy minerals. The size and quality of the resource provides an attractive base for a project. However, major issues for the project include the magnitude of the capital requirement, the project's location in Mozambique and uncertainty as to whether the market could absorb the volume of titanium slag that is planned to be produced.

If WMC decides to exercise its option, WMC Resources will be required to provide US$[180] million of initial project funding and may have other disproportionate funding obligations. For this investment, WMC Resources will acquire an initial 60% interest in the project. SMC will hold 40% in the project and South African state-owned Industrial Development Company will have an option to acquire 10% in the project.

5.5.2 Exploration

WMC Resources will assume all of WMC's exploration activities. These activities have historically involved a world-wide exploration effort focussed on gold, copper and nickel. In 2001, WMC spent $57 million on exploration. The exploration budget for 2002 for WMC Resources has been significantly reduced to $25 million. A number of projects are currently being pursued of which the West Musgrave project has been the main focus.

The West Musgrave project area of approximately 7,600km^2 is located near the border of Western Australia and South Australia, around 800 km north east of Leonora. Large geophysical and geochemical anomalies have been tested at the Nebo and Babel prospects. Although variable, these tests indicated large volumes of nickel and copper sulphides extended over a strike length of five kilometres. Follow up drilling has been less encouraging, but WMC is continuing its exploration programme in the West Musgrave project area. Further regional electromagnetic surveys of other prospective areas in the region was completed in early 2002. Follow up ground geophysical surveys were commenced in July 2002 with drilling at identified targets expected to commence in September 2002.

Other exploration projects include a number of Australian, Chinese and Peruvian prospects.

5.5.3 Other

WMC Resources will have a number of other assets:

- the Group Technology division, which has an annual budget of around $25 million, has acquired and developed a range of intellectual property in relation to, principally, geoscience, mining and minerals processing. The most significant of these is the intellectual property in a bioleach nickel sulphide processing technology; and
- a 94% interest in the Adwest Limited Partnership venture capital fund.

5.6 Earnings

The pro forma historical and forecast earnings performance of WMC Resources are summarised below:

WMC Resources – Pro forma Earnings Performance

(A$ million)	Year end 31 December				
	1999	**2000**	**2001**	**2002F**	**2003F**
Revenue					
Copper	499	895	913	772	840
Nickel	1,034	1,862	1,343	1,362	1,529
Fertilizers	192	230	382	426	448
Other	46	122	90	91	4
Total Revenue	**1,771**	**3,108**	**2,728**	**2,651**	**2,820**
EBITDA					
Copper	156	453	405	303	293
Nickel	354	1,027	511	471	628
Fertilizers	4	(26)	6	27	48
Corporate	(34)	(35)	(37)	(44)	(26)
Exploration, New Projects and Other	(87)	(64)	(109)	(74)	(60)
Total EBITDA (excluding hedging)	**394**	**1,355**	**775**	**683**	**884**
Depreciation and amortisation	318	429	482	(539)	(528)
EBIT					
Copper	24	262	223	46	77
Nickel	182	823	288	247	379
Fertilizers	(2)	(53)	(60)	(20)	(5)
Corporate	(38)	(40)	(44)	(54)	(35)
Exploration, New Projects and Other	(90)	(67)	(113)	(76)	(61)
Total EBIT (excluding hedging)	**75**	**926**	**294**	**144**	**355**
Hedging gains / (losses)	(52)	(320)	(291)	(24)	33
Total EBIT (after hedging)	**24**	**605**	**3**	**120**	**388**
Net interest				(55)	(48)
Profit before tax				**66**	**340**
Tax expense				7	(79)
Profit attributable to WMC shareholders				**73**	**261**
EBITDA margin (%)	*22%*	*44%*	*28%*	*26%*	*31%*
Copper	*31%*	*51%*	*44%*	*39%*	*35%*
Nickel	*34%*	*55%*	*38%*	*35%*	*41%*
Fertilizers	*2%*	*nm*	*2%*	*6%*	*11%*

Source: Scheme Booklet. Numbers may not add due to rounding.

In analysing the pro forma earnings of WMC Resources, the following should be noted:

- results for the three years ended 31 December 2001 are based on audited accounts. Forecasts of earnings for the years ending 31 December 2002 and 31 December 2003 have been prepared by and are the responsibility of WMC management. Forecasts for the year ending 31 December 2002 are based on six months of actual results;

- the pro forma forecasts for the years ending 31 December 2002 have been prepared by WMC on the basis that the Demerger occurred on 1 January 2002. Pro forma forecasts for the year ending 31 December 2003 have been prepared assuming the Demerger occurs on 30 November 2002. Pro forma EBIT has been presented for prior years on the basis WMC Resources existed at the beginning of the period and excludes revenues and costs of discontinued operations. All pro forma information is stated before non-recurring items;

- the pro forma earnings relate only to the continuing businesses of WMC Resources. They exclude those businesses which have been divested or discontinued during the three years ended 31 December 2001, and the gains or losses on the disposal of those businesses or other assets;

- the pro forma results for 2000 reflected strong performances from the Nickel Business Unit and Olympic Dam. Nickel prices were sharply higher. Together with increased production volumes and lower costs, this resulted in record contribution from the Nickel Business Unit. The first full year's production following the expansion of Olympic Dam, higher copper prices and lower unit operating costs resulted in a significantly improved performance from Olympic Dam;

- earnings for 2001 declined considerably, principally due to lower nickel and copper prices. EBIT for 2001 was negatively impacted by the inclusion of non-recurring items totalling $32 million, Olympic Dam accounted for $11 million ($72 million write off of plant offset by insurance proceeds of $61 million) and a provision for redundancies accounted for the imbalance;

- underlying earnings are expected to fall further in 2002 reflecting a decline in earnings for Olympic Dam and the Nickel Business Unit partially offset by improved performance of the QFO and lower exploration expenditure. The key assumptions underlying the forecasts are:

  - copper prices fall marginally to US$0.71/lb, nickel prices improve to US$3.03/lb and DAP/MAP prices remain relatively constant at US$157/tonne;

  - exchange rate of A$1 = US$0.54;

  - production at Olympic Dam is curtailed due to the fire leading to sales of 185,000 tonnes of copper and 3,888 tonnes of uranium. Higher costs are also expected partly stemming from the fire, partly from insurance and backfill costs and partly from increased third party purchases. Insurance proceeds arising from the business disruption from the Olympic Dam fire are estimated to be $80 million;

  - production of metal from Nickel Business Unit is expected to be approximately 25% higher than in 2001 resulting in higher sales of metal. This is offset by a fall in nickel in matte sales reflecting, in part, diversion of production to the Kwinana refinery. Costs are expected to rise due principally to increasing costs of third party feed purchases;

  - the ramp up of the QFO operations is hampered by sulphuric acid supply issues although it operates at 82% capacity (up from 73% in 2001). Sales increase to 876,000 tonnes in 2002 and are met by increased production (up by 91,000 tonnes), a run-down of stocks and third party purchases. Costs are expected to decline marginally with earnings being driven by increased sales volumes particularly through Hi-Fert;

  - new projects, exploration and other costs fall by $35 million to $74 million following a restructure of the exploration operations in 2001;

  - hedging losses are based on the mark to market value of the hedge book to be assumed by WMC Resources. Actual cash outflows from the hedging book based on forecast exchange rates is estimated to be $157 million materially higher than the profit impact;

  - interest expense reflects the proposed capital structure of WMC Resources and average borrowing costs of 4.1%;

  - a taxation benefit is expected largely reflecting permanent differences. Minimal tax is expected to be paid due to utilisation of tax losses; and

- a dramatic improvement in earnings is forecast for 2003 as a result of improvements at each of the operations. The key assumptions underlying the forecasts are:
  - copper prices improve 10% to US$0.78/lb, nickel prices increase to US$3.40/lb and DAP/MAP prices increase by 11% to US$175/tonne;
  - the exchange rate strengthens to A$1 = US$0.58;
  - production at Olympic Dam increases as the rebuilt uranium/copper solvent extraction circuits come on stream through the year. However, copper production remains significantly below capacity due to the 40 day major smelter shutdown. Uranium sales increase to 4,285 tonnes and copper sales increase to 196,000 tonnes. Costs decline reflecting lower processing costs and third party product purchases (to meet contractual obligations);
  - production issues experienced in 2002 at the Nickel Business Unit are resolved leading to higher production levels (particularly of nickel in matte). Accordingly, sales increase to 114,000 tonnes. Lower third party product purchases together with lower mining costs at Mount Keith are forecast to reduce unit operating costs;
  - the QFO is forecast to reach almost 90% of capacity. While sales remain relatively flat at 874,000 tonnes, third party product purchases are expected to be replaced with QFO product. Increased production levels are expected to reduce unit costs although total costs are anticipated to remain relatively constant;
  - new project, exploration and other costs are expected to fall to $61 million;
  - hedging gains are based on the mark to market value of the hedgebook to be assumed by WMC Resources. Based on forecast exchange rates, cash outflows from the hedging book of $95 million are anticipated;
  - interest expense reflects the proposed capital structure of WMC Resources and average borrowing costs of 4.3%; and
  - the effective tax rate is expected to be 23% largely reflecting permanent differences due to hedging. However, minimal tax is expected to be paid due to the utilisation of tax losses; and

- earnings in 2003 reflect the ongoing impact of curtailed production at Olympic Dam. WMC expects Olympic Dam will be operating at full capacity by the end of 2003. The impact on WMC Resources performance is material. Accordingly, WMC has prepared forecasts for the year ending 31 December 2003 adjusted to remove the impact of the Olympic Dam production constraints. WMC's analysis suggests that EBITDA and net profit after tax for the year ending 31 December 2003 would have been $88 million and $65 million higher respectively if no production constraints existed at Olympic Dam.

Detailed pro forma financial information is set out in Section 7.12 of the Scheme Booklet. The key assumptions upon which the forecasts are based are set out in Section 7.12.2 of the Scheme Booklet. The forecasts should be read in conjunction with the risk factors described in Sections 4.5 and 7.11 of the Scheme Booklet, the sensitivity analysis set out in Section 7.12.2 of the Scheme Booklet, and the Investigating Accountant's Report set out in Section 12 of the Scheme Booklet. Grant Samuel takes no responsibility for the forecasts. Grant Samuel does not warrant the achievement of the forecasts. Forecasts by their nature involve assessments of uncertain future events. Actual future performance may be significantly more or less favourable than the forecasts.

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5.7 Financial Position

The pro forma balance sheet of WMC Resources as at 30 June 2002 is summarised below:

WMC Resources – Pro forma Balance Sheet	
(A$ million)	**As at 30 June 2002**
Receivables	478.2
Inventories	481.9
Other	69.6
Creditors and current provisions	(411.9)
Net current assets	**617.8**
Property, plant and equipment	5,625.7
Non-current receivables	12.2
Non-current inventories	83.1
Exploration and evaluation	62.3
Net hedging position	(711.0)
Non-current provisions	(537.4)
Other	12.3
Capital employed	**5,165.0**
Borrowings (net)	(1,640.7)
Minority interest	(0.8)
Shareholders funds	**3,523.5**
Gearing[1]	*32%*

Source: Scheme Booklet. Numbers may not add due to rounding
Note: (1) Net debt / (net debt + shareholders' funds)

The pro forma financial position of WMC Resources has been prepared on the basis that the Demerger had been completed on 30 June 2002. In analysing the pro forma balance sheet of WMC Resources, the following should be noted:

- WMC's hedge book, which WMC Resources will assume, has been restated at fair value;
- the property, plant and equipment of Olympic Dam and the QFO have been restated at fair value resulting in a net increase of $995 million. This adjustment comprises an increase for Olympic Dam of $1,313 million and a $308 million decrease for QFO. Pro forma gearing based on the book value before the restatement to fair value is 39%; and
- as part of the financial restructuring for the Demerger, WMC Resources will seek to refinance its US dollar denominated debt. WMC currently has four outstanding fixed interest debt securities with a total outstanding of US$800 million. Given the current interest rates, WMC Resources will offer to acquire these securities at a premium to face vale. The proforma debt has been adjusted to include an amount of $198 million representing the premium and break costs which WMC Resources expects to pay

A detailed description of the assumptions and adjustments incorporated in the pro forma balance sheet of WMC Resources is set out in Section 7.12.2 of the Scheme Booklet.

5.8 Taxation

WMC Resources will inherit the significant tax losses generated from its key projects. As at 31 December 2001, these tax losses were estimated at $616 million on an after tax basis (A$366 million revenue losses, A$250 million capital losses). The Demerger, coupled with the impact of the tax consolidation regime may impact WMC Resources' ability to utilise the tax losses as quickly as WMC might have been able to. The likely impact is not able to be fully determined with any certainty due to the incomplete nature of the legislation and the preliminary nature of WMC's tax planning. Notwithstanding the uncertainty, WMC expects WMC Resources will pay only minimal tax in the short term. As a consequence WMC Resources is expected to pay only unfranked dividends in the immediate future.

6 Evaluation of the Demerger

6.1 Summary

The Demerger will have no direct impact on the asset portfolio in which WMC shareholders have an economic interest. WMC shareholders will continue (at least initially) to hold interests in the same set of assets, although through different corporate structures. Accordingly, evaluation of the Demerger requires an assessment of whether a change in the asset ownership structure is, of itself, likely to:

- promote more efficient utilisation of the assets;
- enhance share market perceptions of the value of the assets, as reflected in share prices; or
- increase the price that could be realised for the assets in the context of a takeover or similar transaction.

The Demerger will result in the creation of two more focussed companies, with expected benefits in terms of investor flexibility, transparency and the alignment of management incentives with corporate performance. These factors suggest that the Demerger should result in more efficient utilisation of the assets of WMC Resources and should increase investor interest in both Alumina Ltd and WMC Resources. On the other hand, the Demerger will have some potential drawbacks including the duplication of some corporate costs, a sub-optimal capital structure for Alumina Ltd (at least initially), higher gearing in WMC Resources and, potentially, an increase in the cost of capital for the two new companies. Assessment of the net effect of all these advantages and disadvantages is essentially judgemental. Some of the expected benefits should be achievable, at least in part, within WMC in its current form.

WMC's current structure severely limits the number of parties that could realistically be considered potential acquirers of WMC. In Grant Samuel's view, the Demerger will significantly increase the competitive tension between potential buyers of WMC (or its assets), and materially enhance the prospect that any change of control (by way of takeover or otherwise) will occur at prices reflecting full underlying value. In recent years there has been a substantial degree of rationalisation in the resources sector. WMC's assets are likely to be highly attractive to a number of the major resources companies. In this context, the Demerger's promotion of a more competitive market for control of WMC represents a compelling advantage. Moreover, market expectations of corporate activity are likely to provide material support for the share prices of Alumina Ltd and WMC Resources.

The Demerger is not expected to have any corporate tax implications for WMC of a material nature. Similarly the Demerger should have no tax consequences for the vast majority of WMC shareholders. Australian, eligible US resident shareholders and overseas tax exempt pension funds are unlikely to face any tax liability as a result of the Demerger. These shareholders are estimated by WMC to account for more than 85% of its total shares on issue. The consequences for other shareholders will depend on their domicile and tax status. Some of these shareholders are likely to face a potential tax liability, particularly in respect of their WMC Resources shares. Shareholders should consider seeking their own taxation and other professional advice when assessing the Demerger.

In Grant Samuel's view shareholders are likely to be better off if the Demerger proceeds than if it does not. The Demerger will help to ensure that competition for ownership of WMC's assets is maximised. As demonstrated in recent takeovers of large Australian resources companies, competitive bidding processes can deliver substantially enhanced value to shareholders. By comparison, other advantages and disadvantages of the Demerger are unlikely to be material. Accordingly, Grant Samuel has concluded that the Demerger is in the best interests of shareholders.

6.2 Background

Demergers, also commonly referred to as 'spin-outs' have been a common feature of equity markets in recent years. Spin-outs have typically been undertaken to create investment opportunities with a single geographic focus (such as Coca-Cola Amatil's spin out of Coca-Cola Beverages) a single industry focus (such as the split of Boral's building and energy businesses) or a single commodity focus (such as Delta Gold's spin out of Zimbabwe Platinum Mines).

The broad principle underlying these spin-outs is that sharemarkets generally do not reward corporate diversification unless there are substantial synergies available to a corporate holder of a diversified portfolio of assets. Investors can achieve diversification themselves and generally prefer the investment flexibility offered by companies that have relatively focused business operations.

A number of demergers have occurred in Australia over the last few years. In the most part these have involved the spin-out of a subsidiary exposed to an unrelated industry or distinctly different market:

Recent Demergers

Date	Parent	Business/market focus	Demerged Company	Business/market focus
June 1998	Coca-Cola Amatil	Beverages – Asia Pacific	Coca Cola Beverages	Beverages – Europe
Oct 1998	Delta Gold	Gold	Zimbabwe Platinum Mines	Platinum
June 1999	PBL	Media and entertainment	ecorp	Internet
Feb 2000	Boral	Building materials	Origin Energy	Energy
April 2000	Amcor	Packaging	PaperlinX	Paper
June 2000	AGL	Energy (unregulated)	Australian Pipeline Trust	Energy (regulated)
Oct 2000	BHP	Resources	OneSteel	Steel
July 2002	BHP Billiton	Resources	BHP Steel	Steel

The primary reason given for demergers is to enhance shareholder value. However, it is difficult to assess whether any demerger has been "successful" in this regard as there is no reliable benchmark of performance post the demerger. There is some (albeit limited) empirical evidence to suggest that demergers do enhance value. A number of studies[5] have found that there was a positive impact on the share price (of around 3-6%) at the time of the announcement. One study has shown that, in some circumstances, there is no decline even if the demerger is ultimately withdrawn[6]. Several other studies have found that significant abnormal returns are achieved over an extended period following the demerger for the demerged company, the parent and the combination of the two.[7] The principal reasons forwarded for the positive abnormal returns included:

- increased business focus leading to improved operating performance;[8]
- increased corporate activity associated with the spun-out company;[9] and
- improved information available to the market about the spun-out company.[10]

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5 See for example: P.L. Anslinger, S.J. Klepper and S. Subramaniam, "Breaking up is good to do", The McKinsey Quarterly, 1999 Number 1 and Thomas Kirchmaier, Financial Times, 7 February 2001.

6 K. Alli, G. Ramirez and K. Yung, "Withdrawn Spin-offs: An Empirical Analysis", The Journal of Financial Research, Winter 2001.

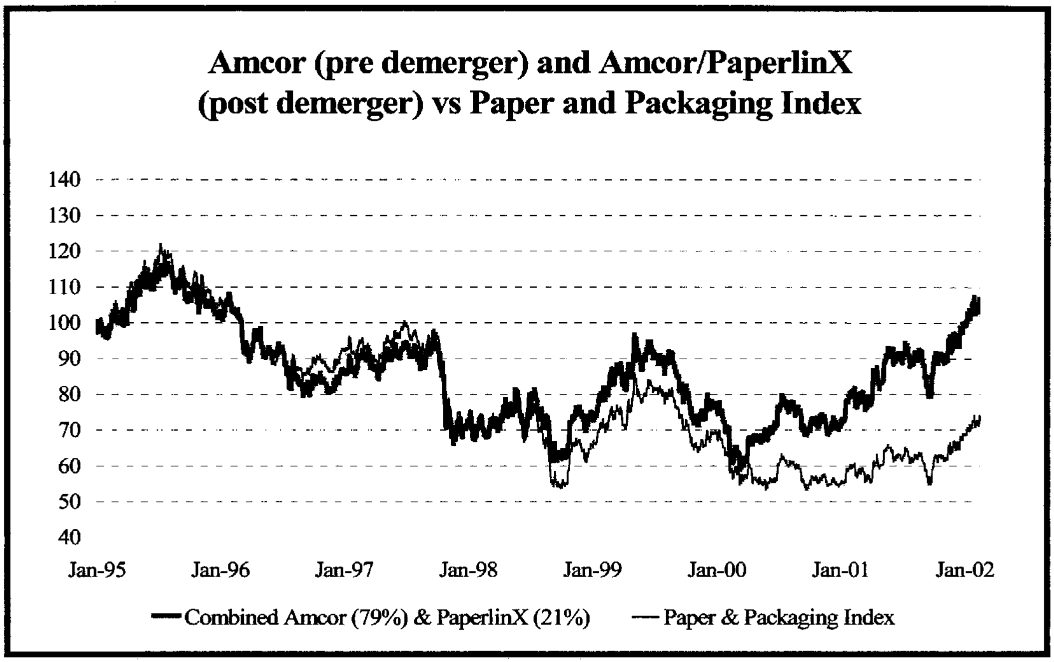
7 See for example: J.Wyatt, "Why Spinoffs Work for Investors", Fortune, October 16 1995, p72; P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", Journal of Financial Economics, Volume 33 No. 3, June 1996 and T.A. John, "Optimality of Spin-outs and Allocation of Debt" Journal of Financial and Quantitative Analysis, 1993.

8 H. Desai and P.C. Jain, "Firm performance and focus: long-run stock market performance following spin-outs", Journal of Financial Economics, Volume 54, No.1, October 1999.

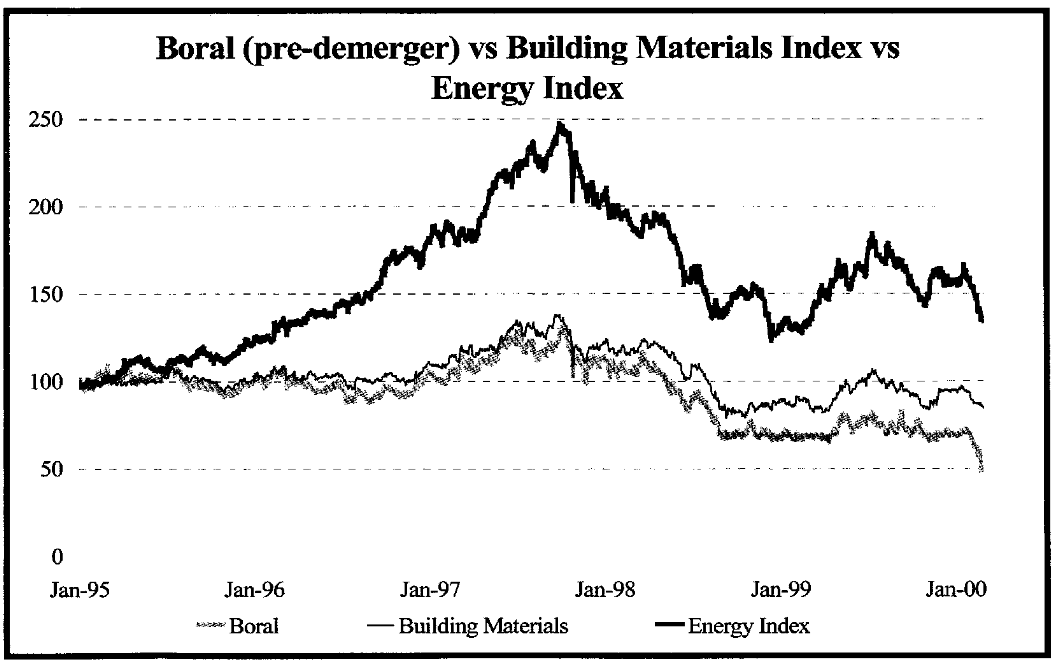
9 P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", Journal of Financial Economics, Volume 33 No. 3, June 1993.

10 S. Krishnaswami and V Subramaniam, "Information asymmetry, valuation and the corporate spin-out decision" Journal of Financial Economics, Volume 53, No.1 July 1999.

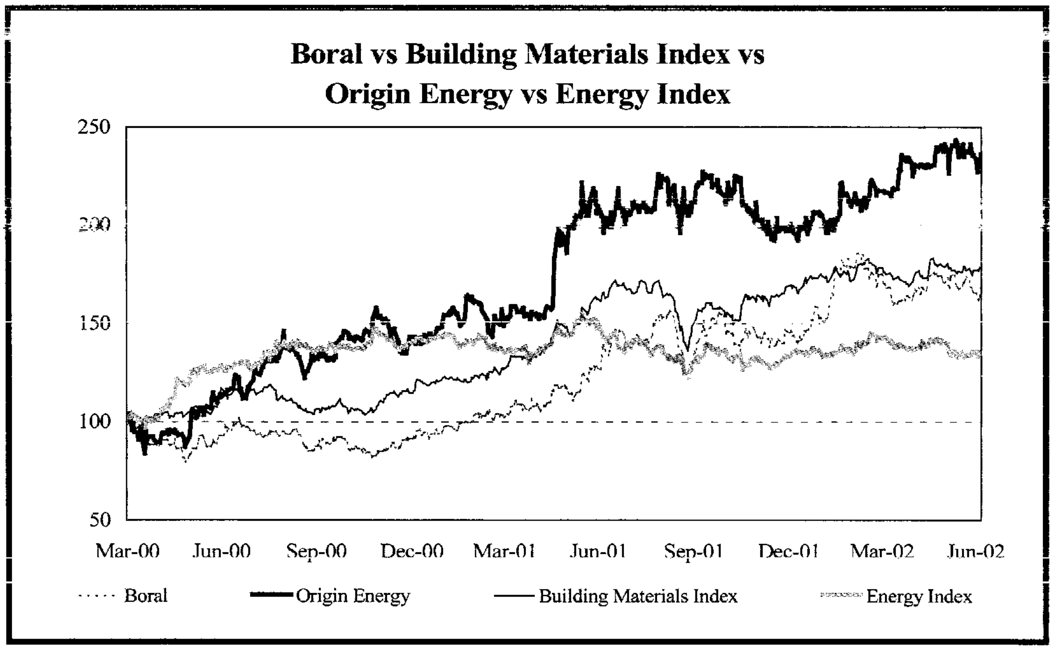
An analysis of the relative sharemarket performance of more recent demergers, while admittedly imperfect and crude, tends to support the empirical evidence. For instance, a comparison of Amcor's performance before the demerger of PaperlinX with Amcor's and PaperlinX' combined performance post the demerger suggests that the demerger may have enhanced shareholder value:



Similarly, the demerger of Boral and Origin Energy may have enhanced shareholder value. Boral's share price prior to the demerger underperformed both the Building Materials index and the Energy Index:



However, following the demerger, Boral's share price has, following a brief period of adjustment performed largely in line with the building materials index. Similarly, after allowing for the significant increase in Origin's share price following an announcement of exploration success, Origin's share price has largely tracked the energy index:



On the other hand, some recent studies have found that demergers may negatively impact value and that conglomerates have outperformed the market over some periods.[11] While the balance of evidence does favour demergers as adding value, the contrary views serve to underline the fact that there is no universal rule as to appropriate structures for businesses. There are successful and unsuccessful conglomerates.

6.3 Impact on the Underlying Business

Overview

The Demerger will result in the creation of two companies with separate boards and management teams. It has been argued that this will result in greater board and management focus and consequent improvements in the returns from, in particular, WMC Resources. On the other hand there will be a duplication of some corporate costs and a loss of any synergistic benefits available to WMC in its current form. The magnitude of any net benefit is difficult to assess. In Grant Samuel's view, it is likely that, in theory at least, part of the benefits could be achieved by WMC in its current form.

Greater management and board focus

The Demerger will create two separately listed entities, each with its own management and board of directors focussed on their respective businesses. WMC believes that this focus will improve returns from the assets of the demerged companies. In particular, the increased focus is expected to improve the performance of the assets to be held by WMC Resources.

It is likely that the Demerger will impose increased financial and operational disciplines on the new management of WMC Resources. Without the strong and relatively stable cash flows from AWAC,

[11] Boston Consulting Group, "Conglomerates Reports", 2002. However, this study was based on share price performance up to 2000 and several of the conglomerates in the sample (eg. Marconi, Vivendi Universal, Tyco) would now show a very different picture.

WMC Resources will be forced to fund future growth opportunities from its own resources. Management of WMC Resources will be encouraged to be more disciplined with respect to capital and operating expenditure.

Furthermore, remuneration of WMC Resources management can be more readily linked to the performance of businesses over which management has exclusive control. Historically, management remuneration has been linked, at least in part, to the performance of WMC shares. WMC's share price has been significantly influenced by the performance of AWAC, a business over which Alcoa has general operational control (albeit with historically a significant operational contribution from WMC). To the extent that remuneration is linked to share price performance, the Demerger will ensure that management remuneration is more directly related to performance over which management has exclusive control.

WMC is firmly of the view that the increased focus resulting from the Demerger will be beneficial for WMC Resources and Alumina Ltd. However, the benefits that arise from greater board and management focus are hard to quantify and are only likely to emerge over the longer term. The perception of investors is perhaps as relevant as any quantifiable benefit. If equity markets tend to support the view that there are benefits from a more focussed management and board, then there can be expected to be some positive impact on the share prices of the demerged companies, particularly WMC Resources. However, the extent of this positive impact is uncertain. It is likely that any positive perception will only emerge over time, as the theoretical benefits of increased focus are demonstrated through superior performance.

Duplication of corporate costs

The Demerger will result in the duplication of certain corporate costs. These costs are:

- listed company costs including the costs associated with maintaining a share register, annual reports (preparation, audit, review, printing and dispatch), shareholder communications, legal and regulatory compliance, sharemarket listing and a board of directors; and

- central administrative costs including accounting, information technology, legal, taxation and other general services.

While certain services will be shared for a transitional period, ultimately each of the separate entities will have to support these overheads from its own resources. The incremental listed company and corporate costs are estimated by WMC to be in the order of $4.6 million per annum. In the context of the earnings, assets and likely market values of each of the businesses, this is not a substantial cost.

Loss of synergies

The Demerger will result in the loss of any synergies that may have been derived from holding WMC's 40% interest in AWAC together with its wholly owned portfolio of non-alumina assets within a single corporate group.

There has been significant global consolidation in the mining industry in recent times, which has seen the emergence of a small number of large diversified resources companies. These companies appear to have been able to extract a range of synergies from operating diverse resource assets under one corporate umbrella including:

- transfer of technical skills and knowledge in relation to mining and processing techniques;

- sharing of market intelligence and awareness of customer requirements;

- procurement, freight and other logistics related benefits;

- expertise in sourcing and developing new projects in a diverse range of political, social and economic environments;

- reduced exposure to individual commodities, currencies or countries resulting in lower company risk; and
- financial stability and access to cash flow from established projects to allow the pursuit of new developments.

Two of the three largest diversified resource companies (Rio Tinto and BHP Billiton) have significant alumina operations. Arguably, they have been able to derive synergies from operating both alumina/aluminium assets and other resource assets. However, unlike Rio Tinto and BHP Billiton, WMC's scope to extract operational synergies from its investment in AWAC is limited by the fact that Alcoa provides general operational management to AWAC. Nevertheless, the 40% interest in AWAC has historically provided considerable benefits to WMC:

- the strong dividend cash flows from AWAC have assisted in WMC's financing of the expansion of Olympic Dam and the development of the QFO;
- the AWAC dividends have provided a measure of diversification to the nickel, copper, uranium and, more recently, phosphate commodity cycles; and
- the inclusion of AWAC, an established operation, in WMC's portfolio of assets provided a balance for WMC's other operations which were at various developmental stages.

However, WMC's non-alumina assets have now developed to such an extent that these benefits have diminished:

- collectively the non-alumina assets are expected to produce strong cash flows in the future. With the substantial completion of both the major expansion of Olympic Dam and the development of the QFO, funding requirements in the short to medium term are not expected to be significant;
- notwithstanding some of the operational difficulties at Olympic Dam and the QFO, Olympic Dam continues to be cash flow positive and the QFO is close to being cash flow positive at a time when commodity prices are relatively low; and
- the benefits of diversification are likely to be greatest where businesses operate in high risk environments or are relatively high on the cost curve, such that commodity price cycles can dramatically affect profitability. WMC's non-alumina assets are located in Australia and each is among the lowest cost producers in its respective industry.

In short, the synergy benefits of combining WMC's 40% interest in AWAC with its other non-alumina assets are, at best, limited. There is relatively little incremental value from the corporate grouping of WMC's interest in AWAC with its other businesses. Accordingly, any loss of synergy benefits is unlikely to be significant.

Loss of diversification

The Demerger will result in the creation of a "pure" alumina/aluminium company and a resources company principally focussed on copper and nickel. The risk profile of each of the companies on an individual basis will be different from the risk profile of WMC in its current form. Investors in each company will lose the diversification benefits offered by investing in the current WMC.

The financial performance of Alumina Ltd will be dependent on AWAC's financial performance. In particular, the level of Alumina Ltd's cashflow (and therefore its ability to pay dividends) will be solely dependent on the dividends received from AWAC. While AWAC has tended to pay out 100% of its free cash flow and the majority of its after tax earnings as dividends (and is generally required to maintain a dividend payout ratio of 30%), this may not always be the case. However, it should be noted that dividends are also Alcoa's only source of cash flow from AWAC.

While WMC Resources will retain a measure of diversification in its asset portfolio, its earnings are likely to be more volatile than those of WMC. Prices for copper and, in particular, nickel can vary significantly. WMC Resources' earnings will also be sensitive to any operational issues at Olympic Dam, the Nickel Business Unit and the QFO as well as changes in exchange rates.

However, it should be understood that there will be no overall increase in the investment volatility facing shareholders in WMC. Investors will retain their existing economic and risk exposures following the Demerger, except that their investment will be held through two companies rather than one. Whilst shareholders in each company will be holding, on a standalone basis, a less diversified investment than that held by investors in WMC, there will be no overall loss of diversification benefits. Arguably, investors' ability to choose their relative holdings in Alumina Ltd and WMC Resources in the light of their broader investment portfolios, risk preferences and other factors means that there will be a net diversification benefit rather than disadvantage.

6.4 Impact on Capital Structure

Overview

Alumina Ltd will hold $600 million of WMC's debt. WMC Resources will assume the balance of WMC's debt and all of its hedging obligations. Alumina Ltd will be modestly geared, creating a sub-optimal capital structure in so far as it will not be able to fully utilise the tax deductibility of interest payments (and corporate costs). While WMC Resources' gearing will be only moderately higher than that of WMC, it will not have the benefit of the strong and relatively stable cashflows from AWAC. It will be more vulnerable than WMC to any significant decline in operating cashflows or rise in interest rates. Accordingly, WMC Resources' financial flexibility may be reduced and its cost of debt potentially increased.

These capital structure consequences of the Demerger, while not ideal, do not constitute significant disadvantages. Alumina Ltd intends to investigate ways to refinance its debt in a more cost efficient manner following the Demerger. In any event, any unutilised tax benefits are unlikely to be material in the context of the earnings and market value of Alumina Ltd. WMC Resources' gearing is generally more conservative than that of other major resources companies. Moreover, strong cash flows from operations are expected to allow WMC Resources to reduce its gearing over the short to medium term.

Alumina Ltd's capital structure will initially be sub-optimal

Alumina Ltd will hold $600 million of WMC's debt. It will be conservatively geared when compared to other listed aluminium/alumina producers:

Comparison of Pro Forma Gearing Levels[1]

	Net Debt (A$ millions)	Gearing	
		Market Value[1]	Book Value[2]
Alumina Ltd	**600[4]**	**11%[3]**	**33%**
Alcoa	12,330	27%	36%
Alcan	6,080	27%	28%
Pechiney	2,250	34%	28%
Century Aluminium	550	67%	57%
Weighted average[5]		**27%**	**33%**

Source: Scheme Booklet, Company Reports.

Notes:
(1) Net debt / (net debt + market capitalisation).
(2) Net debt / (net debt + shareholders equity)
(3) Assumes that the market capitalisation of Alumina Ltd is 55% of the market capitalisation of WMC at 16 October 2002
(4) Excludes $72 million of cash that will be used to acquire Alumina Ltd's share of 5% of MRN and 6% of Halco currently held by Alcoa. Alumina Ltd's book and market values have been adjusted to include this amount.
(5) Weighted by market capitalisation as at 16 October 2002

While conservatively geared, the utilisation of leverage in Alumina Ltd is sub-optimal. Unlike other listed alumina/aluminium companies, Alumina's primary source of income will be after tax or tax exempt dividends from its interest in AWAC. Alumina Ltd will have limited other sources of revenue against which to offset its interest expense (and corporate costs). Accordingly, Alumina Ltd is unlikely to be able to utilise (at least fully) the tax benefits created by leverage.

WMC has indicated that Alumina Ltd intends to investigate ways to refinance its debt in a more cost efficient manner. Moreover, any unutilised tax benefits are unlikely to be material in the context of the earnings and market value of Alumina Ltd. Based on Alumina Ltd's forecasts for the year ending 31 December 2003, the impact on after tax earnings from tax benefits foregone amount to less than 2% of profits after tax (although the impact would be greater in a higher interest rate environment).

The efficiency of Alumina Ltd's capital structure is also dependent on AWAC's gearing levels. To the degree that leverage is employed in AWAC entities, Alumina Ltd may enjoy the flow through benefits of the tax shield created by that leverage. Historically, AWAC has not employed significant levels of debt, and is currently geared at 1% (on a book value basis as at 30 June 2002). Alumina Ltd will have influence, but not control, over the gearing levels in AWAC. While the AWAC agreements provide that gearing may not exceed 30% (net debt to net debt plus shareholders' equity) without the agreement of Alcoa and WMC, Alcoa is able to set gearing below these levels. However, Alcoa has no incentive to adopt a sub-optimal gearing structure for AWAC.

The practical impact of any capital structure inefficiencies is unlikely to be material. Even so, any investment negative in terms of higher costs of capital will almost certainly be outweighed by perceptions of the possibility of corporate activity involving Alumina Ltd.

WMC Resources' financial flexibility may be reduced

WMC Resources will assume approximately 75% of WMC's debt and all of its hedging obligations. As a result, WMC Resources' gearing will be higher than WMC's current gearing on both a book value (after taking into account the expected restatement of assets and liabilities at fair value arising from the Demerger) and market basis.

WMC Resources' gearing and interest cover will be broadly consistent with comparable companies. The gearing will be more aggressive than that of the major diversified resource companies but generally more conservative than the gearing of commodity focussed base metal producers:

Comparison of Pro forma Financial Parameters							
Company	**Net Debt (A$ millions)**	**Gearing %**		**Interest Cover[4]**		**Adjusted Interest Cover[5]**	
		(Market Value)[2]	**(Book Value)[3]**	**Forecast 2002**	**Forecast 2003**	**Forecast 2002**	**Forecast 2003**
WMC Resources	**1,640.7**	**30%[6]**	**32%**	**9.0x**	**16.4x**	**1.3x**	**4.1x**
Diversified Resources							
BHP Billiton	12,462.6	18%	36%	13.7x	19.7x	6.3x	1.2x
Rio Tinto	11,021.2	20%	43%	14.1x	20.0x	7.5x	12.8x
Anglo American	7,345.6	33%	23%	12.3x	14.6x	7.2x	11.0x
MIM Holdings	1,696.0	43%	34%	7.3x	13.4x	5.0x	9.7x
Weighted average[7]	**11,100.1**	**21%**	**37%**	**13.5x**	**19.1x**	**6.8x**	**11.8x**
Base Metals							
Phelps Dodge	3,260.0	41%	36%	2.4x	4.7x	1.5x	3.3x
Inco	2,165.5	26%	28%	8.1x	9.3x	2.0x	2.5x
Falconbridge	1,500.7	32%	36%	5.9x	7.6x	na	na
Grupo Mexico	4,634.6	27%	63%	2.7x	3.2x	na	na
Noranda	7,860.8	65%	54%	na	na	na	na
Freeport McMoran	4,086.7	56%	76%	4.8x	5.3x	3.8x	4.5x
Weighted average[7]	**3,765.9**	**42%**	**44%**	**5.3x**	**6.7x**	**2.3x**	**3.2x**

Source: Company reports, Broker Reports.

Notes:
(1) Gearing as at 30 June 2002. Interest cover based on December year ends except for BHP Billiton and MIM.
(2) Net debt / (net debt + market capitalisation)
(3) Net debt / (net debt + shareholders equity)
(4) EBITDA / net interest. WMC Resources is based on proforma forecasts and includes cash hedging costs
(5) (EBITDA – capital expenditure) / net interest. WMC Resources includes cash heading costs
(6) Assumes that the market capitalisation of WMC Resources is 45% of the market capitalisation of WMC at 16 October 2002
(7) Weighted by market capitalisation as at 16 October 2002

WMC Resources may, at least initially, enjoy less financial flexibility than WMC. WMC Resources will be more vulnerable than WMC to any significant decline in cash flow generation (whether through falls in commodity prices, exchange rate movements or specific operational issues) or increases in interest rates. WMC Resources' relatively modest interest cover ratios after capital expenditure (which principally stem from the rebuild of the Olympic Dam solvent extraction circuit and the relining of the furnace) illustrate this vulnerability. By comparison with WMC, WMC Resources may have less ability to raise further debt funding in the short term.

In addition, the gearing estimates (as opposed to interest cover) set out above do not incorporate the effect of the hedge portfolio to be assumed by WMC Resources. If the mark to market value of the hedge portfolio was taken into account in estimating gearing, then WMC Resources' gearing would be around 39% (based on market values). However, it should be recognised that:

- each of WMC Resources' major assets is a low cost producer, giving WMC Resources the ability to withstand low commodity prices better than many of its competitors;
- on the basis of commodity prices and exchange rates consistent with those used by WMC in the financial forecasts set out in Section 7.12.2 of the Scheme Booklet, WMC Resources is expected to produce strong free cash flows in the short to medium term, allowing a significant reduction in debt levels;
- the rebuild of the solvent extraction circuit and relining of the furnace are expected to be completed in 2003. Even after those outlays, Olympic Dam is expected to be cashflow neutral;
- the current strategic plan for Olympic Dam does not envisage any major expansion beyond the current optimisation project. Accordingly, only relatively modest sustaining capital expenditure is expected to be required in the medium term at Olympic Dam;

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- notwithstanding the current strategic plan, WMC is exploring the potential to significantly expand Olympic Dam. However, it is likely that such an expansion would only occur in the medium term;

- the QFO is expected to be cash flow positive by the end of 2003. The project's capital requirements are expected to be relatively modest now that the plant is complete;

- while the Nickel Business Unit expects to expand the Mount Keith operation in the short to medium term, cash flows from operations are expected to fully cover the capital requirements. Major developments such as Yakabindie are still years away; and

- in any event, it would always be open to WMC Resources to raise additional capital through the equity markets (although the timing of such a capital raising may not be optimal) or joint venture arrangements.

Accordingly, the impact of any reduction in financial flexibility should not be material.

WMC Resources' financing costs may increase in the short term

WMC currently has a Standard and Poor's long term credit rating of A and a short term credit rating of A-1. However, WMC Resources will have higher gearing than WMC and will not be able to rely on the relatively consistent dividends from AWAC. Accordingly, WMC expects that WMC Resources' rating will fall to BBB following the Demerger. While WMC Resources' debt will retain an investment grade credit rating, WMC Resources is unlikely to be able to procure debt financing on terms as favourable as those currently available to WMC. However, the difference in funding costs will be modest based on current conditions in debt markets.

6.5 Equity Market Issues

Overview

The Demerger should enhance the investment appeal of the demerged companies. The Demerger will give investors the flexibility to make their own choices regarding their relative exposures to the asset portfolios of Alumina Ltd and WMC Resources, rather than accepting the exposure mix imposed on them by the current WMC structure. Alumina Ltd will be one of very few pure upstream aluminium/alumina companies. Its separation from WMC's non-alumina assets should promote a more transparent valuation of its assets, by facilitating a comparison with the market valuation of Alcoa, Alcan and other aluminium companies. On the other hand, the demerged companies will be smaller than WMC. This reduction in size and any consequent reduction in liquidity could reduce the investment appeal of Alumina Ltd and WMC Resources for some investors. More importantly however, market expectations of corporate activity involving Alumina Ltd and WMC Resources should significantly boost the equity market appeal of the demerged companies, at least in the short to medium term.

Investor flexibility

Immediately following the Demerger, WMC shareholders will retain their existing economic exposure to all WMC's assets by holding both Alumina Ltd and WMC Resources shares. Initially at least, shareholders' interests will simply be split into two. The Demerger will provide shareholders with flexibility in managing their investment exposure. At present, WMC shareholders must choose an exposure to both the alumina and the other resources assets or exposure to neither.

The risk/return profile of the alumina business is different to the risk/return profile of the resources assets that will be owned by WMC Resources. AWAC, in which Alumina Ltd will have a 40% interest, is a global business facing industry dynamics, competitive conditions, and operating environments that are different to those facing the non-alumina assets. The cashflow attributes of Alumina Ltd and WMC Resources are different and may be valued differently by investors.

Following the Demerger, shareholders will have the choice of investing in a pure alumina play and a diversified minerals business in whatever proportions they wish. Shareholders will be able to shift their relative exposures to alumina and the various commodities that WMC Resources will produce as they see fit. This should be attractive to investors who wish to base their investment decisions, at least in part, on specific industry and commodity exposures.

Sharemarkets generally do not reward corporate diversification unless there are substantial synergies available to a corporate holder of a diversified portfolio of businesses. In circumstances such as this, where there are limited synergies between WMC's alumina and non-alumina assets, it is arguably more efficient for investors to choose the extent and mix of their investment exposure than for companies to impose a choice on them.

Investor interest in an alumina/aluminium "pure play"

The Demerger will provide investors with an opportunity to gain exposure to a pure alumina/aluminium business. Alumina Ltd will be the only listed company worldwide of any significant size through which a pure exposure to the upstream alumina/aluminium industries will be available. The existing listed alumina and aluminium producers of size are either integrated aluminium companies with significant downstream activities or large diversified resources businesses:

Listed Alumina/Aluminium Companies

Company	Market Capitalisation[1] (US$ million)	Nature of Operations
Alcoa	18,278	Integrated aluminium business including downstream aluminium products
Alcan	9,150	Integrated aluminium business including downstream aluminium products
Pechiney	2,409	Integrated aluminium business including downstream aluminium products
Rio Tinto	23,614	Diversified resources business
BHP Billiton	31,821	Diversified resources business
Norsk Hydro	10,531	Diversified resources business
Century Aluminium	148	Aluminium operations only

Notes: (1) As at 16 October 2002

Alumina Ltd is likely to be attractive to both domestic and offshore investors:

- Alumina Ltd will provide a pure exposure to the risks and returns associated with alumina and aluminium. This pure exposure is not available from a diversified resource company or integrated aluminium producer;
- investors will be able to gain exposure to the world class alumina and aluminium assets of AWAC through an investment in Alumina Ltd. These assets sit at the lower end of the industry cost curve, are highly profitable and achieve attractive returns on capital;
- AWAC has a particular focus on alumina refining, rather than aluminium smelting. Alumina refining tends to generate the highest returns on capital; and
- investors will be able to gain exposure to one of Alcoa's best performing businesses without exposure to Alcoa's downstream operations.

It is reasonable to expect that Alumina Ltd, as a focussed alumina and aluminium investment, is likely to attract investors who would not choose to invest in WMC in its current form.

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Transparent valuation of WMC's assets

The Demerger will result in transparent valuations for each of Alumina Ltd and WMC Resources. Investors will be forced to look at the attributes and underlying financial performance of each company separately and in the context of their respective peer groups.

WMC has traditionally been compared by equity market participants with other diversified resource companies (and particularly BHP Billiton and Rio Tinto). WMC Resources is likely to continue to be compared by equity market participants with both diversified resources companies as well as other base metal companies. Alumina Ltd's assets are likely to be compared by equity market participants with alumina/aluminium companies without diversified resource assets. The Demerger will also facilitate direct comparisons between Alumina Ltd and Alcoa.

To the extent that diversified minerals companies are rated by equity markets differently to alumina and base metals companies, the Demerger will promote more transparent valuations of WMC's underlying assets.

It is also arguable that, historically, investors have not fully understood the AWAC assets. It is possible that more detailed information regarding AWAC's operation will be disclosed by Alumina Ltd than has been disclosed by WMC in the past. At a minimum, analysts and others will be forced to focus on the AWAC asset base. All of these factors should have a positive impact on investor interest in Alumina Ltd. On the other hand, it must be recognised that the discussions between WMC and Alcoa in October 2001 have led to detailed disclosures regarding AWAC. Market debate as to the value of WMC and assessment of the Demerger have already increased analysts' focus on AWAC. The benefits of further disclosure may be limited.

Impact on Liquidity

The Demerger will see WMC split into two significantly smaller companies. The reduction in size may potentially reduce liquidity and therefore reduce the attractiveness of Alumina Ltd and WMC Resources for some investors. In recent years, it appears that companies with larger market capitalisations have attracted greater investor interest reflecting, at least in part, the deep and liquid market for their shares and their relative importance to the performance of the market in general.

While Alumina Ltd and WMC Resources will have smaller market capitalisations than WMC, it should be recognised that:

- both will remain among Australia's largest listed resources companies;
- both Alumina Ltd and WMC Resources are expected to be included in the leading domestic and international indices (including the ASX/S&P 200 and the Morgan Stanley Capital International All Countries Index);
- index based investors are likely to continue to need to hold both Alumina Ltd and WMC Resources shares; and
- both Alumina Ltd and WMC Resources would largely retain WMC's relatively open and diverse share register, which should promote deep and liquid markets for their shares.

The impact of the Demerger on the liquidity of shares in the demerged companies, and the consequent impact on investor interest, is difficult to predict with any confidence. In Grant Samuel's view it is likely that potentially lower liquidity would have a negative impact on investor interest in Alumina Ltd and WMC Resources. However, any negative effect should not be significant.

Expectations of Corporate Activity

The Demerger proposal was announced in the context of an approach by Alcoa to acquire all the shares in WMC. WMC has disclosed that it has had discussions with other parties in relation to potential corporate transactions. There has been considerable speculation by analysts and market commentators that Alumina Ltd and WMC Resources will be attractive acquisition targets. The Demerger will remove structural impediments to corporate transactions involving the demerged companies. At least in the short to medium term, it is likely that speculation regarding potential corporate activity involving Alumina Ltd and WMC Resources will significantly boost the equity market appeal of the demerged companies. In the longer term, if no corporate activity eventuates, this support may dissipate.

6.6 Impact on Corporate Control

Overview

In the context of a continuing rationalisation of the international resources sector, WMC's assets should be highly attractive to a number of potential acquirers. WMC's current structure acts as a disincentive to potential acquirers of WMC and its assets. The Demerger should remove these structural impediments and maximise competitive tension between potential acquirers of WMC. Recent takeover activity in the Australian resources sector demonstrates that competitive transaction processes can deliver significantly enhanced value to shareholders.

Alcoa's approach to WMC in October 2001 shows that there is a real prospect of corporate activity involving WMC. In these circumstances it is imperative that competition for control of WMC and its assets is maximised. In Grant Samuel's view the Demerger's promotion of a competitive market for control of WMC is a compelling benefit. It will materially enhance the prospects of achieving full underlying value for WMC's assets in the context of a takeover. Grant Samuel believes that, of itself, this is sufficient justification for WMC shareholders to vote in favour of the Demerger.

WMC's assets are highly attractive

There has been considerable consolidation of the resources sector in recent years. This has seen the emergence of a small number of large resources companies. The consolidation process has seen keen competition for high quality resources assets. In this context, WMC's assets are highly attractive:

- the AWAC interest provides exposure to a high quality portfolio of alumina and aluminium assets. These should be highly desirable for Alcoa. Alcoa's AWAC interest is the most attractive part of its business, earning the highest margins and returns on capital. For competition regulation reasons, it is likely that Alcoa would be prohibited from making any other substantial acquisitions in the alumina/aluminium sector. However, because Alcoa is deemed (for competition regulation purposes) to already control AWAC, there would be no prohibition of an acquisition of WMC's interest in AWAC. Moreover, Alcoa is obliged to conduct all its upstream alumina business through AWAC. This means that it is effectively required to share with WMC any growth opportunities for the business, any technology that it develops and any other value adding possibilities in the alumina sector. Acquisition of WMC's interest in AWAC would ensure that Alcoa captured 100% of the benefit of any future development of the business;

- the AWAC interest could also be attractive to major resources companies that are seeking to enter the alumina/aluminium industry (companies with existing interests in the alumina/aluminium industry may be discouraged by competition regulation issues and the provisions of the AWAC agreements);

- Olympic Dam is one of the most attractive copper assets in the world. It has low production costs and a vast resource base. Olympic Dam has the potential to support significantly increased production levels for a very long mine life. Its location is a further attraction, given the low levels of political and economic risk in Australia. Olympic Dam is likely to be attractive to all the major diversified resources companies;

- WMC's Nickel Business Unit is the world's third-largest nickel producer and has production costs in the lowest cost quartile. Its integrated mining, smelting and refining operations give it a major competitive advantage in the Australian nickel industry. Current resources are sufficient to support an operating life in excess of 20 years, and the Nickel Business Unit's treatment capability means that it is likely to secure access to additional resources to extend its operating life. The Nickel Business Unit should be attractive both to diversified resources companies and to focussed nickel producers; and

- the QFO is an integrated phosphate rock mine and phosphate/nitrogen fertilizer facility. Its resources are sufficient to support production for around 35 years. Production costs are expected to be in the lowest cost quartile once the operation is producing at full design capacity on a regular basis, and the operation will have a particular competitive advantage in relation to ammonium phosphate fertilizer delivered into Australia. Notwithstanding the depressed state of the world fertilizer market, the QFO should be attractive to both domestic and international fertilizer companies.

WMC's experience over the last few years confirms the attractions of its asset portfolio. WMC has received approaches from a number of parties in relation to potential mergers or acquisitions, particularly over the last two years. In October 2001, Alcoa put forward a proposal to acquire WMC at $10.20 per share, conditional on gaining the support of the WMC board. WMC declined to support the proposal on the basis that the proposed offer price could not be reconciled with independent valuations of WMC and its assets. In late 2001, WMC also conducted discussions with various parties interested in potential transactions with WMC. Some of these parties conducted due diligence on WMC's assets.

WMC's current structure is a disincentive to potential buyers. The Demerger will maximise competition for WMC's assets.

While there are a significant number of buyers for WMC's individual assets, the current structure of WMC severely limits the number of potential acquirers for WMC as whole:

- WMC's size is such that only a limited number of resources companies could fund an acquisition of 100% of the company. In particular, the focussed base metal producers are significantly smaller than WMC and would have difficulty funding an acquisition; and

- of those who could fund an acquisition, the exclusivity provisions of the AWAC agreements create significant risks for those potential acquirors with major interests in alumina (namely BHP Billiton and Rio Tinto). There is an argument that the exclusivity provisions of the AWAC agreements would require such an acquiror with alumina assets to contribute those assets to AWAC. Given the competition restrictions already faced by AWAC, it is possible that such an acquirer would be forced to divest its alumina assets. These risks are likely to be sufficient to discourage these parties from bidding for WMC.

Alcoa is the most logical buyer of WMC's AWAC interest, although the AWAC interest may also be attractive to parties seeking to enter the alumina industry. AWAC is a clearly attractive acquisition target for Alcoa, given the competition restrictions that it faces. However, Alcoa is unlikely to have any significant interest in the non-alumina assets. Its strategy is focussed on the development of an integrated aluminium business. Alcoa is unlikely to be willing to pay full underlying value for all of WMC's assets, and then carry the risks associated with on-selling the non-AWAC assets. In any event, in the absence of competition there is no reason for Alcoa to pay full underlying value.

Accordingly there is a real risk that, if WMC's current structure is perpetuated, control of WMC could pass at less than full underlying value.

The Demerger will remove any structural impediments, actual or perceived, to the achievement of full underlying value on a change in control of WMC's assets. The likely potential acquirers of the non-alumina assets will be able to bid for WMC Resources without any concerns about the position of Alcoa or the consequences for their existing alumina businesses (if any). Conversely, Alcoa will be in a position to bid for Alumina Ltd without having to consider the potential disposal of non-alumina assets. Whilst Alcoa will remain the natural acquirer of Alumina Ltd, it is not inconceivable that a party considering entering the alumina industry could be interested in acquiring Alumina Ltd. In addition, the greater transparency promoted by the Demerger, and its facilitation of value comparisons between Alumina Ltd and Alcoa, should assist Alumina Ltd shareholders in responding to a bid from Alcoa so as to achieve full value.

Competitive transaction processes can deliver substantial additional value

The Demerger should promote greater competition for WMC's assets and maximise the price for the companies in the event of takeover. Recent transactions characterised by competitive bidding processes have shown that competition can deliver significantly enhanced value for shareholders:

Comparison of Recent Takeover Premia in the Resources Sector

Bidder	Target	Date	Value ($Am)	Takeover Premium		
				1 day	1 month[1]	3 months[1]
Competitive bids						
Newmont	Normandy	Sep 2001	5,361	112%	111%	101%
Rio Tinto	Ashton	Jul 2000	711	63%	95%	128%
Rio Tinto	North	June 2000	3,502	62%	64%	65%
AngloGold	Acacia	Sep 1999	778	58%	64%	82%
Weighted average				**88%**	**90%**	**89%**
Non-competitive bids						
Harmony	Hill 50 Gold	Dec 2001	193	13%	19%	36%
Sons of Gwalia	Pac Min	Aug 2001	165	34%	41%	40%
BHP	QCT Resources	Aug 2000	896	33%	27%	40%
Rio Tinto	Comalco	Feb 2000	5,326	17%	21%	16%
Normandy	Great Central Mines	Jan 1999	463	12%	27%	23%
Billiton	QNI	Sept 1998	914	54%	73%	57%
Western Metals	Aberfoyle	April 1998	284	20%	29%	35%
Weighted average				**23%**	**29%**	**25%**

Notes: (1) Based on volume weighted price over period
(2) Weighted averages calculated by market value of takeover

In Grant Samuel's opinion the Demerger's potential to promote competition in the market for control of WMC is a compelling benefit. It offers shareholders a real prospect that, through corporate activity in the short to medium term, they will realise significantly greater value than may otherwise have been available. In the interim, market expectation of corporate activity is likely to provide material support for the share prices of Alumina Ltd and WMC Resources.

6.7 Taxation Issues

Overview

The Demerger will not result in any capital gains tax or other tax related liability for WMC or the demerged companies. WMC's tax losses are expected to be preserved (mostly within WMC Resources). While changes in tax laws may impact upon WMC Resources ability to recover those losses as quickly as WMC might have been able to, the impact is not expected to be material in the context of WMC's earnings and market capitalisation.

Similarly, it is expected that the Demerger will have no adverse tax consequences for the vast majority of WMC shareholders. However, the Demerger may result in some shareholders being taxed on the value of the WMC Resources shares distributed. The tax consequences of the Demerger for individual shareholders will vary depending upon their personal circumstances. Shareholders should consult their own tax adviser if in any doubt as to the tax consequences of the Demerger.

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Corporate Taxation

The Demerger will involve the sale of the non-alumina assets (other than the nickel assets, which are already owned by WMC Resources) by WMC to WMC Resources (which will in turn be acquired by WMC shareholders). The capital gains tax consequences of the Demerger for WMC are prescribed by recently passed legislation, *A New Business Tax System (Consolidation, Value Shifting, Demergers and other Measures) Act 2002* (Cth) ("Demerger Act") which came into effect from 1 July 2002. Pursuant to this Act, WMC expects the separation of its AWAC interest from its non-alumina assets will have no capital gains tax implications for the company. WMC expects to receive tax rulings from the Australian Taxation Office ("ATO") confirming this position.

The Demerger may impact upon the speed with which WMC Resources is able to utilise the tax losses it will retain following the Demerger. WMC Resources is expected to retain all of WMC's existing revenue tax losses and approximately half of its capital losses (Alumina Ltd will retain the balance). The Demerger coupled with the new tax consolidation legislation (which is yet to be fully released) may impact the extent to which WMC Resources can access those revenue losses in any one year. The financial impact is uncertain but is not expected by WMC to be material in the context of WMC Resources' earnings and market capitalisation. Neither WMC Resources nor Alumina Ltd is expected to generate any capital gains for tax purposes in the foreseeable future and accordingly, any impact on the utilisation of capital losses is not expected to be material.

Impact on Dividends

The Demerger, of itself, will not have any impact on the ability of Alumina Ltd or WMC Resources to pay franked dividends. However, there will be considerable differences in the capacities of Alumina Ltd and WMC Resources to pay franked dividends.

WMC Resources should retain the significant tax losses associated with the development of a number of its projects. As a result, WMC Resources does not expect to pay more than minimal Australian tax in the short term. Accordingly, dividends paid by WMC Resources are expected to be largely unfranked until the tax losses are fully utilised.

Alumina Ltd will receive dividends (either directly or indirectly, and to the extent profits are available) from each of the legal entities comprising AWAC. Historically, approximately 85% of AWAC dividends have been paid as fully franked dividends from Australian tax paying entities, with the balance being tax exempt dividends from non-Australian based entities.

Alumina Ltd will be able to pay franked dividends to the extent AWAC pays franked dividends, Australian tax is paid on other income or tax credits are received in respect of foreign tax paid. Alumina Ltd intends, to the extent practicable, to fully distribute all fully franked dividends received from AWAC (which has historically been 85% of the dividends received from AWAC). Based on this payout policy, Alumina Ltd is likely to be able to pay fully franked dividends in the short to medium term.

Tax consequences for Australian resident shareholders

The Demerger is not expected to give rise to any adverse tax consequences for Australian resident shareholders. Australian shareholders account for approximately 55-60% of WMC's issued capital and more than 90% by number of shareholders.

The capital gains tax consequences of the Demerger are prescribed by the recently passed Demerger Act. In addition, WMC expects to obtained a Class Ruling from the ATO that provides certainty as to the taxation treatment of WMC shareholders arising from the Demerger.

For a shareholder who elects to obtain relief pursuant to the Demerger Act, the tax consequences of the Demerger are expected to be as follows:

- the cash amount to be notionally distributed to WMC shareholders pursuant to the Demerger will include a capital reduction component of $2.78 per share. Any capital gain that may otherwise have arisen in relation to this capital reduction will be disregarded;

- the cash amount to be notionally distributed to WMC shareholders pursuant to the Demerger will include a dividend component of $0.73 per share. This dividend will be disregarded for tax purposes;

- the sum of the cost bases of the Alumina Ltd and WMC Resources shares held by the shareholder immediately after the Demerger will be equal to the cost base of the WMC shares held by the shareholder before the Demerger. The cost base of the WMC shares will be allocated between the cost base of the Alumina Ltd and WMC Resources shares on the basis of market values; and

- the CGT status of the shareholder's Alumina Ltd and WMC Resources shares will be the same as the status of the shareholder's WMC shares. If the WMC shares were pre-CGT shares (that is, they had been acquired before 20 September 1985 and were therefore not subject to capital gains tax), the Alumina Ltd and WMC Resources shares will be treated as pre-CGT shares.

For a shareholder who does not elect to obtain demerger relief pursuant to the Demerger Act, the CGT consequences of the Demerger are expected to be as follows:

- the shareholder will realise a capital gain to the extent that the capital reduction component notionally distributed ($2.78 per share) is greater than the cost base of the WMC shares held by the shareholder;

- the shareholder will not be taxed on the notional dividend ($0.73 per share) pursuant to the Demerger Act;

- the sum of the cost bases of the Alumina Ltd and WMC Resources shares held by the shareholder immediately after the Demerger will be equal to the cost base of the WMC shares held by the shareholder before the Demerger. The cost base of the WMC shares will be allocated between the cost base of the Alumina Ltd and WMC Resources shares on the basis of market values; and

- all the WMC Resources shares transferred to the shareholder will be deemed to be post-CGT shares (ie. acquired on or after 20 September 1985), regardless of the CGT status of the shareholder's WMC shares.

Shareholders holding shares on revenue account are unlikely to face any material adverse tax consequences.

Tax impact on shareholders not resident in Australia

The tax consequences of the Demerger for shareholders resident outside Australia will vary according to their domicile. These shareholders account for approximately 40-45% of WMC's issued capital. Of these, shareholders holding approximately 18% of WMC's issued capital are domiciled in the United States and shareholders holding approximately 12% are domiciled in the United Kingdom. WMC believes that less than 1% of overseas shareholders are likely to be ineligible overseas shareholders and will be cashed out.

The major tax implications of the Demerger for shareholders resident in the United States and the United Kingdom, the two largest groups of overseas shareholders are summarised below:

- United States resident shareholders are unlikely to face any tax consequences. WMC has received advice that it is more likely than not that the Demerger will qualify as a tax free spin off for United States federal tax purposes in respect of certain United States resident beneficial shareholders;

- United Kingdom resident shareholders who are tax exempt (for instance certain pension funds) are unlikely to face any tax consequences. However, the Demerger is likely to have both capital gains tax and income tax consequences for other United Kingdom resident shareholders. The notional cash distribution to be made under the Demerger will consist of a capital reduction and a dividend. The capital reduction component will represent a capital distribution for the purposes of UK capital gains tax. Shareholders will be deemed to have made a part disposal of their WMC shareholding, resulting in a capital gain or loss calculated as the difference between the amount of the capital distribution and an appropriate part of the shareholder's cost base. The dividend component will be treated as a dividend for UK income tax purposes.

The taxation consequences for other overseas shareholders will depend on their domicile. While some of these shareholders may have a potential tax liability (particularly in respect of their WMC Resources shares), WMC believes that many have tax exempt status and accordingly will not be impacted by the Demerger. While WMC has not conducted a formal analysis of the tax status of the shareholders, based on industry and national statistics, WMC estimates that outside of the United States, more than 10% of its issued capital is held by or for tax exempt pension funds.

Disclaimer

The analysis set out above outlines the major tax consequences of the Demerger and should be viewed as indicative only. It does not purport to represent any form of formal tax advice regarding the taxation consequences of the Demerger for shareholders. Further details on the taxation consequences of the Demerger for shareholders are set out elsewhere in WMC's Scheme Booklet. In any event, the tax consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional financial or taxation adviser.

6.8 Other Issues

One off transaction costs

WMC has estimated that total transaction costs of the Demerger will be approximately $127 million. These transaction costs include costs such as stamp duty, professional fees, the costs of re-organising WMC's debt facilities and the costs of negotiating, publicising and implementing the Demerger. Of these costs, approximately $18 million are expected to have already been incurred at the time shareholders vote on the Demerger. Accordingly, the additional transaction costs that will be incurred if the Demerger proceeds are expected to be approximately $109 million. These costs, while significant, are not material by comparison with the expected earnings, assets and market capitalisations of the demerged companies.

Impact on dividends

The level of future dividend payments has not been determined and will be a matter for the respective boards of Alumina Ltd and WMC Resources depending on dividend policies and financial and other circumstances at the time. WMC has indicated that the likely dividend policies will be:

- for Alumina Ltd, 100% of franked dividends received from AWAC; and
- for WMC Resources, a modest payout ratio will be adopted in the short to medium term reflecting in large part the expectation that no franking credits will be available in the short to medium term.

Ineligible shareholders

WMC shareholders with registered addresses outside Australia and its external territories, New Zealand, Singapore, Hong Kong, Germany, Switzerland, the United Kingdom and the United States will likely not be entitled to participate in the Demerger. Shares in WMC Resources to which WMC shareholders outside these jurisdictions would otherwise have been entitled as part of the Demerger will be sold on market following the listing of WMC Resources. Any applicable taxes and brokerage fees and other selling costs will be deducted from the proceeds, which will be remitted to the relevant shareholders.

Ineligible overseas shareholders will give up some of their economic interest in WMC and lose their exposure to the non-alumina assets. However:

- their WMC Resources shares will be sold for market value;
- they can acquire WMC Resources shares through the ASX following the listing if they wish to retain an exposure; and
- shareholders representing less than 1% of WMC's issued capital are expected to be impacted by these provisions.

6.9 Alternatives Considered

The board of WMC has assessed a range of possible transactions over the last two years. As the resources industry has rapidly consolidated the opportunities to acquire world class assets, such as those held by WMC, have become increasingly scarce. Most of the highly attractive assets are now held by the large diversified resources companies. Recognising these facts, the board of WMC has increasingly focussed on ensuring that WMC shareholders received full value for their interest in WMC. Accordingly, the board has considered a range of alternatives focussed on addressing the strategic issues posed by WMC's current corporate structure. These alternatives have included:

- the sale of WMC's interest in AWAC;
- the sale of WMC's non-alumina assets either individually or as a group; and
- a takeover of WMC or merger with another party.

Each of these proposals has significant drawbacks:

- any sale of WMC's interest in AWAC could result in a significant tax liability for WMC. A sale process would also be subject to the pre-emptive rights of Alcoa;
- there were significant concerns as to whether it would be possible to distribute to shareholders in an efficient manner the cash proceeds from the sale of any individual assets (including AWAC); and
- competition in the context of a takeover of WMC in its current form was believed to be limited. The universe of potential buyers was limited by both the size of WMC and the uncertainties created by the exclusivity terms of the AWAC agreements.

Notwithstanding the issues created by its current corporate structure, WMC also considered retaining WMC intact. The Demerger was seen as the most efficient way to separate WMC's interest in AWAC from its other businesses and remove any impediment to shareholders receiving full underlying value for their shares.

7 Impact on Creditors

As part of the Demerger, WMC is to be divided into two separately listed companies. WMC Resources will assume most of WMC's liabilities including approximately 75% of the debt portfolio and all of WMC's hedging commitments. Alumina Ltd will hold $600 million of WMC's debt and outside of this will have only minimal liabilities, primarily associated with operating its head office. Accordingly, the majority of WMC's creditors will become creditors of WMC Resources. In effect these creditors will lose the credit support of WMC's 40% interest in AWAC.

In Grant Samuel's opinion, the WMC creditors who will become exposed to WMC Resources are not materially prejudiced by the Demerger. The reasons are:

- WMC Resources in its own right will be a very substantial company:

WMC Resources –Key Financial Ratios

($ million)	Pro forma after Demerger
Total Assets	7,354
Net Borrowings	1,641
Shareholders' equity	5,165
EBITDA (excluding hedging)	
2002	683
2003	884
Net profit after tax	
2002	73
2003	261

- WMC Resources' gearing will be moderately higher than the gearing of WMC before the Demerger, although key financial ratios remain strong. Furthermore, WMC Resources expects to generate strong operating cash flows which will reduce gearing levels and improve interest cover over a relatively short period of time:

WMC Resources – Impact on Key Financial Ratios

	WMC before Demerger[1]	WMC Resources
Balance sheet gearing as at 30 June 2002	25%[2]	32%
Year Ending 31 December 2002		
EBITDA / borrowing costs (times)[3]	10.6x	9.0x
Cash flow from operations / borrowing costs (times)[4]	4.5x	1.3x
Year ending 31 December 2003		
EBITDA/borrowing costs (times)[3]	17.1x	16.4x
Cash flow from operations / borrowing costs (times)[4]	8.4x	4.1x

Note (1) WMC before Demerger interest coverage ratios based on the sum of the EBITDA, cash flow from operations and borrowing costs of WMC Resources and Alumina Ltd.
(2) Adjusted to include fair value adjustments to Olympic Dam and the QFO
(3) EBITDA includes hedging cash outflow and equity accounted profits
(4) Cash flow from operations defined as EBITDA less capital expenditure and including hedging cash outflow

- WMC Resources is not expected to engage in any major expansion program in the short term (although this may change with the review of the potential expansion of the Olympic Dam project); and

- WMC Resources is expected to continue to have an investment grade credit rating, albeit lower than WMC's existing credit rating:

Expected Impact on Credit Ratings				
	WMC		WMC Resources	
	Short term	Long Term	Short Term	Long Term
Standard & Poor's	A-1	A	A-2	BBB

  While WMC Resources' credit rating will be lower, an investment grade rating implies WMC will retain a relatively strong financial position;

- most trade creditors are short term in nature (i.e. repayable within, say, 60 days at any point in time) and they will therefore have the opportunity to reassess for themselves whether or not they wish to grant continued credit to WMC Resources; and

- the directors of WMC have stated that in their opinion the Demerger will not affect WMC Resources' ability to pay creditors or meet debts as and when they fall due.

In Grant Samuel's opinion the creditors exposed to Alumina Ltd are not materially prejudiced by the Demerger:

- Alumina Ltd will be a very substantial company with low gearing. Alumina Ltd will have pro forma shareholders' funds of $1.1 billion and gearing of 33% at 30 June 2002;

- based on the forecast performance of AWAC and expected AWAC dividend payout ratios, Alumina Ltd expects to receive a dividend of approximately $376 million for the year ending 31 December 2003. This dividend is approximately 14 times the expected interest and corporate costs for the year;

- while Alumina Ltd's 40% interest in AWAC is expected to be self funding, AWAC is practically ungeared and has historically generated strong cashflows, so that only limited amounts of capital have been required to be injected by WMC. The AWAC agreements envisage that funding of AWAC's ongoing capital needs will be sourced primarily from internal cash flows and borrowings;

- Alumina Ltd will have new funding commitments totalling approximately $600 million, all of which will be drawn down prior to completion of the Demerger. These lenders have made their own judgements as to Alumina Ltd's financial risk in the full knowledge of its position. These funding commitments by third party lenders suggest that the financial gearing of Alumina Ltd is reasonable; and

- the new facilities do not have covenants or other restrictions which are likely to precipitate any funding or liquidity crisis in the short term and appear to provide sufficient flexibility to manage growth of, or fluctuations in, AWAC's operations. However, any major expansion initiatives by AWAC which need to be shareholder funded may mean Alumina Ltd will require new funding facilities.

Disclaimer

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by WMC, Alumina Ltd or WMC Resources to their creditors as at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial positions of Alumina Ltd and WMC Resources.

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8 Qualifications, Declarations and Consents

8.1 Qualifications

Grant Samuel provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Grant Samuel and its affiliated companies have prepared more than 200 public expert's reports since Grant Samuel's formation in 1988.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Cooper BCom(Hons) ACA CA(SA) ACMA and Stewart Hindmarsh BEc LLB MBus, both of whom has a significant number of years of experience in relevant corporate advisory matters. Each of the above is an authorised representative of Grant Samuel pursuant to its Dealer's Representative Licence held under Corporations Act.

8.2 Declarations

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Demerger is in the best interests of WMC shareholders and as to whether it materially prejudices the interests of creditors. Grant Samuel expressly disclaims any liability to any WMC shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by WMC Resources or Alumina Ltd to their respective creditors as at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial position of individual companies in the group with whom they conduct business.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet and has not verified or approved any of the contents of Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with WMC except that:

- in 2001, it prepared an independent expert's report for WMC; and
- a number of executives of Grant Samuel or their related parties hold shares in WMC.

Grant Samuel does not believe that its previous work and these security holdings could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Demerger.

Grant Samuel had no part in the formulation of the Demerger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $300,000 for the preparation of this report. This fee is not contingent on the outcome of the Demerger. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by ASIC.

8.4 Declarations

WMC has agreed that, to the extent permitted by law, WMC will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity will not apply in respect of the proportion of any liability found by a court to be attributable to any conduct involving negligence or wilful misconduct by Grant Samuel. WMC has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct in which case Grant Samuel shall bear such costs.

Advance drafts of this report were provided to senior management and directors of WMC and WMC's financial advisers. Certain changes were made to this report as a result of the circulation of the draft report. However, there was no alteration to the methodology, conclusions or recommendations made to WMC shareholders as a result of issuing the draft reports.

8.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to WMC shareholders and optionholders in relation to the Demerger. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

8.6 Other

The opinion is made at the date of this report and reflects circumstances and conditions as at that date. Shareholders who are in doubt as to the action they should take should consult their own independent professional adviser.

The accompanying letter dated 28 October 2002 forms part of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

12. Investigating Accountants' Reports

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

333 Collins Street
MELBOURNE VIC 3000
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwcglobal.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

The Directors
WMC Limited
Level 16
IBM Centre
60 City Road
Southbank Vic 3006

28 October 2002

Subject: Investigating Accountant's Report on Historical Financial Information

Dear Madam and Sirs

We have prepared this Investigating Accountant's Report ('Report') on the historical financial information for inclusion in a scheme booklet dated 28 October 2002 (the 'Scheme Booklet') relating to the demerger of WMC Limited ('WMC' or 'the Company') into two independent businesses, Alumina Limited ('Alumina Limited') and WMC Resources Ltd ('WMC Resources') (collectively the 'Demerged Businesses'), to be separately listed on the Australian Stock Exchange.

Expressions defined in the Scheme Booklet have the same meaning in this Report.

You have requested PricewaterhouseCoopers to prepare a Report for inclusion in the Scheme Booklet covering the following information:

Historical financial information

The pro forma historical financial information set out in Sections 6.6 and 7.12 of the Scheme Booklet (collectively the 'Historical Financial Information'), consisting of:

(a) the pro forma consolidated historical results and cash flows of each of Alumina Limited (Sections 6.6.2(b) and 6.6.2(d)) and WMC Resources (Sections 7.12.2(b) and 7.12.2(d)) for the years ended 31 December 2001, 2000 and 1999; and

(b) the pro forma consolidated statements of net assets of each of Alumina Limited (Section 6.6.2(e)) and WMC Resources (Section 7.12.2(e)) as at 30 June 2002, which assume completion of the contemplated transactions disclosed in Sections 6.6.2(e)(i) and 7.12.2(e)(i) of the Scheme Booklet (the 'Pro Forma Transactions').

The Historical Financial Information has been prepared under Generally Accepted Accounting Principles in Australia ('A GAAP') on the basis that the Demerged Businesses have been operating independently for reporting purposes since 1 January 1999. In preparing the Historical Financial Information, the Directors of WMC considered the need for it to be adjusted to reflect the pro forma transactions in Sections 6.6.2(e)(i) and 7.12.2(e)(i) and to adjust for certain non-recurring items. Details of the non-recurring adjustments are set out in Section 6.6.2(b) and 7.12.3(a) of the Scheme Booklet.

PRICEWATERHOUSECOOPERS

Compilation of historical financial information under US Generally Accepted Accounting Principles ('US GAAP')
The compilation of the historical financial performances of AWAC under US GAAP ('Combined Historical Results of AWAC under US GAAP') and the historical statement of net assets of AWAC under US GAAP ('Combined Statement of Net Assets of AWAC under US GAAP') set out in Sections 6.6.3(b) and 6.6.3(d) respectively of the Scheme Booklet (collectively, the 'Historical US GAAP Financial Information').

This Report has been prepared for inclusion in the Scheme Booklet. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information or the Historical US GAAP Financial Information to which it relates for any purposes other than for which it was prepared.

Scope of review of Historical Financial Information
The Historical Financial Information has been extracted from the audited financial statements of the Company for the years ended 31 December 2001, 2000 and 1999 and from the Half Year Report for 30 June 2002, and incorporates such adjustments as the Directors of the Company considered necessary to reflect the operations of each Demerged Business. The Directors of the Company are responsible for the preparation of the Historical Financial Information, including determination of the adjustments.

Although each of the entities included in the WMC group did not prepare separate audited financial statements during the financial periods under review, PricewaterhouseCoopers did conduct an audit of the consolidated financial statements of WMC for the years ended 31 December 2001, 2000 and 1999. These audits were conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the consolidated financial statements of WMC were free of material misstatement. An unqualified opinion was issued in respect of each year.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 'Review of Financial Reports'. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including discussions with the Directors and management of WMC.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

Review statement on Historical Financial Information
Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma consolidated statement of net assets of each Demerged Business included in the Historical Financial Information has not been properly prepared on the basis of the Pro Forma Transactions disclosed in Sections 6.6.2(e)(i) and 7.12.2(e)(i) of the Scheme Booklet;
- the Pro Forma Transactions disclosed in Sections 6.6.2(e)(i) and 7.12.2(e)(i) of the Scheme Booklet do not form a reasonable basis for the pro forma consolidated statement of net assets of each Demerged Business included in the Historical Financial Information; and
- the Historical Financial Information:
  (a) does not present fairly:
  (i) the pro forma historical consolidated results and cashflows of each Demerged Business for each of the years ended 31 December 2001, 2000 and 1999; and
  (ii) the pro forma consolidated statements of net assets of each Demerged Business as at 30 June 2002; and

  (b) has not been prepared in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by WMC.

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Compilation of the Historical US GAAP Financial Information

The Historical US GAAP Financial Information set out in Sections 6.6.3(b) and 6.6.3(d) of the Scheme Booklet has been extracted from the Historical Financial Information after making certain adjustments relating to the conversion of the Historical Financial Information from A GAAP to US GAAP (the 'Historical Adjustments'). The accounting principles applied to prepare the Combined Historical Results of AWAC under US GAAP and the Combined Statement of Net Assets of AWAC under US GAAP are outlined in Sections 6.6.3(a) of the Scheme Booklet. The Directors of the Company are responsible for the preparation of the Historical US GAAP Financial Information, including determination of the adjustments.

We have not performed an audit of the Historical US GAAP Financial Information and accordingly we do not express an audit opinion on the Historical US GAAP Financial Information. However, in our opinion the Historical US GAAP Financial Information has been properly compiled on the basis stated in Sections 6.6.3(a) of the Scheme Booklet and the Historical Adjustments are appropriate for the purpose of the Historical US GAAP Financial Information disclosed in Sections 6.6.3(b) and 6.6.3(d) of the Scheme Booklet.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief there have been no material items, transactions or events subsequent to 30 June 2002 that have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence

PricewaterhouseCoopers does not have any interest in the outcome of the Demerger, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees are received.

Yours faithfully

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants

PAlBendall

Paul Bendall
Partner

Jock O'Callaghan
Partner

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of dealer's licence No 11203

333 Collins Street
MELBOURNE VIC 3000
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwcglobal.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

The Directors
WMC Limited
Level 16
IBM Centre
60 City Road
Southbank Vic 3006

28 October 2002

Subject: Investigating Accountant's Report on Forecast Financial Information

Dear Madam and Sirs

We have prepared this Investigating Accountant's Report ('Report') on the forecast financial information for inclusion in a scheme booklet dated 28 October 2002 (the 'Scheme Booklet') relating to the demerger of WMC Limited ('WMC' or 'the Company') into two independent businesses, Alumina Limited ('Alumina Limited') and WMC Resources Ltd ('WMC Resources'), (collectively the 'Demerged Businesses') to be separately listed on the Australian Stock Exchange. This Report is prepared in accordance with ASIC Policy Statement 170 'Prospective financial information'.

Expressions defined in the Scheme Booklet have the same meaning in this Report.

The nature of this Report is such that it should be given by an entity which holds a dealer's licence under the Corporations Act 2001 (Cth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate dealer's licence.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare a Report for inclusion in the Scheme Booklet covering the following information (collectively the 'Forecast Information'):

Forecast financial information

The forecast financial information set out in Appendix A to this Report and as contained within Sections 6.6 and 7.12 of the Scheme Booklet, consisting of the pro forma consolidated forecast results and cash flows of each of Alumina Limited and WMC Resources for each of the years ending 31 December 2002 and 2003 (the 'Forecasts'). In preparing the Forecasts, the Directors of WMC considered the need for them to be adjusted to reflect the pro forma transactions in Sections 6.6.2(c)(i) and 7.12.2(c)(i) and to adjust for certain non-recurring items. Details of the non-recurring adjustments are set out in Sections 6.6.2(b) and 7.12.2(c)(vii) of the Scheme Booklet.

Proforma forecast removing Olympic Dam production constraints

The pro forma forecast removing Olympic Dam production constraints set out in Appendix B to this Report and as contained within Section 7.12.2(b) of the Scheme Booklet ('Pro Forma Forecast Removing Olympic Dam Production Constraints '), consisting of the pro forma consolidated forecast results and cash flows of WMC Resources for the year ending 31 December 2003, adjusted to remove the impact of certain production constraints as described in Sections 7.12.2(b) and 7.12.2(c)(iv) of the Scheme Booklet.

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Compilation of forecast results under US Generally Accepted Accounting Principles (US GAAP)
The compilation of the forecast combined results of AWAC under US GAAP ('Forecast Results of AWAC under US GAAP') set out in Section 6.6.3(b) of the Scheme Booklet.

This Report has been prepared for inclusion in the Scheme Booklet. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecast Information to which it relates for any purposes other than for which it was prepared.

Scope of review of Forecasts
The Directors of the Company are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions, which include the contemplated transactions disclosed in Sections 6.6.2(c)(i) and 7.12.2(c)(i) of the Scheme Booklet (the 'Pro Forma Transactions'), on which they are based.

Our review of the Forecasts was conducted in accordance with Australian Auditing Standard AUS 902 'Review of Financial Reports'. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the Forecasts, including but not limited to:
(a) analytical review of the Forecasts and comparison to historical financial information;
(b) review of work papers, accounting records, contracts and other documents;
(c) review of the assumptions used to compile the Forecasts;
(d) comparison of consistency in application of Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies of Alumina Limited and WMC Resources, as described in Sections 6.6.2(c)(i) and 7.12.2(c)(i) of the Scheme Booklet respectively; and
(e) discussions with the Directors and Management of WMC.

These procedures have been undertaken to form an opinion whether anything has come to our attention which causes us to believe:
(a) that the best estimate assumptions do not provide a reasonable basis for the preparation of the Forecasts; and
(b) whether, in all material respects, the Forecasts are properly compiled on the basis of the assumptions and are presented fairly on a basis consistent with the accounting policies of the Company and the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view of the Demerged Businesses which is consistent with our understanding of the Demerged Businesses' past, current and future operations.

The Forecasts have been prepared by the Directors to provide investors with a guide to the Demerged Businesses' potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Forecasts. Accordingly, investors should have regard to the investment risks set out in Sections 4.5, 6.5 and 7.11 of the Scheme Booklet.

Our review is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts.

Review statement on the Forecasts
Based on our review of the Forecasts, which is not an audit, and based on an investigation of the reasonableness of the Directors' best estimate assumptions giving rise to the Forecasts, nothing has come to our attention which causes us to believe that:
(a) the Directors' best estimate assumptions set out in Sections 6.6.2(c) and 7.12.2(c) of the Scheme Booklet do not provide reasonable grounds for the preparation of the Forecasts; and
(b) the Forecasts are not properly compiled on the basis of the Directors' best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of Alumina Limited and WMC Resources described in Sections 6.6.2(c)(i) and 7.12.2(c)(i) of the Scheme Booklet; and
(c) the Forecasts themselves are unreasonable.

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The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Company and the Demerged Businesses. If events do not occur as assumed, actual results and distributions achieved by the Demerged Businesses may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

Scope of review of Pro Forma Forecast Removing Olympic Dam Production Constraints

The Directors of the Company are responsible for the preparation and presentation of the Pro Forma Forecast Removing Olympic Dam Production Constraints, including the determination of the financial impact of the production constraints described in Sections 7.12.2(b) and 7.12.2(c)(iv) of the Scheme Booklet and the 2003 Proforma Forecasts on which they are based.

Our review of the Pro Forma Forecast Removing Olympic Dam Production Constraints was conducted in accordance with Australian Auditing Standard AUS 902 'Review of Financial Reports'. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary in the circumstances, including discussions with the Directors and Management of WMC.

The Pro Forma Forecast Removing Olympic Dam Production Constraints has been prepared by the Directors to provide investors with a guide as to the impact on the Forecasts of certain production constraints which are expected to occur in 2003, as described in Sections 7.12.2(b) and 7.12.2(c)(iv) of the Scheme Booklet.

There is a considerable degree of subjective judgement involved in the preparation of the Pro Forma Forecast Removing Olympic Dam Production Constraints. Accordingly, investors should have regard to the investment risks set out in Sections 4.5, 6.5 and 7.11 of the Scheme Booklet.

Our review is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Pro Forma Forecast Removing Olympic Dam Production Constraints.

Review statement on the Pro Forma Forecast Removing Olympic Dam Production Constraints

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

(a) the Pro Forma Forecast Removing Olympic Dam Production Constraints has not been properly prepared on the basis of the 2003 Pro Forma Forecasts, excluding the estimated financial impact of the production constraints described in Sections 7.12.2(b) and 7.12.2(c)(iv) of the Scheme Booklet;

(b) the estimated financial impact of the production constraints described in Sections 7.12.2(b) and 7.12.2(c)(iv) of the Scheme Booklet does not provide a reasonable basis for the preparation of the Pro Forma Forecast Removing Olympic Dam Production Constraints; and

(c) the Pro Forma Forecast Removing Olympic Dam Production Constraints has not been properly compiled and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of WMC Resources described in Section 7.12.2(c)(i) of the Scheme Booklet.

Compilation of the Forecast Results of AWAC under US GAAP

The Forecast Results of AWAC under US GAAP set out in Section 6.6.3(b) of the Scheme Booklet have been compiled from the Alumina Limited Forecasts, after making certain adjustments relating to the conversion of the Forecasts from Generally Accepted Accounting Principles in Australia ('A GAAP') to US GAAP (the 'US GAAP Adjustments'). The accounting principles and assumptions applied to prepare the Forecast Results of AWAC under US GAAP are outlined in Section 6.6.3(a) of the Scheme Booklet. The Directors of the Company are responsible for the preparation of the Forecast Results of AWAC under US GAAP, including determination of the adjustments.

We have not performed an audit of the Forecast Results of AWAC under US GAAP and we do not express an audit opinion on the Forecast Results of AWAC under US GAAP. However, in our opinion the Forecast Results of AWAC under US GAAP have been properly compiled on the basis stated in Section 6.6.3(a) of the Scheme Booklet and the US GAAP Adjustments are appropriate for the purpose of the Forecast Results of AWAC under US GAAP disclosed in Section 6.6.3(b) of the Scheme Booklet.

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Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief there have been no material items, transactions or events subsequent to 30 June 2002 that have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Demerger, other than in connection with the preparation of this Report and participation in due diligence procedures for which normal professional fees are received.

Yours faithfully

Paul Bendall
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Jock O'Callaghan
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Appendix A

Pro Forma Consolidated Results of Alumina Limited A GAAP ($A million)	**PRO FORMA FORECAST Year ending 31 December 2002**	**2003**
Equity share of profits after tax	263.0	375.9
Amortisation of equity goodwill	(17.7)	(17.7)
Corporate costs	(8.2)	(8.2)
Pro forma results before borrowing costs and tax	**237.1**	**350.0**
Net borrowing costs	(18.6)	(19.5)
Income tax (expense)/benefit	-	-
Pro forma net profit attributable to members of Alumina Limited	**218.5**	**330.5**

Pro Forma Consolidated Cash flows of Alumina Limited A GAAP ($A million)	**PRO FORMA FORECAST Year ending 31 December 2002**	**2003**
Dividends received from AWAC	256.4	375.9
Operating costs	(8.2)	(8.2)
Payment for purchase of MRN and Halco shares	(72.2)	-
Net cash flow before borrowing costs, tax and financing activities	**176.0**	**367.7**
Net borrowing costs	(18.6)	(19.5)
Income taxes paid	-	-
Net cash flow after tax and before financing activities	**157.4**	**348.2**

APPENDIX A

Pro Forma Consolidated Results of WMC Resources A GAAP ($A million)	PRO FORMA FORECAST Year ending 31 December 2002	2003
Sales revenue from operating activities		
Nickel Business Unit	1,361.6	1,528.7
Olympic Dam	771.7	839.5
Queensland Fertilizer Operations	426.0	447.7
Revenue from insurance claims	80.0	-
Other revenue from outside the operating activities	11.2	3.9
Revenue from continuing operations	**2,650.5**	**2,819.8**
EBITDA from continuing operations		
Nickel Business Unit	470.9	628.3
Olympic Dam	302.9	293.4
Queensland Fertilizer Operations	26.9	47.6
Corporate	(43.8)	(25.7)
Exploration, New Projects and Other	(73.5)	(60.0)
Total EBITDA (excluding currency & commodity hedging)	**683.4**	**883.6**
Amortisation	186.1	205.1
Depreciation	344.1	314.2
Amortisation and depreciation on fair value adjustment	9.1	9.1
EBIT from continuing operations		
Nickel Business Unit	247.0	378.9
Olympic Dam	45.8	77.4
Queensland Fertilizer Operations	(19.6)	(5.1)
Corporate	(53.5)	(35.4)
Exploration, New Projects and Other	(75.6)	(60.6)
Sub total (excluding currency & commodity hedging)	**144.1**	**355.2**
Net currency and commodity hedging gains/(losses)	(23.6)	32.6
Total EBIT (including currency & commodity hedging)	**120.5**	**387.8**
Net borrowing costs	(54.5)	(48.0)
Profit from continuing operations before income tax expense	**66.0**	**339.8**
Income tax benefit/(expense)	7.0	(78.9)
Net profit attributable to members of WMC Resources from continuing operations	**73.0**	**260.9**

Pro Forma Consolidated Cash flows of WMC Resources A GAAP ($A million)	PRO FORMA FORECAST Year ending 31 December [illegible]	[illegible]
EBITDA from continuing operations (excluding currency and commodity hedging gains/(losses))	**683.4**	**883.6**
Movements in working capital	(98.3)	(11.8)
Currency & commodity hedging payments falling due	(157.2)	(94.9)
Non cash items	28.0	22.0
Capital expenditure	(454.4)	(593.5)
Other investing cashflows	7.7	0.3
Net cashflow before borrowing costs, tax and financing activities	**9.2**	**205.7**
Net borrowing costs	(58.1)	(55.5)
Interest rate swap	71.2	-
Income tax paid	(4.5)	(1.5)
Net cashflow before financing activities	**17.8**	**148.7**

Appendix B

WMC Resources Pro Forma Forecast Removing Olympic Dam Production Constraints A GAAP ($A million)	**PRO FORMA FORECAST Year ending 31 December 2003**
Sales revenue from operating activities Nickel Business Unit	1,528.7
Olympic Dam	966.9
Queensland Fertilizer Operations	447.7
Revenue from insurance claims	-
Other revenue from outside the operating activities	3.9
Revenue from continuing operations	**2,947.2**
EBITDA from continuing operations	
Nickel Business Unit	628.3
Olympic Dam	381.6
Queensland Fertilizer Operations	47.6
Corporate	(25.7)
Exploration, New Projects and Other	(60.0)
Total EBITDA (excluding currency & commodity hedging)	**971.8**
Amortisation	207.1
Depreciation	314.2
Amortisation and depreciation on fair value adjustment	9.1
EBIT from continuing operations	
Nickel Business Unit	378.9
Olympic Dam	163.6
Queensland Fertilizer Operations	(5.1)
Corporate	(35.4)
Exploration, New Projects and Other	(60.6)
Sub total (excluding currency & commodity hedging)	**441.4**
Net currency and commodity hedging gains/(losses)	32.6
Total EBIT (including currency & commodity hedging)	**474.0**
Net borrowing costs	(41.0)
Profit from continuing operations before income tax expense	**433.0**
Income tax benefit/(expense)	(106.9)
Net profit attributable to members of WMC Resources from continuing operations	**326.1**

WMC Resources Pro Forma Cash Flow Removing Olympic Dam Production Constraints A GAAP ($A million)	**PRO FROMA FORECAST Year ending 31 December 2003**
EBITDA from continuing operations (excluding currency and commodity hedging gains/(losses))	**971.8**
Movements in working capital	9.2
Currency & commodity hedging payments falling due	(94.9)
Non cash items	22.0
Capital expenditure	(380.5)
Other investing cashflows	0.3
Net cashflow before borrowing costs, tax and financing activities	**527.9**
Net borrowing costs	(48.5)
Income tax paid	(1.5)
Net cashflow before financing activities	**477.9**

13. US Tax Opinion

Deloitte & Touche LLP
Ten Westport Road
P.O. Box 820
Wilton, Connecticut 06897-0820

Tel: (203) 761-3000
www.us.deloitte.com

Deloitte & Touche

October 28, 2002

To the Directors of WMC Limited
Level 16, IBM Centre
60 City Road Southbank VIC 3006

Re: United States Tax Consequences of WMC Limited Demerger

You have requested our opinion regarding the United States ("U.S.") federal income tax consequences of a proposed series of transactions in which WMC Limited ("WMC") will distribute all of the shares in WMC Resources Ltd. ("WMCR") *pro rata* to WMC's shareholders. For the reasons set forth below, it is our opinion that it is more likely than not that the distribution of WMCR shares to certain U.S. persons who hold beneficially WMC shares will be tax-free under section 355 of the Internal Revenue Code of 1986, as amended (the "Code"). As used in this opinion, "more likely than not" means that we believe there is a greater than 50% likelihood of the position being upheld, if it is questioned. Our opinion is not binding on the Internal Revenue Service (the "IRS" or "Service") or the courts, however, and there can be no assurance that the Service or the courts will agree with the conclusions expressed herein.

Our opinion addresses only the U.S. federal income tax consequences of the distribution of WMCR shares and applies only to certain shareholders who are subject to U.S. federal income taxation. Our opinion does not address the U.S. federal income tax consequences to certain U.S. persons who are subject to special rules, including insurance companies, financial institutions, tax-exempt organizations, traders in securities, persons who acquired their WMC shares through the exercise of employee share options or otherwise as compensation, persons who hold the shares as part of a hedge, straddle, or conversion transaction, or holders of WMC share options. Our opinion does not address any non-U.S., or U.S. state or local, income tax consequences.

Our opinion is based on the Code, Treasury regulations, court decisions, and IRS rulings in effect on this date, all of which are subject to change, possibly with retroactive effect. In rendering this opinion, we undertake no obligation to advise you or your shareholders of any such changes occurring after the date of this letter.

Our opinion is based on the facts that you have provided to us, including the material facts summarized below, and on the following documents: the draft Schemes of Arrangement (Draft 12) between WMC and its Shareholders and WMC Optionholders in relation to the Demerger of WMC, dated October 28, 2002, including exhibits thereto; the Formation Agreement dated December 21, 1994, between and among Alcoa Inc. (formerly called Aluminum Company of America), Alcoa International Holdings Corporation, ASC Alumina, Inc., WMC (formerly called Western Mining Corporation Holdings Limited), Westminer International Holdings Pty Ltd (formerly called Westminer International Holdings Limited), and WMC Alumina (USA) Inc.; the Charter of the Strategic Council dated December 21, 1994; the HayGroup report on Business Benefits of a Possible Demerger dated September 2001; WMC's Form 20-F for the fiscal year ended December 31, 2001 as filed with the Securities and Exchange Commission; and the Representation Letter dated October 1, 2002. As our opinion is based on the facts presented as of the date of the opinion and as of the time of the proposed transaction, the Representation Letter will need to be reaffirmed by WMC and WMCR on the date of the distribution of the WMCR shares by WMC. Except as indicated herein, defined terms used in this opinion have the meaning given to them in the aforementioned documents. To the extent you provided drafts of such documents, our opinion assumes that there are no material changes to such drafts prior to consummation of the transaction, and the transactions are concluded in substantially the form and manner stated in the drafts.

Summary of Facts

Current Structure

WMC is an Australian company engaged indirectly through its subsidiaries in mineral and metals exploration, production, processing, and marketing in Australia and throughout the world. WMC was incorporated in Victoria, Australia, on April 28, 1970, under the name Westminer Investments Proprietary Ltd. as a subsidiary of WMCR. WMC changed its name to Westminer Investments Limited on April 6, 1979, and to Western Mining Corporation Holdings Limited on July 13, 1979. WMC was restructured on November 19, 1979, to

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become a listed company on the Australian Stock Exchange ("ASX") and parent company of WMCR. It became a listed company on January 17, 1980. WMC changed its name to WMC Limited on November 16, 1995.

As of December 31, 2001, WMC had issued and outstanding approximately 1.1 billion ordinary voting shares (excluding partly paid shares). No other shares (other than partly paid shares, which have since been paid up) were issued and outstanding on that date or will be outstanding on the date of the transactions described below. WMC ordinary shares are publicly traded on the ASX, the New York Stock Exchange (through American Depository Receipts), and the Frankfurt Stock Exchange. No single shareholder owns as much as 5% of the ordinary shares directly for its own account. Certain nominee companies hold more than 5% as registered (non-beneficial) owner for third parties. WMC believes that U.S. persons as defined in section 7701(a)(30) of the Code own beneficially approximately 22% of its ordinary shares.

The WMC group issued four series of bonds in the U.S. capital markets in 1993 and 1996. The bond issues include: $250 million USD at 6.50% coupon, maturing November 15, 2003; $200 million USD at 6.75% coupon, maturing December 2006; $150 million USD at 7.25%, maturing November 15, 2013; and $200 million USD at 7.35% coupon, maturing December 2026. The issuer was WMC Finance (USA) Limited, described below. WMC guaranteed all of the debt.

WMC does not file a U.S. federal income tax return, although several of its subsidiaries file U.S. returns. WMC is not a controlled foreign corporation within the meaning of section 957 of the Code.

WMC operates as a holding company for the shares of various subsidiaries. In the context of the transaction described below, the WMC group's businesses can be divided into two segments: (1) businesses related to the Alcoa World Alumina and Chemicals joint venture (referred to as the "AWAC Businesses"); and (2) all other mineral exploration and production activities (the "Non-AWAC Businesses"). Each segment is described in more detail below:

The AWAC Businesses.
The AWAC Businesses consist of WMC's interests in Alcoa World Alumina and Chemicals ("AWAC"), a joint venture between WMC and Alcoa Inc. ("Alcoa"), a U.S. corporation otherwise unrelated to WMC. WMC and Alcoa formed AWAC on January 1, 1995, by combining their respective bauxite, alumina, and alumina-based chemicals businesses and selected smelting operations.

AWAC is a leading producer of bauxite, alumina, and alumina-based chemicals, with its principal operations in Australia. WMC's interest in the AWAC joint venture consists of (1) a 39.25% shareholding in Alcoa of Australia Limited ("Alcoa of Australia"), an Australian company with integrated bauxite mining, alumina refining and aluminum smelting facilities; (2) a 40% interest in Alcoa World Alumina LLC ("AWA LLC"), a Delaware limited liability company organized on December 21, 1994, through which the joint venture conducts bauxite mining, alumina refining, aluminum smelting, and alumina-based chemical production businesses in the U.S. and throughout the world (outside of Australia); and (3) a 40% interest in European located companies which are predominantly alumina-based chemical production businesses. Alcoa owns the remaining 60% interest in Alcoa of Australia, AWA LLC and the European companies. AWA LLC has been classified as a partnership for U.S. federal income tax purposes continuously since its formation.

WMC owns its shareholding in Alcoa of Australia directly. Alcoa of Australia is an Australian company that owns and operates integrated aluminum facilities, including mining, refining and smelting facilities, and also has alumina-based chemicals operations. Alcoa of Australia was formed in 1961 and is currently owned 39.25% by WMC, 60% by Alcoa and .75% by an Australian institutional investor. Alcoa of Australia operates its alumina businesses directly and through wholly-owned and partly owned subsidiaries, including Alcoa Portland Aluminium, AFP PTRY Limited, Coala Insurance Co Ltd, Alcoa of Australia (Asia) Ltd, Hedges Gold Pty Ltd, ACAP Australia Pty Ltd, ACAP (Singapore) Pte. Ltd, Eastern Aluminium Pty Ltd, Eastern Aluminium (Portland) and Australian Fused Materials. Alumina produced in Australia by Alcoa of Australia is shipped either to its smelters at Point Henry and Portland in Victoria, Australia or to overseas customers principally in the U.S., Canada, the Middle East, Europe and South Africa. Bauxite is sourced from its 100% owned Huntly and Willowdale bauxite mines, each located in the Darling Ranges south of Perth, which supply Alcoa of Australia's three alumina refineries in Western Australia. Bauxite is transported to the Kwinana, Pinjarra and Wagerup refineries.

A storage and loading facility that handles the majority of shipping for the Pinjarra and Wagerup refineries is located at the port of Bunbury near Wagerup. Some Pinjarra production is also shipped through the shipping facility at Kwinana, south of Perth. The rights to operate bauxite mining and alumina refining operations in Western Australia are provided under agreements with the State Government of Western

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Australia. The mining leases granted by the Western Australian Government expire in 2044. Alcoa of Australia also produces primary aluminum in Victoria, Australia. The aluminum assets include an aluminum smelter at Point Henry, near Geelong, and a 55% controlling interest in an aluminum smelter at Portland.

WMC owns its interest in the European companies and AWA LLC indirectly as follows: WMC owns 100% of the shares in Westminer International Holdings Pty. Ltd., an Australian company ("WIH"). WIH has an LLC membership interest based on capital of 29.52% in AWA LLC based on its current capital account of $387,056,598 USD (U.S. dollars) as of December 31, 2000. WIH has a 40% profit and loss interest in AWA LLC's non-U.S. "Foreign" assets. WIH also owns 100% of the shares of Western Mining Corporation (USA), a Delaware corporation and a holding company with one of its significant assets being 100% of the shares of WMC Alumina (USA), Inc., a Delaware corporation and a holding company, which in turn has an LLC membership interest based on capital of 10.48% in AWA LLC based on its current capital account of $137,389,195 USD as of December 31, 2000. WMC Alumina (USA), Inc. has a 40% profit and loss interest in AWA LLC's U.S. "Domestic" assets. WIH also indirectly owns the European companies in AWAC. These include Westminer (Investments) BV, Alcoa Chemie Nederland BV, Alcoa Moerdijk BV, Alcoa Chemie GmbH and Alumina Espanola SA.

AWA LLC is engaged in the business of bauxite mining, alumina refining, aluminum smelting, and production of alumina-based chemicals in the U.S. and throughout the world (outside of Australia). AWA LLC is engaged in business (1) directly, (2) through four limited liability companies, which are treated as partnerships for U.S. tax purposes, and (3) through numerous subsidiary corporations.

AWA LLC owns directly and operates an alumina refinery at Point Comfort, Texas. The refinery was completed in [illegible], expanded in 1997, and has a nominal capacity of 2.3 million tons per annum. AWA LLC obtains bauxite for the refinery from an AWAC affiliate in Guinea and purchases additional bauxite in the spot market from Jamaica and French Guiana. The Point Comfort refinery produces both smelter-grade alumina and alumina hydrates (chemical-grade alumina). AWA LLC employs approximately 700 persons at the Point Comfort refinery.

AWA LLC also is a major producer of alumina-based chemicals. It obtains most of its chemical grade alumina needs from the Point Comfort refinery and from AWAC affiliate refineries in San Ciprian, Spain and Kwinana, Western Australia. AWA LLC sells industrial chemicals to a broad range of customers for use in refractories, ceramics, abrasives, polymer additives, chemicals processing, and other specialty applications. As of December 31, 2001, AWA LLC owned directly and operated six alumina chemicals plants at the following locations: Point Comfort, Texas; Fort Meade, Florida; Bauxite, Arkansas; Vidalia, Louisiana; Dalton, Georgia; and Leetsdale, Pennsylvania. AWA LLC employs over 1,000 persons at these plants.

Suriname Aluminum Company, L.L.C. ("Suralco"), is a Delaware limited liability company that owns and operates fully integrated aluminum facilities. AWA LLC owns 98% of Suralco, and an AWAC affiliate, Alcoa Caribbean Alumina Holdings LLC, owns the other 2%. Suralco has been treated as a partnership for U.S. federal income tax purposes since January 1, 1995. Suralco began operations in 1916 and currently has interests in an alumina refinery at Paranam, bauxite mines in northeast Suriname and south of Paranam, and hydroelectric facilities at Afobaka Lake. Suralco has over 1,000 employees, who are engaged in all aspects of its aluminum business activities. Suralco has bauxite mining rights in Suriname that expire in 2032, and its proven new bauxite reserves are expected to last at least through the year 2023. Alcoa Minerals of Jamaica, L.L.C. ("AMJ"), is a Delaware limited liability company that participates in a 50/50 unincorporated joint venture called Jamalco with Clarendon Alumina Production Limited, a Jamaican government company. AWA LLC owns 98% of AMJ and Alcoa Caribbean Alumina Holdings LLC owns the other 2%. AMJ has been treated as a partnership for U.S. federal income tax purposes since January 1, 1995. The Jamalco joint venture is governed by agreements with the Jamaican government and is managed by AMJ. The assets of the Jamalco joint venture comprise bauxite mines, an alumina refinery, and port facilities. The refinery, which was completed in 1972, is located west of Kingston, Jamaica. AMJ has approximately 500 employees. Great Lakes Minerals LLC ("Great Lakes") owns a refractory and abrasives business based in Wurtland, Kentucky. AWA LLC owns 50% of Great Lakes and an unrelated company owns the remaining 50% interest. The business operations of St. Croix L.L.C. are now dormant. Finally, AWA LLC has ownership interests in several other entities that are treated as corporations for U.S. federal income tax purposes.

WMC and Alcoa have been engaged in the AWAC joint venture since January 1995. Under the joint venture agreements, Alcoa, as majority owner, is responsible for providing day-to-day operating management of the joint venture business, in Alcoa of Australia, the European companies and AWA LLC. As the holder of a significant minority interest in the AWAC Businesses, however, WMC management and employees participate regularly in the management of those businesses. These activities are described in the discussion of the section 355(b) active trade or business requirement later in this opinion.

The objective of the transaction described below is to divide WMC into two publicly traded companies. Following the transactions, WMC will continue to own the AWAC Businesses. WMC represents that, at the time of the distribution of WMCR shares by WMC (as deemed for U.S. federal tax law purposes, as discussed below), the gross assets of the AWA LLC businesses relied on to satisfy the active trade or business requirement of section 355(b) will have a fair market value that is approximately 5% of the total fair market value of all of its gross assets.

The Non-AWAC Businesses.
WMC's interests in all other mineral and metals businesses are referred to as the Non-AWAC Businesses. The following are the principal subsidiaries engaged in these businesses.

WMCR is an Australian company that was incorporated on March 2, 1933, under the name of Western Mining Corporation Limited, and has been continuously engaged in the mineral business since that time. WMC has owned 100% of the shares in WMCR at all times since November 19, 1979. WMCR's name was changed to WMC Resources Ltd. on May 30, 1996. WMCR currently is engaged directly in the mining, processing, and sales of nickel. It has been engaged in the nickel business since 1967, when it discovered significant nickel ore reserves at Kambalda, Western Australia. It currently mines nickel at Kambalda, Leinster, and Mount Keith, all of which are located in Western Australia. It has operated a nickel smelter at Kalgoorlie, Western Australia, since 1972, and a refinery at Kwinana, Western Australia, since 1970. WMCR's nickel metal sales are made to a large number of customers in Europe, North America, and Asia. WMCR also was active in the mining, processing, and marketing of gold from 1933 through September 2001, at which time it sold its gold operations. WMCR employs approximately 1,000 persons directly in its mining businesses. It uses outside contractors in some aspects of its activities.

WMC (Olympic Dam Corporation) Pty. Ltd. ("ODC") is an Australian company that was incorporated on June 28, 1977, under the name Foxground Pty. Ltd. ODC changed its name to Roxby Mining Corporation Pty. Ltd. on August 6, 1979, and to its current name on July 18, 1989. WMC has owned all of the shares in ODC at all times since June 28, 1977. ODC is engaged in the mining of copper and uranium at the Olympic Dam mine in South Australia.

WMC Fertilizers Pty. Ltd. ("WMC Fertilizers") is an Australian company that was incorporated on June 9, 1972, under the name Queensland Phosphate Pty. Limited. WMC Fertilizers changed its name to Queensland Phosphate Limited on June 18, 1974, to WMC Fertilizers Ltd. on October 18, 1996 and to its current name on December 24, 1998. WMC acquired control of WMC Fertilizers in March 1980 through the acquisition of BH South, and WMC has directly or indirectly owned 100% of WMC Fertilizers since November 1990. WMC Fertilizers owns the Queensland Fertilizer Project and its fertilizer distribution arm, Hi-Fert Pty. Ltd.

WMC Resources International Pty. Ltd. ("WMCRI") is an Australian company that was incorporated on December 15, 1986, under the name Tilson Pty. Ltd. WMCRI changed its name to WMC International Pty. Ltd. on December 10, 1987, and to its current name on June 28, 1994. WMC has owned 100% of the shares in WMCRI at all times since December 15, 1986. WMCRI is a holding company for the majority of WMC's interests in overseas companies, other than companies engaged in the AWAC Businesses.

WMC Finance Limited ("WMC Finance") is an Australian company that was incorporated on October 12, 1981. WMC has owned 100% of its shares at all times since that date. WMC Finance'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.

WMC Finance (USA) Limited is an Australian company that was incorporated on September 17, 1993. WMC has owned 100% of its shares at all times since that date. WMC Finance (USA) Limited's principal activity is associated with the aggregate $800 million USD of Yankee Bonds that it issued in the 1993-94 and 1996-97 financial years.

Following the transaction, WMCR will be a publicly traded company. It will continue to operate directly its nickel mining operations, described above, and it will own the shares in ODC, WMC Fertilizers, and various other subsidiaries engaged in the Non-AWAC Businesses. WMCR represents that, at the time of the distribution of WMCR shares, the gross assets of its directly operated mining businesses relied on to satisfy the active trade or business requirement of section 355(b) will have a fair market value that is more than 5% of the total fair market value of all of its gross assets.

Business Reasons for the Transaction
The management of WMC believes that a separation of the two main business groups – the AWAC Businesses and the Non-AWAC Businesses – will have significant business benefits in allowing the respective managements of the two companies to direct greater focus on the specific needs of the underlying businesses, to provide greater incentives for

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both companies to retain and attract the best possible management personnel, to pursue more focused financial policies, to provide both companies with the financial flexibility to manage its capital structure and to permit WMCR to access the U.S. debt markets for future financing and refinancing needs. The transaction also is expected to enhance shareholder value. WMC's independent management consultants - the HayGroup - also performed an analysis of the business benefits of the proposed transaction. The HayGroup's report concurs with WMC management's assessment and expectations of benefits from the proposed separation of the two businesses. The company's legal and financial advisors have commented on the proposed transaction's expected effect on WMCR's financing needs.

Management Focus
WMC management believes that the current corporate structure, which since 1995 has combined WMC's wholly owned mineral businesses and its joint ventured interests in the alumina businesses, makes it more difficult for the company to respond to the challenging environment facing international mining companies. Under the current structure, key WMC executives spend part of their time and significant energies participating in the overall supervision and management of the AWAC Businesses. Although WMC does not control this business segment, it entered into the joint venture with a view to continuing to have a significant voice in the growth, development, and success of the business. Consequently, WMC continues to exert a significant management and operational interest in the business consistent with its approximate 40% minority interest. WMC management and the HayGroup believe that each business can benefit from a separate, more-focused management team.

The current management structure has been developed to support a large company with diverse interests and responsibilities. In addition, it has been suggested that some executives may regard their responsibilities toward the AWAC Businesses as secondary, inasmuch as WMC is a minority partner in that business. This may lead to a lack of intensity and focus on these valuable business interests. Management believes that a separate company structure will enable each company to develop a management team with the skills required for its particular business. The AWAC Businesses require a focused core group of executives with skills related to the alumina business and the interpersonal skills and sensitivities required to operate effectively as a significant minority partner in that business. The Non-AWAC Businesses require more operational mining management skills. This business will have a more cyclical earnings pattern, which will require a different set of commercial and financial skills to manage and protect future income streams.

In the current structure, the cash flow from the generally profitable AWAC Businesses provides a significant cash flow to WMC and has been the largest contributor to its corporate profits in recent years. This cash flow leads to cross-subsidization issues, whereby the cash flow from the AWAC Businesses permits other business segments to continue to survive and grow in a less rigorous environment that would exist otherwise. In general, this reduces the discipline on capital allocation that would exist if the allocation choices were linked more directly to the success of the particular business segment. Further, separated businesses would be more transparent from a financial standpoint, thereby creating a greater focus on individual business segment performance.

WMC management believes that, in addition to the significant energies diverted in participating in the overall operational supervision and management of the AWAC Businesses as described above, significant energies are also diverted to the management of its on-going relationship with Alcoa. Specifically, strategic decisions both inside and outside the AWAC Businesses must be made with an eye to maintaining this relationship and to the potential impact such decisions may have in view of the agreements under which WMC and Alcoa formed AWAC ("AWAC Agreements"). The AWAC Agreements provide that WMC and Alcoa each have a pre-emptive right in the event the other sells its interest in AWAC, and the AWAC enterprise is to be the exclusive vehicle for the bauxite, alumina, and industrial chemicals businesses of both WMC and Alcoa.

Over the last three years, there has been an unprecedented level of consolidation within the global metals and mining industry, and with that, additional scrutiny by competition authorities. In the context of this consolidation, WMC has considered the possibility of business combinations of alternative transactions regarding WMC and its businesses with other parties. Following the recent expansion of WMCR's business operations, the WMC Board has recognized that WMC's non-AWAC assets held by WMCR have now achieved sufficient size and maturity to represent a viable standalone business, independent of WMC's interest in AWAC. The AWAC Agreements, however, create an added responsibility in analyzing potential opportunities for both WMC and WMCR. The WMC Board has formed the view that the ability to independently achieve the strategic goals of WMC and WMCR may be unduly impacted by management's concerns arising from the AWAC arrangements. A separate WMCR management team, after the proposed Demerger, will free WMCR from these real and

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perceived encumbrances. Similarly, a separate WMC management will be free from the concerns its ongoing Alcoa relationship and agreements may have on WMCR.

WMC's relationship with Alcoa has, in other ways, absorbed its limited management resources. In October 2001, Alcoa made a confidential approach to WMC to acquire all the outstanding ordinary shares in WMC at a price the WMC Board determined, after evaluation of independent valuation reports from Grant Samuel and JP Morgan, not to be fair and reasonable. For these reasons, the WMC Board could not recommend Alcoa's proposal to WMC's shareholders. The WMC Board was particularly mindful that Alcoa's primary interest in WMC was WMC's 40% interest in AWAC. As a consequence, the WMC Board believes Alcoa may retain an ongoing interest in WMC's alumina assets and an interest in WMC's other business activities. The management of WMC believes that this continued interest supports the view that the creation of separate businesses and management teams proposed under the Demerger is the best solution to free each respective company to independently pursue its own objectives and opportunities, including acquisitions or expansions.

For the reasons presented, the relationship between WMC and Alcoa and the underlying AWAC Agreements introduce an ever-present consideration in an increasing number of WMC's business decisions. Once the Demerger Proposal is implemented, WMCR will be separated from WMC's interest in AWAC, and will therefore no longer be subject to the impediments and distractions as described. The WMC Board believes that the Demerger will enable WMCR's management to operate independently. WMC's separate management will similarly be free to pursue its business objectives without concern for the bearing such objectives may have on WMCR's operations.

Employee Incentives

The HayGroup has advised that the proposed separation of businesses should enable each company to better tailor its employee incentive programs. This ability, which should particularly benefit the WMCR group, is expected to enable the companies to attract and retain the employees needed for success in today's competitive international mining businesses.

The HayGroup report concludes that the programs operating within WMC at present are consistent with community and competitive practice and are well designed. The existing structure presents some issues, however, that can be better addressed under the proposed structure. The HayGroup observes that the "line of sight" between an employee and his or her incentive rewards is a critical factor in good incentive plan design. The introduction of an incentive plan is aimed at encouraging and reinforcing desired behavior that is expected to lead to increased company performance and increased returns to shareholders. Where the link between the employee's activity and the measured business performance is weak, the impact of the incentive is significantly reduced and any rewards resulting from the plan tend to be regarded by the employee as a windfall gain, rather than an earned reward.

The current WMC plan rewards managers and executives based on the achievement of individual performance targets as well as the overall corporate performance. Although WMC has ultimate responsibility to its shareholders for the performance of the AWAC Businesses, only a limited number of WMC managers have any influence over these returns due to WMC's minority status in the joint venture. Under the separated structure, however, the incentives for the staff in both entities can be linked more directly to the corporate results over which they have direct influence and accountability. This will strengthen the "line of sight" for the executives and lead to an increased focus of attention on the agreed objectives. Given the significance of the AWAC Businesses' income to WMC, this is seen as a major benefit of a separate structure.

The delivery vehicle used for long-term incentives in Australia has overwhelmingly been a share option incentive structure. The current trend, however, is moving toward restricted share purchase plans. WMCR proposes to implement such a share plan for its senior executives. While equity based rewards can reflect variations in performance through variations in the size of allocations, the major factor driving the relative value of the reward to the employee is usually the changes in share price. By tying the reward to the share price, an equity-based reward plan provides a focus for participants on enhancing shareholder value and growing share price. Because the income and share price of WMC is so strongly influenced by the AWAC Businesses' returns, over which most of the employees have very limited control, the current structure distorts the individual performance-reward relationship.

WMCR's need to attract and retain key employees with the highly technical skill sets, knowledge, and experience in nickel and copper mining is a high priority. Employee shares and share options are key components of employee compensation in today's marketplace. The employees WMCR must attract are more often demanding an equity interest in the organization they are helping to succeed. In addition, these employees do not want their equity compensation to be subject to the vagaries of business units over which individually they have no control. By being able

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to offer an equity interest in a company that only operates the business in which a key employee is involved, WMCR can recruit the intellectual capital it needs without the concern that key employees will shy away from WMCR because of its ties to other WMC businesses.

The HayGroup supports management's assessments and expectations of the benefits from the proposed transaction. The HayGroup is a consultancy with a specific focus on human resource issues, including the structure and value of work, clarification of accountability for results, individual and work team performance management, executive development and compensation and benefits management. The HayGroup's report was based on interviews with senior executives of WMC and various outside advisors.

As indicated above, following the Demerger, each company's executives will be only directly involved in their respective businesses, be it WMC or WMCR, to which their incentives will relate. Incentive programs provided by WMCR and WMC can be much more specific, and as a consequence, more effective in attracting, incenting and rewarding executives.

Corporate flexibility
The Demerger will enable each company to operate independently and pursue financial and dividend policies appropriate to their underlying businesses and circumstances. Each entity will be better able to manage its capital structure and have debt ratings more appropriate to their particular businesses over time.

Access to U.S. Capital Markets
Finally, WMC's U.S. legal advisors have stated that WMC has devoted substantial resources in recent years to monitoring the value of its investment in the AWAC Businesses for purposes of the Investment Company Act of 1940 (the "1940 Act"). There is a degree of uncertainty regarding WMC's status under the 1940 Act, and this uncertainty has made it impractical in recent years for WMC to raise new debt or equity capital in the U.S. The inability to access U.S. capital markets is a significant problem for WMC because the U.S. markets would provide WMC with additional sources of capital particularly longer term financing. Potentially Australian markets cannot support offerings of the size required for WMC's ongoing business needs. WMCR will not have the impediments that WMC has in accessing debt in the U.S. market and potentially the U.S. market at this time is the preferred source of large volume, long-term indebtedness of the type required for these needs.

Proposed Transaction
To achieve the business purposes described above, the following transactions are proposed, which will occur pursuant to a Scheme of Arrangement (the "Plan of Reorganization" or "Plan"). The Plan of Reorganization must be approved by an affirmative vote of a majority of the shareholders of WMC who vote on the proposal, where those approving shareholders account for 75% or more of the votes cast, and by an Australian superior court. The Plan will include (or be associated with) the following steps:

1. WMC will elect to treat WII as a disregarded entity for U.S. federal income tax purposes.
2. Before the transfers detailed below become effective, WMCR will be admitted to listing on the ASX.
3. WMC will transfer to WMCR all of the shares of Non-AWAC subsidiaries, including ODC, WMC Fertilizers, WMCRI, WMC Finance, WMC Finance (USA) Limited and (directly or indirectly through other transfers) various other subsidiaries engaged in the Non-AWAC Businesses to WMCR in exchange for additional WMCR ordinary shares. WMC will continue to own 100% of WMCR at this point.
4. WMC will undertake a notional "cash" return of capital to shareholders, as well as declare a notional "cash" dividend, equal in aggregate to the purchase price of WMCR (which will directly and indirectly own the Non-AWAC Businesses). The capital and dividend entitlements of shareholders will be automatically applied (in step 5) pursuant to the Plan to acquire 100% of the shares in WMCR.
5. Pursuant to the Plan, the WMC shareholders will agree to purchase all of the shares in WMCR from WMC, utilizing as consideration their capital and dividend entitlements obtained in step 4. Each shareholder will be required to purchase the WMCR shares and thus will have no right to retain any of the notional "cash".
6. WMC may determine that the distribution of WMCR shares to some shareholders (Ineligible Overseas Shareholders) would be prohibited, unduly onerous or unduly impractical under the laws of the jurisdictions in which those shareholders are resident. Shares allocable to such shareholders will be retained by WMC or transferred to a sale agent, and then sold by WMC or the sale agent (as relevant) within 20 business days of the time of the distribution and the sales proceeds remitted to the shareholders.

In summary, except for the Ineligible Overseas Shareholders, upon completion of the transactions, the WMC shareholders will own one share in each of WMC and WMCR for each WMC share held immediately prior to the transactions. No WMC shareholder (other than Ineligible Overseas Shareholders who will receive cash) will retain or receive any property other than shares in WMC and WMCR as a result of the transactions. WMC will own the AWAC Businesses. WMCR will be engaged directly and through the subsidiaries described above in the Non-AWAC Businesses.

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Virtually all of the WMC group's debt has been borrowed since 1993 and has been used to fund Non-AWAC Businesses' expenditures. Consequently, it is planned that the WMCR group will carry most of the existing WMC group's debt following the transactions and, to the extent the debt is repaid and refinanced, it will be refinanced by the WMCR group. Approximately 25% of the WMC group's current debt will remain with WMC to ensure prudent capital structures for each entity. In the case of the four series of U.S. debt securities described above, WMC Finance (USA) Limited will offer to pay a fee for the purposes of obtaining the holders' consent to the novation of the existing guarantee of the securities by WMC to WMCR. If consents for greater than 50.1% of any series of U.S. debt securities are not received, then WMC's guarantee of that series will continue in place and WMC and Alumina Limited will be indemnified by WMCR for any liability arising under the guarantee.

In connection with the Plan, WMC and WMCR will make a separate proposal to holders of WMC share options ("Option Proposal"). The intent of the Option Proposal is to preserve (to the extent possible) the existing position of WMC optionholders after the transactions described above have been implemented. If the Option Proposal is adopted, WMC has agreed that the exercise price to each WMC Optionholder of each WMC Option will be reduced in proportion to the value distributed in respect of each WMC share under the Demerger. Additionally, WMC has agreed to grant to each WMC Optionholder one WMCR Option for each WMC Option they hold on the Option Scheme Record Date. Each WMCR Option will entitle the holder to subscribe for one WMCR Share. This opinion does not address any U.S. tax consequences of the Option Proposal.

As stated in the Discussion and Analysis section of this opinion, the transactions described above will be treated for U.S. federal tax law purposes as (a) a transfer by WMC of certain assets related to its Non-AWAC Businesses to WMCR, and (b) a distribution by WMC of all of the WMCR shares to the WMC shareholders. For purposes of the following representations and discussion, the deemed transaction described in (b) above will be referred to as the "Distribution."

Representations

Each of WMC and WMCR has made the following representations (in relation to itself and its subsidiaries only) regarding the proposed transactions:

a. Except for short-term indebtedness, no intercorporate debt will exist between WMC and any of its subsidiaries, on the one hand, and WMCR and any of its subsidiaries, on the other hand, at the time of, or subsequent to, the Distribution. WMC may continue to guarantee pre-existing group debt allocated to WMCR if the necessary consents for novation or release cannot be obtained, although WMC will be indemnified by WMCR for any liability arising under those guarantees.
b. No part of the WMCR shares to be distributed by WMC will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of WMC.
c. The 5 years of financial information submitted on behalf of WMC and WMCR is representative of each company's present operation, and with regard to each company, there have been no substantial operational changes since the date that the last financial statements were submitted.
d. Following the Distribution, the WMC group and the WMCR group will each continue the active conduct of the prior activities of the WMC group in the AWAC Businesses and the Non-AWAC Businesses, respectively, independently and with its separate employees (after an appropriate transition period).
e. Following the Distribution, and after an appropriate transition period, the WMC group will have its own separate directors and officers, who will not also be directors and officers of WMCR and who will manage the group's AWAC Businesses.
f. At the time of the Distribution, the gross assets of WMCR's directly operated mining businesses relied on to satisfy the active trade or business requirement of section 355(b) will have a fair market value that is more than 5% of the total fair market value of all of its gross assets.
g. At the time of the Distribution, the gross assets of the AWA LLC businesses relied on to satisfy the active trade or business requirement of section 355(b) will have a fair market value that is approximately 5% of the total fair market value of all of its gross assets.
h. The Distribution is motivated, in whole or substantial part, by one or more of the following corporate business purposes:

   To improve the focus of WMCR and WMC management, as described above. Given the WMC management's concerns arising out of its relationship with Alcoa, the Distribution will enable WMC and WMCR to establish dedicated management for their ongoing operations and for the pursuit of independent business opportunities. The Distribution removes the negative impact of cross-subsidization between the companies. The Distribution provides both companies with financial flexibility to manage their own capital structure.

   To better provide more effective equity incentive programs to key WMCR group employees in order to incentivize, retain, and attract such employees.

   To provide WMCR access to U.S. debt markets.

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i. The managements of WMC and WMCR, to their best knowledge, are not aware of any plan or intention on the part of any shareholder of WMC to sell, exchange, or otherwise dispose of any shares received by them under the Plan in WMC or WMCR following the Distribution, other than as contemplated by the Plan.

j. There is no plan or intention by either WMC or WMCR, directly or through any subsidiary company, to purchase any of its outstanding shares after the Distribution, other than through purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30, 1996-1, C.B. 696. Section 4.05(1)(b) permits share purchases where: (1) there is a sufficient business purpose for the share purchase; (2) the shares to be purchased are widely held; (3) the share purchases will be made in the open market; and (4) there is no plan or intention that the aggregate amount of share purchases will equal or exceed 20% of the outstanding shares of the company.

k. There is no plan or intention to liquidate either WMC or WMCR, to merge either company with any other company after the Distribution, or to sell or otherwise dispose of the assets of either company after the Distribution, except in the ordinary course of business.

l. As of the date of this opinion and as of the time of the Distribution, the management of WMC is not, and will not be, in discussions or negotiations with any other person regarding an acquisition or possible acquisition of all or part of any of the AWAC shares or AWAC assets of WMC, other than as contemplated by the Plan.

m. The managements of WMC and WMCR do not expect any significant and long-term continuing transactions between the two companies or groups following the Distribution (other than the proposed option arrangements, to be implemented as part of the Option Proposal, described above). WMCR expects to provide certain administrative services, including general corporate services, accounting and finance services, building services, and computer and human resource services, to WMC for a brief transition period following the Distribution. Payments made in connection with all continuing transactions, if any, between the WMC group and the WMCR group will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

n. No two parties to the transaction between WMC and WMCR are investment companies as defined in section 368(a)(2)(F)(iii) and (iv) of the Code. The term investment company in this context means a company 50% or more of the value of whose total assets are shares and securities and 80% or more of the value of whose total assets are assets held for investment. In making the 50% and 80% determinations under the preceding sentence, shares and securities in any subsidiary company shall be disregarded and the parent company shall be deemed to own its ratable share of the subsidiary's assets. A company is a subsidiary of any company owning directly or indirectly 50% or more of (1) the total combined voting power of all classes of the company's voting shares or (2) the total fair market value of all of its outstanding shares. Further, a company's indirect ownership of a lower-tier subsidiary is determined by multiplying the percentage of shares owned in each company in the chain of ownership. In general, for purposes of this representation, an asset is held for investment if it is held for gain from appreciation in value or for production or collection of passive income (including but not limited to rents, royalties, dividends, interest, and annuities), or both, and it is not held primarily for sale to customers in the ordinary conduct of a trade or business.

o. Immediately after the Distribution, the shareholders of WMC (either individually or in the aggregate) will not own an amount of shares of WMC or WMCR that (i) was acquired by purchase (under U.S. federal income tax principles) during the five-year period ending on the date of, and prior to, the Distribution, and (ii) constitutes 50% or more of the total voting power or value of WMC or WMCR. This representation excludes the purchases of shares to which WMC was not a party where the purchase occurred on a recognized stock exchange and both purchaser and seller held less than 5% of the company's shares both before and after the purchase.

p. Immediately after the Distribution, the shareholders of WMCR (either individually or in the aggregate) will not own an amount of shares of WMCR that (i) was received in the Distribution to the extent attributable to distributions on WMC shares that were acquired by purchase (under U.S. federal income tax principles) during the five year period ending on the date of the Distribution, and (ii) constitutes 50% or more of the total voting power or value of WMCR. This representation excludes the purchases of shares to which WMC was not a party where the purchase occurred on a recognized stock exchange and both purchaser and seller held less than 5% of the company's shares both before and after the purchase.

q. The Distribution is not part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly shares possessing at least 50% of the total combined voting power of all classes of WMC or WMCR shares entitled to vote, or at least 50% of the total value of all classes of WMC or WMCR shares. For the purposes of this representation, the acquisition by a person of WMCR shares by reason of holding shares in WMC shall not be taken into account.

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r. At the time of the Distribution, neither the WMC group nor the WMCR group will have accumulated liquid assets in excess of the its ordinary working capital needs of its businesses.
s. The WMC shareholders will pay their own expenses, if any, incurred in connection with the Distribution.
t. Neither WMC nor WMCR is under the jurisdiction of a court in a Title 11 or similar case within the meaning of §368(a)(3)(A) of the Code (relating to bankruptcy or similar transactions).

Applicable Law

Section 368(a)(1)(D) of the Code defines the term reorganization to include a transfer by a corporation of some or all of its assets to another corporation if immediately after the transfer the transferor, or one or more of its shareholders (including persons who were shareholders immediately before the transfer), or any combination thereof, is in control of the corporation to which the assets are transferred; but only if, in pursuance of the plan, shares or securities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under section 354, 355, or 356. Control for purposes of section 368(a)(1)(D) is defined in section 368(c), as modified by section 368(a)(2)(H). Section 368(c) control means the ownership of shares possessing at least 80% of the total combined voting power of all classes of shares entitled to vote and at least 80% of each other class of shares. Section 368(a)(2)(H)(ii) provides that, for purposes of determining whether a transaction qualifies under section 368(a)(1)(D), the fact that shareholders of the distributing corporation dispose of part or all of the distributed shares, or the fact that the corporation whose shares were distributed issues additional shares, shall not be taken into account.

Section 355(a)(1) provides, in pertinent part, that if a corporation (referred to as the "Distributing Corporation") distributes to a shareholder solely shares of a corporation (the "Controlled Corporation") which it controls immediately before the distribution, and various requirements (listed below) are satisfied, then no gain or loss shall be recognized to (and no amount shall be includible in the income of) such shareholder on the receipt of such shares. Section 355 uses section 368(c) control, as defined in the preceding paragraph without application of the section 368(a)(2)(H) rule. Section 355(a) imposes four requirements for tax-free treatment. Under section 355(a)(1)(A), the Distributing Corporation must control the Controlled Corporation immediately before the distribution. Control for this purpose is defined in section 368(c). Under section 355(a)(1)(B), the transaction must not be used principally as a device for the distribution of the earnings and profits of the Distributing Corporation or the Controlled Corporation, or both. Under section 355(a)(1)(C), the Distributing and Controlled Corporations must satisfy the active business requirements of section 355(b). Under section 355(a)(1)(D), the Distributing Corporation generally must distribute all of the shares held by it immediately before the distribution.

Treasury Regulations impose additional requirements on corporate reorganizations, including section 355 distributions. Treas. Reg. §1.355-2(b) provides that section 355 requires that a transaction be carried out for one or more corporate business purposes. Reg. §1.355-2(c) states that section 355 requires a continuity of shareholder interest, through which one or more persons who were the owners of the enterprise prior to the distribution own, in the aggregate, an amount of shares establishing a continuity of interest in each of the modified corporate forms in which the enterprise is conducted after the separation. Both the business purpose and shareholder continuity requirements are said to be independent of the other section 355 requirements. Finally, the regulations also state that section 355 contemplates the continued operation of the business or businesses existing prior to the separation. This requirement, which appears similar to the continuity of business enterprise requirement found in Treas. Reg. §1.368-1(d) (applicable to certain section 368 reorganizations), may be inherent in the section 355(b) active business requirements.

Discussion and Analysis

Structure of the Transaction

Among other things, the transaction is being structured to comply with Australian corporate and income tax laws. The facts set forth above indicate that the steps by which WMC will undertake a notional "cash" return of capital to WMC shareholders, and declare a notional "cash" dividend, and the WMC shareholders will immediately use their resulting capital and dividend entitlements to "purchase" the WMCR shares are steps in an integrated transaction. As such, under U.S. federal income tax principles, we believe that these steps more likely than not will be disregarded as transitory and circular, and the transaction more likely than not will be treated as if WMC merely distributed the WMCR shares to the WMC shareholders. This treatment is supported by well-accepted, long-standing IRS positions.

In Rev. Rul. 83-142, 1983-2 C.B. 68, for example, the Service held that where a cash payment by a domestic parent to a first tier foreign subsidiary to purchase shares of its subsidiary, is followed by the first tier subsidiary distributing to its domestic parent an amount of money greater than the cash payment, an amount equal to the cash payment is disregarded and has no tax effect on the domestic parent's basis in the shares of the first-tier subsidiary. The ruling states that "[t]his circular flow of cash is a transitory step that has no federal income tax consequences." Likewise, in Rev. Rul. 78-397, 1978-2 C.B. 150, the Service applied step

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transaction principles to disregard circular cash flows, quoting from the Supreme Court's decision in *(Helvering v. Alabama Asphaltic Limestone Co).*, 315 U.S. 179 (1942), 1942-1 C.B. 214, as follows:

> "Yet, the separate steps are integrated parts of a single scheme. Transitory phases of an arrangement frequently are disregarded under these sections of the revenue acts where they add nothing to the completed affair. *(Gregory v. Helvering)*, 293 U.S. 465; *(Helvering v. Bashford)*, 302 U.S. 454. Here they were no more than intermediate procedural devices utilized to enable the new corporation to acquire all of the assets of the old one pursuant to a single reorganization plan."

In the ruling, the circular flow of cash was undertaken to comply with state banking capitalization requirements. At the conclusion of the transaction, the cash returned to the party in which it originally resided, and the parties were returned to a position identical to that which would have existed if the transitory cash flow had not occurred. The same is true here. The transfer of cash to the WMC shareholders and their mandatory use of the cash to acquire WMCR shares returns them to the same position that would have existed if the transitory cash flow had not occurred, and WMC had merely distributed the WMCR shares to them. Under these circumstances, it is our opinion that it is more likely than not that the transaction should be treated as a distribution of the WMCR shares to the WMC shareholders in their capacity as such.

Application of Sections 368(a)(1)(D) and 355

WMC's transfer of assets to WMCR, and the distribution of the WMCR shares to the WMC shareholders, follow the form generally described in sections 368(a)(1)(D) and 355 of the Code, set forth above. The various requirements of those sections are discussed below.

D-Type Reorganization.

A section 368(a)(1)(D) reorganization involves a transfer of assets from one corporation to another, and a distribution of shares of the transferee that qualifies under section 354, 355, or 356. The transferor corporation's shareholders must control the transferee immediately after the distribution. Control for this purpose is modified by section 368(a)(2)(H) of the Code. Inasmuch as the transaction involves a *pro rata* distribution of the WMCR shares by WMC to its shareholders, resulting in 100% ownership of WMCR by the transferor's shareholders immediately after the Distribution, the transaction will qualify as a section 368(a)(1)(D) reorganization if the Distribution qualifies under section 354, 355, or 356 of the Code. The transaction described herein is a divisive transaction to which section 354 cannot apply, so the following discussion focuses on the section 355 requirements.

Control and Distribution of Control.

WMC will be in control of WMCR within the meaning of section 368(c) through the ownership of 100% of WMCR's outstanding shares, and (for U.S. federal tax law purposes, but not as a matter of legal form) it will distribute all of the WMCR shares to the WMC shareholders in the transaction. None of the WMCR shares were acquired in a taxable transaction within the preceding five years.

Device.

The proposed transaction is not being used as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation, or both, within the meaning of section 355(a)(1)(B) of the Code. The transaction has been structured to achieve the specified business purposes in accordance with Australian law. U.S. tax considerations played little or no role in the transaction planning, because WMC and WMCR are Australian companies not generally subject to U.S. taxation.

The Treasury regulations identify several factors that represent evidence of device and several other non-device factors. The non-device factors associated with the facts presented in this transaction outweigh the device factors. In our view, the transaction does not present any significant device issues.

The regulations list three device factors: pro rata distributions, sales or exchanges of shares, and the nature and use of assets. Under the regulations, all pro rata distributions present some evidence of device. We believe this is the only evidence of device in the proposed transaction. Neither WMC nor WMCR holds, or will hold, substantial non-business assets. WMC's shareholding in Alcoa of Australia is not regarded as an "active business" asset, as discussed below, but it is not a liquid or investment-type asset. WMC management has represented that no sale of that shareholding is planned or being negotiated or discussed.

The slight evidence of device in this transaction is outweighed by several non-device factors, including the business purposes for the transaction, the public ownership of WMC shares, and the fact that WMC management is unaware of any plan or intention on the part of the WMC shareholders to sell or otherwise dispose of any of the WMCR shares received under the Plan following the transaction, other than as contemplated by the Plan.

Active Trade or Business.

Section 355(b)(1)(A) requires that the distributing and controlled corporation each must be engaged in the active conduct of a trade or business immediately after the distribution. The active business must have been actively

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conducted throughout the five-year period prior to the distribution, and cannot have been acquired in a transaction in which gain or loss was recognized in whole or in part during that period. Under section 355(b), a corporation may meet the active business requirement by either directly engaging in the active conduct of trade or business immediately after the Distribution or, under a rule designed for holding companies, if substantially all of its assets consist of shares or securities in controlled companies immediately before the Distribution, and each of the controlled companies satisfies the active trade or business requirement immediately after the Distribution.

WMCR has been directly engaged in the mining exploration and production business for more than five years. It has approximately 1,000 employees who perform all of the operational and managerial activities related to its businesses. Following the Distribution, WMCR will continue its business and also will operate all of the other Non-AWAC Businesses through subsidiaries. The fair market value of the directly owned mining businesses exceeds the IRS's 5% test used for advance ruling purposes (see section 4.01(31) of Rev. Proc\. 2002-3, I.R.B. 2002-1, 117 (Jan. 6, 2002), and representation (f) above) (the IRS ordinarily will not issue a private letter ruling unless the gross assets of the trades or businesses relied on to satisfy the active trade or business requirement have a fair market value of 5% or more of the total fair market value of the gross assets of the corporation directly conducting the trades or business).

WMC will continue to own and manage the AWAC Businesses following the Distribution. The application of section 355(b) to this business requires a multi-step analysis. Since January 1, 1995, WMC has been engaged in the alumina businesses through its AWAC joint venture with Alcoa. In general, WMC is a 40% partner in these businesses, with Alcoa owning the remaining 60%. The joint venture has three principal components: (1) ownership of Alcoa of Australia, an Australian company, (2) ownership of European corporations, and (3) ownership of AWA LLC, which is treated as a partnership for U.S. federal income tax purposes (and which, in turn, owns interests in the Suralco, AMJ and Great Lakes LLCs, also treated as partnerships for U.S. federal income tax purposes). AWA LLC, Suralco, AMJ, and Great Lakes are collectively referred to as the "Operating AWA LLCs". WMC may meet the active business requirement by either directly engaging in the active conduct of trade or business or under the holding company rule described above. Because WMC's ownership of 39.25% of the shares in Alcoa of Australia does not constitute control, the holding company test is not available here. Thus, we focused on whether WMC is directly engaged in the conduct of the AWAC businesses. Under some circumstances the ownership of a partnership interest may result in a partner being engaged in an active business through its participation in the management of the partnership business. Consequently, we analyzed WMC's business activities with respect to AWA LLC by applying the Service's approach in Rev. Ruls. 92-17, 1992-1 C.B. 142 and 89-27, 1989-1 C.B. 106.

Rev. Rul. 92-17 describes a limited partnership (LP) that owns several office buildings and leases them to unrelated persons. LP employees provide day-to-day upkeep and maintenance services for the buildings, advertise for new tenants, negotiate leases, handle tenant complaints, collect rent and pay all expenses, and maintain financial and accounting records for the business. Corporation D has owned a 20% general partnership interest in LP for more than five years, and the partnership agreement requires that D provide management services to LP. D's officers make decisions with respect to significant renovations of partnership properties, the purchase and sale of properties, and significant financings and refinancings. In addition, D's officers regularly participate in the overall supervision, direction and control of LP's employees in their performance of LP's operational functions. The ruling concludes that D's performance of active and substantial management functions for the partnership is sufficient to satisfy the requirements of section 355(b). The ruling does not appear to attribute the business of the partnership to D, as partner; rather, it concludes that D is engaged in the active conduct of a trade or business through its active participation in the management of the partnership business. In subsequent private letter rulings, however, the Service appears to have adopted an attribution approach. See PLR 200044017 (Aug. 2, 2000); PLR 200033042 (May 23, 2000). Further, the Service has extended the same approach to limited liability companies that are treated for tax purposes as partnerships. Rev. Rul. 2002-49, 2002-32 I.R.B. (Jul. 19, 2002).

Rev. Rul. 92-17 stresses that it is necessary to focus on the business of the partnership as well as the partner. In considering whether it is appropriate to apply the Rev. Rul. 92-17 approach to this transaction, therefore, we first established that AWA LLC itself is engaged in an active business under section 355(b) standards. The Operating AWA LLCs are engaged directly in the bauxite, alumina-based chemicals and alumina businesses, as described above. They have over 2,000 employees and operate all aspects of these businesses, including mining, processing, and sale in the U.S. and several Caribbean countries. They have generated income and incurred expenses in each of the past five years, as established by financial statements provided to us. In addition, the AWA LLC owns the shares of several corporations engaged in similar businesses. We did not consider the activities conducted in these corporations, because the management of corporate subsidiaries will not satisfy the requirements of section 355(b).

Second, we considered WMC's minority ownership position in AWA LLC. In Rev. Rul. 92-17, the general partner held a 20% general partnership interest in a limited partnership and was designated as the managing partner under the partnership agreement. The ruling does not discuss the significance of the 20% figure or otherwise suggest that there is a minimum interest requirement for purposes of this analysis. In dealing with businesses conducted through partnerships, the continuity of business enterprise regulations under section 368 require either ownership of a "significant interest" in the partnership or active and substantial management functions as a partner. Even if the partner performs active and substantial management functions, however, the COBE requirements will not be satisfied if the partner owns a very small interest in the partnership. Treas. Reg. §1.368-1(d)(4)(iii); §1.368-1(d)(5), example 8 (1% interest is not sufficient). Here, the WMC group owns a 40% interest in AWA LLC, an interest that cannot be considered to be *de minimis*. More importantly, nothing in Rev. Rul. 92-17 suggests that only one partner can be regarded as contributing significant management services to a partnership. The ruling states "[t]he determination of whether a partner is considered to engage in the active conduct of a trade or business must be made with reference to the activities of the partner as well as the partnership, and must be based on the requirements of section 355 and the regulations thereunder." This indicates that more than one partner may be actively involved in managing the partnership in appropriate circumstances. Rev. Ruls. 2002-49 and 89-27 further supports this conclusion.

Rev. Rul. 2002-49 describes a corporation, D, that owns a 20% profit/loss and capital interest in LLC, a limited liability company. D has no other business assets. X, an unrelated corporation, also owns a 20% interest in LLC, and the ruling states that D and X jointly manage the LLC's business. After examining the quality and quantity of D's officers' management functions, the ruling concludes that D satisfies the section 355(b) active business requirement. Although there is no discussion of X, the co-manager, it seems clear that X's participation in management does not prevent D from satisfying the test.

In Rev. Rul. 89-27, the IRS considered whether a nonoperator owner of working interests in oil and gas properties satisfies the section 355(b) active trade or business requirement. Corporation Y, the owner of the working interests, is engaged in the oil and gas business. It is constantly searching for new properties and, in prior years, it acquired certain nonoperator working interests. As an owner of a working interest, Y participates in deciding whether to develop the property. This requires extensive gathering and analyzing of technical data. Once the property is acquired, however, one working interest owner (other than Y) is designated as the operator, who generally supervises the daily activities with respect to the property. As a nonoperator, Y participates in certain management decisions, inspects the drilling site, and analyzes data obtained from drillsite activities. The working interest agreement permits Y to take its share of production in kind, but typically it does not. Y authorizes an agent to sell its share of the production on its behalf. The ruling concludes, similar to Rev. Rul. 92-17, that Y satisfies the section 355(b) active business requirement through its participation in management of the working interest property. We believe that this ruling confirms that more than one person can be "active" with respect to the same business or property. The ruling focuses on a nonoperator owner, because it presents a more interesting issue than the operator. Applying the standards set forth in the ruling, however, there appears little doubt that the operator likewise is "active" under a straightforward reading of section 355(b) and the regulations.

Under these circumstances, we next examined the WMC group's activities with regard to the businesses conducted directly in the Operating AWA LLCs. We first considered the way in which the Operating AWA LLCs' businesses are managed. Each limited liability company has a Board of Directors, as required for legal purposes. Nevertheless, overall supervision and management of the Operating AWA LLCs' businesses has been vested in a Strategic Council (the "Council"), which is a form of partner's managing committee between Alcoa and WMC for the entire AWAC joint venture. This Council works with the Operating AWA LLCs to manage all aspects of their various businesses. The Council has five members, who function as the management body for the Operating AWA LLCs. The Council makes all key management decisions, including acquisitions, investments, expansion in capacity, and long-term contracts. Alcoa appoints three members of the Council, and WMC appoints two. Most Council decisions require a majority vote, although some more significant actions require 80% favorable vote. The designated matters include changes in the scope of AWAC, dividend policies, the sale of all or a majority of the AWAC assets, and equity requests in excess of $1 billion USD in any year. Ad hoc technical committees, made up of individuals with specific mining expertise essential to operations of the business, support the Council.

The WMC group's officers and employees participate in the management of the Operating AWA LLCs' businesses through the Council and directly at other various levels. WMC's CEO and former CFO are members of the Council

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and, in that capacity, they have regular discussions with their Alcoa counterparts to decide on issues pertaining to general operational, financing, treasury, and tax issues. WMC's Executive General Manager attends regular meetings to discuss business performance and operational issues. In May 2002, WMC's CFO/Strategic Council member resigned his CFO position to become WMC's Executive Officer and designated Chairman of the Board for WMC immediately after the Distribution. The Executive Officer will remain on the Council until the time of the Distribution.

WMC receives and reviews monthly updates for AWAC's principal business segments, including the Operating AWA LLCs' businesses. WMC personnel participate in management decisions stemming from these reports. In addition, WMC provides operational advice to Operating AWA LLCs in areas in which it has extensive experience, including technology, business opportunities, operations, maintenance, and industrial relations. Following the Distribution, WMC will continue to focus on all these areas and will seek to extend its involvement in these operational matters as the interests in the AWAC Businesses will be its primary asset.

WMC group employees also assist in reviewing operations at the various locations and have input into operational activities, such as mining, maintenance, and supply initiatives. Through these meetings and site consultations, WMC contributes its particular mining and processing experience to AWAC. In this regard, it is important to note that in excess of 50% of AWAC's alumina production is in Australia, where WMC's local mining and processing experience, contacts with Federal, State and local governments, relationships with local suppliers, and general knowledge of local business and regulatory conditions, are particularly relevant. WMC employees also perform reviews of operating production results and capacities of the AWAC plants and participate in decisions regarding changes in production, budgeting, and strategic forecasting. WMC has been active in the determination of bauxite reserves, and a number of WMC's geologists have provided technical assistance regarding project exploration strategies. WMC has participated in a project to develop a methodology to estimate the bauxite tonnage of certain project areas around the world. WMC's diverse mining expertise has been especially useful for these types of projects.

WMC advises AWAC on gold mining in Suriname and recently provided direction and review regarding projects in Guinea. WMC contributes its expertise to sale and purchase contract negotiations, such as gas purchase contracts, and in mining negotiation, such as in Jamaica where new bauxite mines are currently being opened. Where appropriate, WMCR employees review contracts - in particular, long-term contract renewals. WMC has had extensive experience negotiating individual staff contracts or workplace agreements with unions and staff. WMC has provided this expertise to AWAC and this has assisted AWAC in putting in place individual staff contracts in Jamaica.

WMCR officers and employees perform various other functions related to management of the joint venture businesses, including participation in all functional areas essential to the operation of the business. These include tax, treasury, legal, accounting, and commercial functions. WMC's personnel have played a key role in AWAC cash management. This includes WMC's personnel working closely with both Alcoa and AWAC personnel on the determination of AWAC cash flow needs for on-going operations, amounts reinvested for expansion and improvements and efficient repatriation of cash to WMC and Alcoa.

There are specific provisions in the AWAC constituent documents that permit the WMC to second to AWAC employees whose skills or experience will support the operation of AWAC. This structure provides an avenue for the WMC to place personnel within the operating groups of AWAC. WMC has made secondments into the AWAC finance/treasury section in accordance with these provisions. Following the Distribution, WMC will seek to increase the use of these arrangements for seconding personnel to AWAC and continue the same and expand the level of participation in AWAC's operations that WMC has enjoyed in the past.

Finally, we considered the value of WIH's interests in AWA LLC, as a percentage of the WMC AWAC Businesses assets. WMC has represented that it believes that the Operating AWA LLCs' businesses represent approximately 5% of the total fair market value of all of those assets. In Rev. Rul. 73-44, 1973-1 C.B. 182, the Service considered whether a spin-off could qualify under section 355 even though less than half of the controlled corporation's total assets were utilized in the active conduct of a trade or business as defined in section 355(b). The ruling makes two points. First, it states that there is "no requirement in section 355(b) that a specific percentage of the corporation's assets be devoted to the active conduct of a trade or business." Second, it states that the percentage of a corporation's assets that are devoted to an active business is "a relevant factor . . . in determining whether the transaction is used principally as a device to distribute earnings and profits." *Accord* G.C.M. 34238 (Dec. 15, 1969) (business assets representing approximately 5% of the net book value of the corporation's assets can satisfy the active business requirement, but must be examined for "device"). Until recently, the Service would issue private letter rulings based

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on active businesses that represented only a small percentage of a corporation's assets. Current ruling policy requires a 5% representation, as noted above. Rev. Proc. 2002-3, section 4.01(31). The facts here indicate that the value of WMC's Operating AWA LLCs' interests represent approximately 5% of the fair market value of all of its AWAC Businesses assets. Even if the value were somewhat less than five percent, however, under the authorities summarized above, that fact by itself would not prevent WMC from satisfying the active business requirement and, as discussed elsewhere in this opinion, there is little evidence of device in the proposed transaction.

The WMC group structure differs from the ownership structure described in Rev. Rul. 92-17. The group's interests in AWA LLC are owned by two subsidiaries, WIH and WMC Alumina (USA), Inc. For the past five years, however, much of the business activity related to the AWAC joint venture has been conducted by officers and employees of WMCR, a sister company to WIH and a wholly owned subsidiary of WMC. (Some of the officers also are officers of WMC, the parent company.) We believe that the Service's position in Rev. Rul. 79-394, 1979-2 C.B. 141, supports the view that the activities of these related corporation officers and employees are properly taken into account for section 355(b) purposes.

The Service considered the following facts in Rev. Rul. 79-394. Four individuals owned the shares of P. P owned all of the shares of X and Y for more than five years and was a holding company with no other assets. X was engaged in a general contracting business. Y was engaged in renting commercial and residential real estate to unrelated parties. Y had no employees of its own. Employees of X performed all operational activities in connection with Y's rental business. Y had three officers, who were also officers of P and X, and who supervised and directed the activities of the X employees. Despite the absence of its own employees, the Service concluded that Y is considered to be engaged in an active trade or business, because in a qualitative sense its rental business required considerable day-to-day management and operational activity.

The Service also observed that there would be no difference in the conduct of the rental business after the proposed distribution, other than that Y would now have employees of its own to conduct the business activities. Based on *Rafferty*, the Service concluded that all of the facts and circumstances must be considered in evaluating an active business question. It found that the only factor tending to prove the lack of a business prior to the distribution was the use of borrowed salaried employees, and it concluded that the presence or absence of employees was only one factor to be considered in making the section 355(b) determination. On the facts, it concluded that Y was engaged in the active conduct of a trade or business. In Rev. Rul. 80-181, 1980-2 C.B. 121, the Service confirmed that intercompany payment arrangements, or the lack of such arrangements, are irrelevant to the section 355(b) determination described in Rev. Rul. 79-394. *See* PLR 200044017 (Aug. 2, 2000)(applying Rev. Rul. 79-394 principles in a Rev. Rul. 92-17 context).

Rev. Rul. 79-394 thus supports the view that it is critical to examine the quality of the activities that comprise the business activity, and that within a group of related corporations the source of the employees who are utilized in that business is less important. We believe that the facts submitted establish that the WMC group is not a passive investor in the AWAC Businesses. It actively participates in the management of the business, particularly in the businesses conducted through the Operating AWA LLCs. The quality and quantity of the activities meets the section 355(b) standards. Under these circumstances, the use of borrowed employees should be given little weight.
The WMC group has not attempted to charge WMC or WIH for the costs associated with WMCR officers' and employees' activities in managing the Operating AWA LLCs' businesses. WMC management has stated that WMC, WIH, and WMCR consolidate their financial accounts and such intercompany services would be eliminated under accounting principles. We understand that the same is true for Australian tax purposes. A consolidation concept previously did not exist under Australian tax law, but the related companies were entitled to offset the losses of one entity with the income of another. Under the Service position in Rev. Rul. 80-181, however, the absence of intercompany payments or reimbursements is irrelevant to the section 355(b) determination.

In summary, an examination of the quality and quantity of the WMC group's activities in managing the Operating AWA LLCs' businesses confirms that these activities satisfy the criteria outlined in Rev. Rul. 92-17 and are sufficient to qualitatively distinguish its operations from mere investments. See *Rafferty v. Commissioner*, 452 F.2d 767 (1st Cir. 1971); Rev. Rul. 86-125, 1986-2 C.B. 57. Based on the foregoing, in our opinion it is more likely than not that WIH will be treated as engaged in the active conduct of the AWAC Businesses conducted through the AWA LLC. In the proposed transaction, WIH will be deemed to be liquidated into WMC for U.S. federal income tax purposes by means of an election under Treas. Reg. Section 301.7701-3(c) (commonly referred to as a "check-the-box" election). The deemed liquidation of WIH should satisfy all of the requirements of section 332(b), and WIH should be treated as distributing all of its assets to WMC under sections 337 and 332. For section 355(b) purposes, therefore, because

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section 332 applies, WMC should succeed to WIH's business activity and history. *See* Rev. Rul. 74-79, 1974-1 C.B. 81 (parent holding company liquidates an active subsidiary and is treated as succeeding to the subsidiary's business). On the effective date of the Distribution, therefore, it is more likely than not that WMC will be engaged in the active conduct of a trade or business within the meaning of section 355(b).

Continuity of Proprietary Interest.
The IRS takes the position that continuity of shareholder or proprietary interest is required in all section 355 transactions. Treas. Reg. §1.355-2(c). In general, this requires that the shareholders of the distributing corporation receive an equity interest in the controlled corporation in the transaction, and it may require that the shareholders retain the equity interest in the controlled corporation. In the proposed transaction, the WMC shareholders will receive 100% of the equity interest in WMCR. Further, to the best knowledge of WMC's management, there will not be any significant changes in the shareholders of WMC or WMCR prior to the transaction, and management is unaware of any plan or intention on the part of the WMC shareholders to sell or otherwise dispose of any of shares in WMC or WMCR received under the Plan afterwards, other than as contemplated by the Plan.

Continuity of Business Enterprise.
The IRS also takes the position that there must be a continuity of business enterprise following a section 368(a)(1)(D)-355 transaction. In general, this requirement is seldom problematic in a section 355 transaction because of the strict active trade or business rules discussed above. Here, the businesses of WMC and WMCR will be continued in a substantially unchanged manner following the Distribution.

Business Purpose.
Treas. Reg. §1.355-2(b) states that section 355 applies to a transaction only if it is carried out for one or more corporate business purposes. In general, the business purpose must be a substantial motivation for the transaction. This requirement is intended to ensure that section 355 is limited to corporate transactions that are required by business exigencies and that effect only readjustments of continuing interests in property under modified corporate forms. The IRS recognizes several common valid corporate business purposes in its advance ruling guidelines in Rev. Proc. 96-30, Appendix A ("Appendix").

The separation is intended to enhance the success of the AWAC Businesses and the Non-AWAC Businesses by enabling the corporation to address various management, systemic, and other problems, discussed in detail above, that arise in the current structure. These corporate business purposes have been explained in detail and are supported by a report of the company's outside advisors. We believe that these materials demonstrate why the Distribution will lessen or eliminate the problems that exist in the current structure. This is recognized as a "fit and focus" business purpose in section 2.05 of the Appendix.

In addition to WMC's activities in managing the Operating AWA LLCs' businesses and its relationship with Alcoa, other AWAC entities' businesses, such as Alcoa of Australia and the European subsidiaries, which are not taken into account for purposes of the active business test for WMC, also require the attention of WMC management. WMC views the management of these activities, either directly or through the Strategic Council, as an integral part of its responsibilities and inseparable from its management of the Operating AWA LLCs' businesses. The Distribution is motivated not just by the corporate business purpose benefits expected to be derived from the separation of the Operating AWA LLCs' businesses, but also by the benefits expected to be derived from the separation of *all* AWAC activities.

WMC has no "significant shareholder" as defined in section 2.05(3) of the Appendix. Furthermore, there will be minimal continuing relationships between the two companies following the transaction. Each company will have its own separate directors and officers, and each will conduct its business separately and with its own employees. The contemplated transitional services arrangements will be short-term. Under these circumstances, we believe that the business purpose satisfies the criteria specified in Rev. Proc. 96-30.

The transaction also will enable WMCR, in particular, to fashion employee incentive programs that are focused on the success of its minerals business. The company and its advisors believe that this will enable WMCR to attract and retain the quality employees necessary to succeed in its competitive business environment. Finally, the Distribution will enable WMCR to access U.S. debt markets, free of concerns that it may be an investment company subject to regulation under the 1940 Act. WMCR faces significant refinancing needs in the next few years, and the company and its advisers believe that it needs access to U.S. debt markets to satisfy these needs on favorable terms.

Sections 355(d) and (e).
The U.S. Congress enacted sections 355(d) and (e) in 1990 and 1997, respectively, to prevent the avoidance of its 1986 repeal of the *General Utilities* doctrine and to prevent the use of section 355 in transactions that have significant characteristics of a sale. Where applicable, each provision results in corporate-level gain recognition by a distributing

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corporation in an otherwise tax-free section 355 distribution, including a section 368(a)(1)(D)-355 reorganization. These sections have no relevance to the proposed transaction, because WMC is an Australian corporation not generally subject to U.S. federal income taxation.

Other Issues

Section 368(a)(2)(F) of the Code limits the application of section 368 in the case of certain transactions, including section 368(a)(1)(D) reorganizations, involving investment companies, as defined in sections 368(a)(2)(F)(iii) and (iv). This provision may, therefore, apply to the transfer of assets from WMC to WMCR. It is presently unclear whether WMC is an investment company for tax purposes, but it may be an undiversified investment company due to the value of the Alcoa of Australia shareholding. It appears that WMC might be an undiversified investment company under the Code definitions following the transaction, because the Alcoa of Australia shareholding will represent more than 90% of the total value of all of its assets. However, it also appears that WMCR will not be an investment company and, therefore, no two parties to the transaction between WMC and WMCR will be investment companies within the meaning of sections 368(a)(2)(F)(iii) and (iv).

In summary, in our opinion it is more likely than not that the distribution of WMCR shares to the WMC shareholders will satisfy the requirements of section 355.

Conclusions

Based on the foregoing, in our opinion, it is more likely than not that:

1. The transactions will be treated for U.S. federal tax law purposes, notwithstanding their actual legal form, as a transfer by WMC of certain assets related to its Non-AWAC Businesses to WMCR, and a distribution by WMC of all of the WMCR shares to the WMC shareholders. The notional receipt of cash via a return of capital and dividend, followed by the mandatory reinvestment of the cash in WMCR shares, will be disregarded. Rev. Ruls. 83-142 and 78-397. This treatment is assumed for the purposes of our other opinions below.
2. The transfers by WMC to WMCR described in 1., above, will constitute a reorganization within the meaning of section 368(a)(1)(D) of the Code, followed by a distribution of the WMCR shares to the WMC shareholders, as described in section 355 of the Code. WMC and WMCR will each be a party to the reorganization within the meaning of section 368(b).
3. No gain or loss will be recognized to the WMC shareholders upon the receipt of WMCR shares (sections 355(a)(1) of the Code).
4. The aggregate basis of the WMC shares and WMCR shares owned by a WMC shareholder will be equal to the basis in the WMC shares held immediately before the distribution, allocated between the WMC shares and the WMCR shares in proportion to their fair market values at the time of the Distribution, and increased by any gain recognized to a shareholder (sections 358(a)(1) and (b) of the Code and section 1.358-2(a)(2) of the Treasury Regulations).
5. The holding period of the WMCR shares received by a WMC shareholder will include the period the WMC shares were held (which will include the period the WMC shares were held under 4., above). Section 1223(1).

This opinion is based solely upon:

a. The representations, information, documents, and facts that we have included or referenced in this opinion letter;
b. Our assumption (without independent verification) that all of the representations and all of the originals, copies, and signatures of documents reviewed by us are accurate, true, and authentic;
c. Our assumption (without independent verification) that there will be timely execution and delivery of and performance as required by the representations and documents;
d. The understanding that only the specific Federal income tax issues and tax consequences opined upon herein are covered by this tax opinion, and no other federal, state, or local taxes of any kind were considered;
e. The law, regulations, cases, rulings, and other tax authority in effect as of the date of this letter. If there are significant changes in or to the foregoing tax authorities, such changes may result in our opinion being rendered invalid or necessitate (upon your request) a reconsideration of the opinion;
f. Your understanding that this opinion is not binding on the IRS or the courts and should not be considered a representation, warranty, or guarantee that the IRS or the courts will concur with our opinion; and
g. Your understanding that this opinion letter is solely for your benefit, is limited to the described transaction, and may not be relied upon by any other person or entity, without prior written consent or as otherwise described herein.

Yours sincerely,

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Implementation Deed, Schemes and Notices of Meetings

D

Implementation Deed, Schemes and Notices of Meetings

14. Implementation Deed

Date 25 October 2002

Parties

1. **WMC Limited** (ABN 85 004 820 419) of Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia (**WMC**);
2. **WMC Resources Ltd** (ABN 76 004 184 598) of Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia (**WMC Resources**);
3. **WMC Fertilizers Pty Ltd** (ABN 30 004 936 850) of Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia (**Fertilizers**); and
4. **WMC (Olympic Dam Corporation) Pty Ltd** (ABN 99 007 835 761) of Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia (**ODC**).

Recitals

A The directors of each of the parties consider it desirable that certain of the operations of WMC, on the one hand, and certain other of the operations of WMC (including in particular those of WMC Resources, ODC and Fertilizers), on the other hand, be demerged (the **Demerger**).

B Accordingly, the directors of WMC have resolved that WMC will propose two schemes of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) with the holders of its fully paid ordinary shares (the **Share Scheme**) and with the holders of options to subscribe for its fully paid ordinary shares (the **Option Scheme**), in order to implement the Demerger.

C The parties have agreed to implement the Schemes, and the other steps required for the Demerger, upon and subject to the terms of this Deed.

It is agreed as follows.

1. Definitions and interpretation

1.1 Definitions

Words and phrases defined in the Share Scheme and in the Option Scheme, a copy of each of which is set out in Annexures A and B, respectively, have the same meanings in this Deed unless the context requires otherwise. In addition, the following definition applies unless the context requires otherwise.

Scheme means each of the Share Scheme and the Option Scheme.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

(a) The singular includes the plural and conversely.
(b) A gender includes all genders.
(c) A reference to a Clause or Annexure is a reference to a clause of, or annexure to, this Deed.
(d) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
(e) A reference to a person, corporation, trust, partnership, unincorporated body, government agency or other entity includes any of them.
(f) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns.
(g) A reference to an agreement or document (including, without limitation, a reference to this Deed) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this Deed or that other agreement or document.
(h) A reference to any legislation or to a provision of any legislation includes a modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
(i) Words and phrases not specifically defined in this Deed have the same meanings (if any) given to them in the Corporations Act.

2. Benefit of Deed

(a) The benefit of the obligations and undertakings of WMC Resources and, for the purposes of paragraphs (i) and (ii), Fertilizers and ODC under this Deed is given to, and will be held by, WMC:
  (i) for WMC's own benefit; and
  (ii) on trust for the benefit of all WMC Shareholders and all Scheme Shareholders; and
  (iii) on trust for the benefit of all WMC Optionholders and all Scheme Optionholders.

(b) Notwithstanding Clause 2(a), each of WMC Resources, Fertilizers and ODC agrees to execute, prior to the hearing of the applications of WMC to the Court to obtain orders to convene meetings to approve each Scheme, a deed poll in such form as may reasonably be required by WMC, so that:
   (i) in each case, all WMC Shareholders and all Scheme Shareholders; and
   (ii) in the case of WMC Resources, all WMC Optionholders and all Scheme Optionholders,

have the benefit of and may enforce directly against it the relevant obligations and undertakings of it under the Share Scheme and (in the case of WMC Resources) the Option Scheme.

3. General obligations in relation to the Demerger

3.1 Execution of Demerger documents

As soon as practicable after the date of this Deed and before the Demerger Date, WMC and WMC Resources agree to negotiate in good faith, and enter into (and procure that, to the extent necessary or appropriate, their respective subsidiaries enter into):

(a) the Demerger Deed, pursuant to which WMC and WMC Resources will undertake various obligations in order to facilitate the orderly separation from WMC, transition and emergence of WMC Resources and its subsidiaries as an independently owned corporate group, as contemplated by the Demerger; and
(b) such other agreements contemplated by the Demerger Deed or as may be appropriate to facilitate the Demerger.

3.2 Terms of Demerger documents

Without limiting Clause 3.1, WMC and WMC Resources agree that the Demerger Deed and the other agreements referred to in Clause 3.1 will deal with matters such as:

(a) the fundamental principle of the Demerger and the consequent rights and liabilities of the parties in connection with the Demerger and the transactions required to implement it;
(b) the transfer of such assets, including companies and contracts, as may be required to implement the Demerger;
(c) the maintenance of, and provision of access to, records by each party, and the provision of assistance by each party in relation to past and future financial and taxation matters;
(d) the separation of ownership of intellectual property, and the phase out of the use by WMC of certain intellectual property;
(e) the management of current and future litigation matters;
(f) the responsibilities of the parties in relation to employee entitlements (including superannuation);
(g) the provision of indemnities by the parties, including in relation to taxation matters, business liabilities and guarantee obligations, consistent with the fundamental principle of the Demerger and to ensure that the intended economic effect of the Demerger is achieved; and
(h) the provision by WMC Resources of transitional corporate services to WMC.

4. Obligations of WMC in relation to the Schemes

WMC will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Schemes and the transactions contemplated by them. Without limitation, WMC will:

(a) make such applications to the Court as are necessary or desirable to give effect to the Schemes, including without limitation to obtain orders of the Court to convene meetings to approve each Scheme, and orders of the Court approving each Scheme;
(b) take all action necessary or desirable to ensure that each of the conditions precedent in clause 3 of each Scheme is satisfied;
(c) take all action necessary or desirable to ensure that the Dividend Resolution is passed by the board of directors of WMC in accordance with clause 4.2 of the Share Scheme, and on the basis that:
   (i) the record date for the dividend the subject of the Dividend Resolution is the Share Scheme Record Date; and
   (ii) the payment of the dividend the subject of the Dividend Resolution will be effected and satisfied by appropriating the relevant amount to or for the benefit of each Scheme Shareholder in accordance with clause 4.3(f) of the Share Scheme; and
(d) comply with the Schemes in all respects so that the Schemes take effect in accordance with their respective terms.

5. General obligations of WMC Resources, Fertilizers and ODC in relation to the Schemes

5.1 General obligations

Each of WMC Resources, Fertilizers and ODC will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Schemes and the transactions contemplated by them. Without limitation, WMC Resources and, in the case of paragraph (c), Fertilizers and ODC will take all action necessary or desirable to ensure that:

(a) each of the conditions precedent in clauses 3.1(d), (e) and (f) of the Share Scheme, and in clauses 3.1(d) and (e) of the Option Scheme, is satisfied;
(b) the Share Scheme Effective Date occurs on or before 30 April 2003 or such later date as WMC may agree; and
(c) the Schemes take effect in accordance with their respective terms.

5.2 Applications to ASX

Without limiting Clause 5.1, WMC Resources will:

(a) apply for admission to the official list of ASX;

(b) apply for the granting by ASX of permission for official quotation of the WMC Resources Shares to be transferred pursuant to the Share Scheme on the stock market conducted by ASX; and

(c) pay, or cause to be paid, the applicable fees to ASX.

Those applications will be made on such day, prior to the Share Scheme Effective Date, as WMC and WMC Resources may agree.

6. Specific obligations of WMC Resources in relation to the Schemes

6.1 Registration of transfers under Share Scheme

Subject to Clauses 6.3 and 7, WMC Resources will:

(a) on the Demerger Date, enter the name and address of each Scheme Shareholder (other than Ineligible Overseas Shareholders) in the WMC Resources Share Register in respect of the WMC Resources Shares to which they are entitled under the Share Scheme; and

(b) as soon as practicable after the later of the Listing Date and the Demerger Date, dispatch or procure the dispatch to each Scheme Shareholder (other than Ineligible Overseas Shareholders) by prepaid post or courier delivery to their Registered Address (unless the Scheme Shareholder has directed otherwise) a CHESS holding statement in the name of that Scheme Shareholder in respect of the WMC Resources Shares to which they are entitled under the Share Scheme, in accordance with the SCH Business Rules and the Listing Rules. In the case of joint holders of shares a CHESS holding statement will be issued in the name of, and dispatched to, the holder whose name appears first in the WMC Share Register at the Share Scheme Record Date.

6.2 Issue of options under Option Scheme

Subject to Clauses 6.3 and 7, on the Option Scheme Implementation Date, WMC Resources will:

(a) grant to each Scheme Optionholder; and

(b) enter the name and address of the Scheme Optionholder in the register of holders of WMC Resources Options established by WMC Resources pursuant to sections 168 and 170 of the Corporations Act in respect of,

the WMC Resources Options to which they are entitled under the Option Scheme.

6.3 Conditions

The obligations of WMC Resources under:

(a) Clause 6.1 are subject to the Share Scheme becoming effective and binding on WMC Shareholders in accordance with sections 411(4) and (10) of the Corporations Act; and

(b) Clause 6.2 are subject to the Option Scheme becoming effective and binding on WMC Optionholders in accordance with sections 411(4) and (10) of the Corporations Act.

7. Termination of Deed

7.1 Termination of all obligations

If the Share Scheme Effective Date does not occur on or before 30 April 2003 or such later date as the Court, with the consent of WMC and WMC Resources, may order, all the obligations of each party under this Deed will automatically terminate.

7.2 Termination of Option Scheme obligations

If the Option Scheme does not become effective and binding on Scheme Optionholders in accordance with sections 411(4) and (10) of the Corporations Act on or before the Share Scheme Effective Date, the obligations of each party under this Deed with respect to the Option Scheme will automatically terminate.

7.3 Consequences of termination

Upon termination of obligations under this Deed in accordance with Clause 7.1 or 7.2:

(a) each party is released from its obligations to further perform this Deed except those obligations which by their nature survive termination and, where termination occurs in accordance with Clause 7.2 but not Clause 7.1, the obligations of that party under this Deed with respect to the Share Scheme;

(b) each party retains the rights they have against each other party in respect of any breach which occurred before that termination;

(c) all WMC Shareholders and all Scheme Shareholders retain the rights they have in relation to each of WMC Resources, Fertilizers and ODC by virtue of Clause 2(a)(ii) in respect of any breach which occurred before that termination; and

(d) all WMC Optionholders and all Scheme Optionholders retain the rights they have in relation to WMC Resources by virtue of Clause 2(a)(iii) in respect of any breach which occurred before that termination.

8. Notices

Any notice, demand, consent or other communication (a **Notice**) under this Deed to a party:

(a) must be in writing and signed by the sender or a person duly authorised by the sender;

(b) must be delivered to the intended recipient by prepaid post or by hand or fax to the address or fax number below or any other address or fax number the intended recipient requests in writing:

Level 16
IBM Centre
60 City Road
Southbank Victoria 3006
Australia

Attention: Company Secretary
Facsimile: +61 (0)3 9685 6115

(c) will be taken to be duly given or made:

(i) in the case of delivery in person, when delivered;

(ii) in the case of delivery by post, two Business Days after the date of posting (if posted from within Australia) or seven Business Days after the date of posting (if posted from outside Australia); and

(iii) in the case of fax, on receipt by the sender of a transmission control report from the dispatching machine showing the relevant number of pages and the correct destination fax machine number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 4.00 pm it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

9. Amendment

No amendment or variation of this Deed is valid or binding on a party unless made in writing executed by all parties.

10. Assignment

The rights and obligations of:

(a) each party under this Deed;

(b) each WMC Shareholder and each Scheme Shareholder by virtue of Clause 2(a)(ii); and

(c) each WMC Optionholder and each Scheme Optionholder by virtue of Clause 2(a)(iii),

are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior written consent of the parties.

11. No waiver, remedies cumulative

11.1 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by:

(a) a party;

(b) a WMC Shareholder or a Scheme Shareholder in respect of rights they have by virtue of Clause 2(a)(ii); or

(c) a WMC Optionholder or a Scheme Optionholder in respect of rights they have by virtue of Clause 2(a)(iii),

operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

11.2 Remedies cumulative

The rights, powers and remedies of:

(a) each party under this Deed;

(b) each WMC Shareholder and each Scheme Shareholder by virtue of Clause 2(a)(ii); and

(c) each WMC Optionholder and each Scheme Optionholder by virtue of Clause 2(a)(iii),

are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity.

12. Further assurances

Each party agrees to do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed and the transactions contemplated by it.

13. Governing law

This Deed is governed by the laws of Victoria.

14. Counterparts

This Deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

Executed as a Deed in Melbourne.

WMC

The Common Seal of WMC Limited was duly affixed in the presence of:

Director

HUGH M MORGAN

Print Name

Director/Secretary

PETER J HORTON

Print Name

WMC Resources

The Common Seal of WMC Resources Ltd was duly affixed in the presence of:

Director

HUGH M MORGAN

Print Name

Director/Secretary

PETER J HORTON

Print Name

Fertilizers

The Common Seal of WMC Fertilizers Pty Ltd was duly affixed in the presence of:

Director

ANDREW G MICHELMORE

Print Name

Director/Secretary

PETER J HORTON

Print Name

ODC

The Common Seal of WMC (Olympic Dam Corporation) Pty Ltd was duly affixed in the presence of:

Director

ANDREW G MICHELMORE

Print Name

Director/Secretary

PETER J HORTON

Print Name

Annexure A

Share Scheme

See Section 15.2 of this Scheme Booklet.

Annexure B

Option Scheme

See Section 15.4 of this Scheme Booklet.

15. Schemes of arrangement

15.1 Share Scheme – Explanatory statement

The explanatory statement for the Share Scheme incorporates all parts of this Scheme Booklet other than each notice of Meeting in Section 16.

15.2 Share Scheme

Scheme of Arrangement

Pursuant to section 411 of the *Corporations Act 2001* (Cth).

Between

WMC Limited (ABN 85 004 820 419)

And

The holders of fully paid ordinary shares in WMC Limited

1 Definitions and interpretation

1.1 Definitions

In this document, the following definitions apply unless the context requires otherwise.

Ancillary Demerger Resolutions means:

(a) a special resolution pursuant to section 157(1) of the Corporations Act to change the name of WMC to 'Alumina Limited'; and

(b) an ordinary resolution to approve the entry into, and performance of, deeds by each of WMC and WMC Resources in favour of current directors of WMC, with the effect described in the explanatory notes to the notice convening the General Meeting.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

Business Day has the meaning given in the Listing Rules.

Capital Reduction means the equal reduction of the share capital of WMC by an amount of A$2.78 for each Scheme Share on issue at the Share Scheme Record Date.

Capital Reduction Resolution means an ordinary resolution pursuant to section 256C(1) of the Corporations Act to approve the Capital Reduction.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria.

Demerger Date means the second Business Day after the Share Scheme Record Date.

Distribution Entitlement means, in relation to a Scheme Shareholder, the aggregate of:

(a) the total amount allocated to that Scheme Shareholder under the terms of the Capital Reduction Resolution; and

(b) the total amount allocated to that Scheme Shareholder under the terms of the Dividend Resolution,

in respect of the Scheme Shares held by that Scheme Shareholder at the Share Scheme Record Date.

Dividend Resolution means a resolution of the board of directors of WMC to approve, in accordance with the Implementation Deed, the declaration and payment of a dividend of A$0.73 for each Scheme Share on issue at the Share Scheme Record Date.

Fertilizers means WMC Fertilizers Pty Ltd (ABN 30 004 936 850).

General Meeting means the general meeting of WMC Shareholders to consider and, if thought fit, to approve the Capital Reduction Resolution and the Ancillary Demerger Resolutions.

Implementation Deed means the Implementation Deed dated 25 October 2002 between WMC, WMC Resources, Fertilizers and ODC and described in Clause 2.7.

Ineligible Overseas Shareholder means any Scheme Shareholder whose Registered Address at the Share Scheme Record Date is in a jurisdiction other than Australia or its external territories, New Zealand, Hong Kong, Singapore, Germany, Switzerland, the United Kingdom or the United States of America, except where WMC is reasonably satisfied that the full implementation of the Share Scheme in respect of that Scheme Shareholder and the transfer of WMC Resources Shares in accordance with Clause 4 to that Scheme Shareholder are not prohibited, not unduly onerous and not unduly impractical in that jurisdiction.

Listing Date means the second Business Day after the Share Scheme Effective Date or such later date on which trading in WMC Resources Shares (on a deferred settlement basis or otherwise) commences on the stock market conducted by ASX.

Listing Rules means the official listing rules of ASX.

ODC means WMC (Olympic Dam Corporation) Pty Ltd (ABN 99 007 835 761).

Registered Address means, in relation to a WMC Shareholder, the address shown in the WMC Share Register.

Sale Agent means WMC or such other person nominated by WMC to sell the WMC Resources Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Share Scheme.

SCH Business Rules means the operating rules of ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

Scheme Shareholder means any WMC Shareholder at the Share Scheme Record Date, after the registration of all transfers and transmission applications in accordance with Clause 5.1.

Scheme Shares means WMC Shares on issue at the Share Scheme Record Date.

Share Scheme means the scheme of arrangement between WMC and that class of its members who hold WMC Shares as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

Share Scheme Consideration means the consideration to which each Scheme Shareholder becomes entitled in accordance with the Share Scheme.

Share Scheme Effective Date means the date on which the Court order made under section 411(4)(b) of the Corporations Act in relation to the Share Scheme comes into effect pursuant to section 411(10) of the Corporations Act.

Share Scheme Record Date means 5.00 pm on the fifth Business Day after the Share Scheme Effective Date or such other date as permitted by ASX.

WMC means WMC Limited (ABN [illegible] 004 820 419).

WMC Resources means WMC Resources Ltd (ABN 76 004 184 598).

WMC Resources Share Register means the register of WMC Resources members maintained pursuant to sections 168 and 169 of the Corporations Act.

WMC Resources Share Registry means Computershare Investor Services Pty Limited of Level 12, 565 Bourke Street, Melbourne, Victoria, Australia.

WMC Resources Shares means fully paid ordinary shares in WMC Resources.

WMC Share Register means the register of WMC members maintained pursuant to sections 168 and 169 of the Corporations Act.

WMC Share Registry means Computershare Investor Services Pty Limited of Level 12, 565 Bourke Street, Melbourne, Victoria, Australia.

WMC Shareholder means any person registered in the WMC Share Register as the holder of WMC Shares.

WMC Shares means fully paid ordinary shares in WMC.

[illegible]

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

(a) The singular includes the plural and conversely.
(b) A gender includes all genders.
(c) A reference to a Clause is a reference to a clause of this document.
(d) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
(e) A reference to a person, corporation, trust, partnership, unincorporated body, government agency or other entity includes any of them.
(f) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns.
(g) A reference to an agreement or document (including, without limitation, a reference to this document) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
(h) A reference to any legislation or to a provision of any legislation includes a modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
(i) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.
(j) A reference to time is a reference to time in Melbourne, Australia.
(k) A reference to **A$** is to the lawful currency of Australia.

2. Preliminary

WMC

2.1 WMC is a public company incorporated in Australia and registered in Victoria and is a company limited by shares. Its registered office is at Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia.

2.2 WMC has been admitted to the official list of ASX and WMC Shares have been granted official quotation on the stock market conducted by ASX.

2.3 As at 30 September 2002, 1,112,432,443 WMC Shares were on issue.

WMC Resources

2.4 WMC Resources is a public company incorporated in Australia and registered in Victoria and is a company limited by shares. Its registered office is at Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia.

2.5 As at 30 September 2002, the share capital of WMC Resources was A$400 million, comprising 800 million fully paid ordinary shares.

Miscellaneous

2.6 WMC holds all of the WMC Resources Shares.

2.7 WMC, WMC Resources, Fertilizers and ODC have entered into the Implementation Deed to facilitate, among other things, the implementation of the Share Scheme. In particular, pursuant to the Implementation Deed:

(a) WMC Resources has agreed to apply for admission to the official list of ASX and for the WMC Resources Shares to be transferred pursuant to the Share Scheme to be granted official quotation on the stock market conducted by ASX; and

(b) each of WMC Resources, Fertilizers and ODC has agreed to carry out the obligations contemplated of it under the Share Scheme.

3. Conditions precedent

3.1 The Share Scheme is conditional on:

(a) the approval of the Capital Reduction Resolution by the requisite majority of WMC Shareholders at the General Meeting;

(b) the approval of the Share Scheme by the requisite majority of WMC Shareholders at the meeting convened by order of the Court pursuant to section 411(1) of the Corporations Act;

(c) the approval of the Ancillary Demerger Resolutions by the requisite majorities of WMC Shareholders at the General Meeting;

(d) the approval of the Share Scheme, with or without modification, by the Court pursuant to section 411(4)(b) of the Corporations Act;

(e) the approval by ASX of the admission of WMC Resources to the official list of ASX, and the granting by ASX of permission for official quotation of the WMC Resources Shares to be transferred pursuant to the Share Scheme on the stock market conducted by ASX (subject only to the condition that WMC Resources provides to ASX the information contained in Appendix 2A to the Listing Rules, or to other customary pre-quotation conditions, or to such other conditions that are acceptable to WMC Resources, as relevant);

(f) the lodgement with ASIC of an office copy of the Court order approving the Share Scheme pursuant to section 411(4)(b) of the Corporations Act; and

(g) the fulfilment of such other conditions approved by the Court under section 411(6) of the Corporations Act as are acceptable to WMC.

3.2 The fulfilment of each condition in Clause 3.1 is a condition precedent to the binding effect of the Share Scheme.

3.3 The Share Scheme will lapse and be of no further force or effect if the Share Scheme Effective Date has not occurred on or before 30 April 2003 or such later date as the Court, with the consent of WMC and WMC Resources, may order.

4. Implementation of the Share Scheme

Steps

4.1 The Share Scheme will come into effect on the Share Scheme Effective Date.

4.2 On or before the Share Scheme Record Date, the board of directors of WMC will pass the Dividend Resolution.

4.3 Subject to Clauses 4.8 and 4.9, on the Demerger Date:

(a) all of the issued shares in Fertilizers held by WMC (being 266,400,000 fully paid ordinary shares), together with all rights and entitlements attaching to those shares as at the Demerger Date, will be transferred to WMC Resources by WMC delivering to WMC Resources duly completed and executed share transfer forms to transfer all of those shares to WMC Resources;

(b) in consideration for the transfer by WMC of all of the issued shares in Fertilizers held by it, WMC Resources will issue to WMC 1,894,527 WMC Resources Shares;

(c) all of the issued shares in ODC, together with all rights and entitlements attaching to those shares as at the Demerger Date, will be transferred to WMC Resources by WMC delivering to WMC Resources duly completed and executed share transfer forms to transfer all of those shares to WMC Resources;

(d) in consideration for the transfer of all of the issued shares in ODC by WMC, WMC Resources will issue to WMC 1,375,124,378 WMC Resources Shares;

(e) WMC will reduce its share capital in accordance with the Capital Reduction Resolution; and

(f) each Scheme Shareholder will be obliged to apply, and WMC will apply, the Distribution Entitlement of that Scheme Shareholder as consideration in full for the sale and transfer by WMC to that Scheme Shareholder of the number of WMC Resources Shares equal to the number of their Scheme Shares.

Transfers and registrations

4.4 WMC Resources will execute the share transfer forms referred to in Clause 4.3(a), will attend to the stamping of those share transfer forms and will deliver the duly stamped share transfer forms to Fertilizers for registration.

4.5 Fertilizers will, following receipt of the duly stamped transfer forms in respect of all of the issued shares in Fertilizers held by WMC, enter the name and address of WMC Resources in the register of members of Fertilizers in respect of all of those shares.

4.6 WMC Resources will execute the share transfer forms referred to in Clause 4.3(c), will attend to the stamping of those share transfer forms and will deliver the duly stamped share transfer forms to ODC for registration.

4.7 ODC will, following receipt of the duly stamped transfer forms in respect of all of the issued shares in ODC, enter the name and address of WMC Resources in the register of members of ODC in respect of all of those shares.

Ineligible Overseas Shareholders

4.8 WMC will be under no obligation under this Clause 4 to transfer, and will not transfer, any WMC Resources Shares to an Ineligible Overseas Shareholder. Instead WMC will retain, or transfer to the Sale Agent, the relevant WMC Resources Shares, and will procure that it or the Sale Agent:

(a) as soon as reasonably practicable (and in any event not more than 20 Business Days after the later of the Listing Date and the Demerger Date), sells on the stock market conducted by ASX for the benefit of the Ineligible Overseas Shareholder all the WMC Resources Shares retained by it or transferred to the Sale Agent under this Clause 4.8 in lieu of the transfer of those WMC Resources Shares to the Ineligible Overseas Shareholder;

(b) accounts to the Ineligible Overseas Shareholder for the proceeds of sale (after deduction of any applicable brokerage and other selling costs, taxes and charges, and on an averaged basis so that all Ineligible Overseas Shareholders receive the same price per WMC Resources Share, subject to rounding to the nearest whole cent) and any income attributable to those WMC Resources Shares, at the Ineligible Overseas Shareholder's risk; and

(c) promptly remits the net proceeds of sale in respect of the Ineligible Overseas Shareholder under this Clause 4.8 and any income attributable to the relevant WMC Resources Shares, such proceeds and income to be dispatched by mail to the Ineligible Overseas Shareholder's Registered Address by cheque either in:

(i) Australian currency drawn on an Australian bank; or

(ii) if WMC so decides, the currency of the jurisdiction in which the Ineligible Overseas Shareholder's Registered Address is situated, being converted at the exchange rate between that currency and the Australian currency at a date not more than 15 Business Days after the sale of the last of all Ineligible Overseas Shareholders' entitlements in respect of WMC Resources Shares.

4.9 WMC, in complying, and procuring the compliance, with Clause 4.8 in respect of an Ineligible Overseas Shareholder, will be taken to have satisfied and discharged its obligations to the Ineligible Overseas Shareholder under the terms of the Capital Reduction Resolution, the Dividend Resolution and the Share Scheme. The Ineligible Overseas Shareholder will have no claim against WMC, WMC Resources or the Sale Agent for any entitlement to or in respect of the Share Scheme Consideration they would have had but for the operation of Clause 4.8.

5. Dealings in WMC Shares

5.1 For the purpose of establishing the persons who are Scheme Shareholders, dealings in WMC Shares will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the WMC Share Register as the holder of the relevant WMC Shares by the Share Scheme Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the WMC Share Registry by the Share Scheme Record Date.

5.2 WMC will register registrable transfers or transmission applications of the kind referred to in Clause 5.1(b) by, or as soon as practicable after, the Share Scheme Record Date.

5.3 At or before 10.00 pm on the Demerger Date, WMC will give to WMC Resources details of the names and addresses shown in the WMC Share Register of all

Scheme Shareholders and of the number of Scheme Shares held by each of them at the Share Scheme Record Date.

6. WMC Resources Shares

6.1 Until the Demerger Date, all WMC Resources Shares will remain beneficially owned by WMC.

6.2 Subject to Clause 4.8, WMC Resources will:

(a) on the Demerger Date, enter the name and address of each Scheme Shareholder (other than Ineligible Overseas Shareholders) in the WMC Resources Share Register in respect of the WMC Resources Shares to which they are entitled under the Share Scheme; and

(b) as soon as practicable after the later of the Listing Date and the Demerger Date, dispatch or procure the dispatch to each Scheme Shareholder (other than Ineligible Overseas Shareholders) by prepaid post or courier delivery to their Registered Address (unless the Scheme Shareholder has directed otherwise) a CHESS holding statement in the name of that Scheme Shareholder in respect of the WMC Resources Shares to which they are entitled under the Share Scheme, in accordance with the SCH Business Rules and the Listing Rules. In the case of joint holders of shares a CHESS holding statement will be issued in the name of, and dispatched to, the holder whose name appears first in the WMC Share Register at the Share Scheme Record Date.

6.3 Each Scheme Shareholder to whom WMC Resources Shares are to be transferred under the Share Scheme agrees to become a member of WMC Resources for the purposes of section 231 of the Corporations Act, to have their name and address entered in the WMC Resources Share Register and to be bound by the constitution of WMC Resources as in force from time to time in respect of the WMC Resources Shares.

6.4 Except for a Scheme Shareholder's tax file number, any binding instruction or notification between a Scheme Shareholder and WMC relating to Scheme Shares at the Share Scheme Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from WMC) will from the Share Scheme Record Date be deemed to be a similarly binding instruction or notification to, and accepted by, WMC Resources in respect of the WMC Resources Shares transferred to the Scheme Shareholder until that instruction or notification is revoked or amended in writing and addressed to WMC Resources at the WMC Resources Share Registry.

6.5 WMC, in transferring WMC Resources Shares to a Scheme Shareholder pursuant to Clause 4.3(f) or to the Sale Agent pursuant to Clause 4.8, is deemed to have warranted to the relevant transferee that each such WMC Resources Share is, at the date of transfer, fully paid and free from all mortgages, charges, liens, encumbrances and interests of WMC or any person claiming through, under or in trust for WMC.

7. Share Scheme alterations and conditions

If the Court proposes to approve the Share Scheme subject to any alterations or conditions, WMC may, by its counsel or solicitors but subject to the prior approval of WMC Resources, consent on behalf of all persons concerned (including WMC Shareholders) to those alterations or conditions.

8. Covenants by Scheme Shareholders

Each Scheme Shareholder:

(a) without the need for any further act, irrevocably appoints WMC and each of its directors and officers, jointly and severally, as that Scheme Shareholder's attorney and agent for the purpose of executing any document or doing any other act necessary to give full effect to the Share Scheme and the transactions contemplated by it, including, without limitation, the provision of a proper instrument of transfer of WMC Resources Shares for the purposes of section 1071B of the Corporations Act (which may be a master transfer of all or part of the WMC Resources Shares to be transferred to Scheme Shareholders in accordance with the Share Scheme) and the communication of the Scheme Shareholder's agreement under Clause 6.3 and instructions and notifications under Clause 6.4; and

(b) consents to WMC doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Share Scheme and the transactions contemplated by it.

9. Effect of Share Scheme

The Share Scheme binds WMC and all WMC Shareholders from time to time and, to the extent of any inconsistency, overrides the constitution of WMC.

10. Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Share Scheme is sent by post to WMC, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at WMC's registered office or at the WMC Share Registry.

11. Further assurances

WMC will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Share Scheme and the transactions contemplated by it.

12. Costs

12.1 Subject to Clauses 4.8 and 12.2 and except as otherwise agreed with WMC Resources, WMC will pay the costs of the Share Scheme.

12.2 WMC Resources will pay any stamp duty payable on the transfer by WMC of all of the issued shares in Fertilizers held by WMC, and of all of the issued shares in ODC, to WMC Resources, and on the transfer by WMC of WMC Resources Shares to Scheme Shareholders or to the Sale Agent in accordance with Clause 4.

13. Proper law

The proper law of the Share Scheme is the law of Victoria.

15.3 Option Scheme – Explanatory statement

The explanatory statement for the Option Scheme incorporates all parts of this Scheme Booklet other than each notice of Meeting in Section 16.

15.4 Option Scheme

Scheme of Arrangement

Pursuant to section 411 of the *Corporations Act 2001* (Cth)

Between

WMC Limited (ABN 85 004 820 419)

And

The holders of options to subscribe for fully paid ordinary shares in WMC Limited

1. Definitions and interpretation

1.1 Definitions

In this document, the following definitions apply unless the context requires otherwise.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

Business Day has the meaning given in the official listing rules of ASX.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria.

Demerger Date has the meaning given in the Share Scheme.

Exercise Deadline means 3.00 pm on the first Business Day after the Option Scheme Effective Date.

General Meeting has the meaning given in the Share Scheme.

Implementation Deed means the Implementation Deed dated 25 October 2002 between WMC, WMC Resources, WMC (Olympic Dam Corporation) Pty Ltd (ABN 99 007 835 761) and WMC Fertilizers Pty Ltd (ABN 30 004 936 850) and described in Clause 2.7.

Option Scheme means the scheme of arrangement between WMC and that class of its creditors who hold WMC Options as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

Option Scheme Effective Date means the date on which the Court order made under section 411(4)(b) of the Corporations Act in relation to the Option Scheme comes into effect pursuant to section 411(10) of the Corporations Act.

Option Scheme Implementation Date means the first Business Day after the Demerger Date.

Option Scheme Record Date means 5.00 pm on the third Business Day after the Option Scheme Effective Date.

Registered Address means, in relation to a WMC Optionholder, the address shown in the WMC Option Register.

Scheme Optionholder means any WMC Optionholder at the Option Scheme Record Date.

Scheme Options means WMC Options held by Scheme Optionholders at the Option Scheme Record Date.

Share Scheme means the scheme of arrangement between WMC and that class of its members who hold WMC Shares, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

Share Scheme Record Date has the meaning given in the Share Scheme.

WMC means WMC Limited (ABN 85 004 820 419).

WMC Employee Share Scheme means the employee share scheme approved by a resolution of the members of WMC passed at the annual general meeting held on 12 November 1987, as varied in accordance with the resolution of the members of WMC passed at the annual general meeting held on 19 April 2000.

WMC Option means an option to subscribe for a WMC Share, granted under the terms and conditions of a WMC Option Plan.

WMC Optionholder means any person who is registered in the WMC Option Register as the holder of a WMC Option.

WMC Option Plan means an option plan promulgated by WMC and under which WMC Options have been allotted. It includes, without limitation, each of:
(a) the 1997 WMC Option Plan:
(b) the 1998 WMC Option Plan;
(c) the 1999 WMC Option Plan;
(d) the 2000 WMC Option Plan;
(e) the 2001 WMC Option Plan; and
(f) the May 2002 WMC Option Plan,
all of which were promulgated under the WMC Employee Share Scheme.

WMC Option Plan Resolution means a special resolution in accordance with each Option Plan to approve the amendment of the terms and conditions of that WMC Option Plan in the manner set out in Schedule 2.

WMC Option Register means the register of holders of WMC Options maintained pursuant to sections 168 and 170 of the Corporations Act.

WMC Resources means WMC Resources Ltd (ABN 76 004 184 598).

WMC Resources Option means an option to subscribe for a WMC Resources Share and which is granted subject to the WMC Resources Option Terms and Conditions.

WMC Resources Option Terms and Conditions means the terms and conditions set out in Schedule 3.

WMC Resources Share means a fully paid ordinary share in WMC Resources.

WMC Shareholder has the meaning given in the Share Scheme.

WMC Shares means fully paid ordinary shares in WMC.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.
(a) The singular includes the plural and conversely.
(b) A gender includes all genders.
(c) A reference to a Clause or Schedule is a reference to a clause of, or schedule to, this document.
(d) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
(e) A reference to a person, corporation, trust, partnership, unincorporated body, government agency or other entity includes any of them.
(f) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns.
(g) A reference to an agreement or document (including, without limitation, a reference to this document) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
(h) A reference to any legislation or to a provision of any legislation includes a modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
(i) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.
(j) A reference to time is a reference to time in Melbourne, Australia.
(k) A reference to **A$** is to the lawful currency of Australia.

2. Preliminary

WMC

2.1 WMC is a public company incorporated in Australia and registered in Victoria and is a company limited by shares. Its registered office is at Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia.

2.2 WMC has been admitted to the official list of ASX and WMC Shares have been granted official quotation on the stock market conducted by ASX

2.3 As at 30 September 2002, the WMC Options set out in Schedule 1 were on issue. Each WMC Option has been, or will be, granted with respect to one WMC Share.

WMC Resources

2.4 WMC Resources is a public company incorporated in Australia and registered in Victoria and is a company limited by shares. Its registered office is at Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia.

2.5 As at 30 September 2002, the share capital of WMC Resources was A$400 million, comprising 800 million fully paid ordinary shares.

2.6 As at 30 September 2002, WMC Resources had not granted any options to subscribe for WMC Resources Shares.

Miscellaneous

2.7 WMC and WMC Resources, among others, have entered into the Implementation Deed to facilitate, amongst other things, the implementation of the Option Scheme. In particular, pursuant to the Implementation Deed, WMC Resources has agreed to carry out the obligations contemplated of it under the Option Scheme.

3. Conditions precedent

3.1 The Option Scheme is conditional on:

(a) the fulfilment of all the conditions set out in clause 3.1 of the Share Scheme;

(b) the approval of the Option Scheme by the requisite majority of WMC Optionholders at the meeting convened by the Court pursuant to section 411(1) of the Corporations Act;

(c) the approval of the WMC Option Plan Resolution by the requisite majority of WMC Shareholders at the General Meeting;

(d) the approval of the Option Scheme, with or without modification, by order of the Court pursuant to section 411(4)(b) of the Corporations Act;

(e) the lodgement with the Australian Securities and Investments Commission of an office copy of the Court order approving the Option Scheme pursuant to section 411(4)(b) of the Corporations Act; and

(f) the fulfilment of such other conditions approved by the Court under section 411(6) of the Corporations Act as are acceptable to WMC.

3.2 The fulfilment of each condition in Clause 3.1 is a condition precedent to the binding effect of the Option Scheme.

3.3 The Option Scheme will lapse and be of no further force or effect if the Option Scheme Effective Date has not occurred on or before 30 April 2003 or such later date as the Court, with the consent of WMC, may order.

4. Implementation of the Option Scheme

4.1 The Option Scheme will come into effect on the Option Scheme Effective Date.

4.2 At or before 5.00 pm on the day immediately before the Demerger Date, WMC will give a copy of the WMC Option Register as at the Option Scheme Record Date to WMC Resources.

4.3 At 9.00 am on the Option Scheme Implementation Date:

(a) the terms and conditions of each WMC Option Plan will be amended in the manner set out in Schedule 2; and

(b) WMC Resources will grant to each Scheme Optionholder one WMC Resources Option for each Scheme Option they held at the Option Scheme Record Date.

5. Exercise restrictions of WMC Options

5.1 WMC will not accept as valid, nor recognise for any purpose, any notice of exercise of a WMC Option received:

(a) by the Exercise Deadline otherwise than in accordance with the terms and conditions of the WMC Option Plan pursuant to which that WMC Option was granted; or

(b) between the Exercise Deadline and 9.15 am on the Option Scheme Implementation Date.

5.2 WMC will issue, and register the relevant WMC Optionholder as the holder of, a WMC Share in respect of the exercise of a WMC Option in accordance with Clause 5.1 by the Share Scheme Record Date, in accordance with the WMC Option Plan pursuant to which that WMC Option was granted.

5.3 For the purpose of determining participation in the Option Scheme, WMC will maintain or procure the maintenance of the WMC Option Register in accordance with this Clause 5 and the WMC Option Register in this form will solely determine entitlements to participate in the Option Scheme.

6. Option Scheme alterations and conditions
If the Court proposes to approve the Option Scheme subject to any alterations or conditions, WMC may, by its counsel or solicitors, consent on behalf of all persons concerned (including WMC Optionholders) to those alterations or conditions.

7. Covenants by Scheme Optionholders
Each Scheme Optionholder:
(a) consents to the amendment of the terms and conditions of their Scheme Options in accordance with the Option Scheme;
(b) agrees to the grant of WMC Resources Options to them in accordance with the Option Scheme; and
(c) consents to WMC doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Option Scheme and the transactions contemplated by it.

8. Effect of Option Scheme
The Option Scheme binds WMC and all WMC Optionholders and, to the extent of any inconsistency, overrides the constitution of WMC and the terms and conditions of the WMC Employee Share Scheme and each WMC Option Plan.

9. Notices
Where a notice, application, direction or other communication referred to in the Option Scheme is sent by post to WMC, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at WMC's registered office (marked to the attention of the WMC Option Plan secretary).

10. Further assurances
WMC will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Option Scheme and the transactions contemplated by it.

11. Costs
WMC will pay the costs of the Option Scheme.

12. Proper law
The proper law of the Option Scheme is the law of Victoria.

Schedule 1

WMC Options

WMC Option Plan	**Expiry Date**	**Number of WMC Options**	**Exercise price (A$)**
1997 WMC Option Plan	22 December 2002	585,900	4.91
1997 WMC Option Plan*	22 December 2002	375,000	5.40
1998 WMC Option Plan	21 December 2003	1,090,470	4.88
1998 WMC Option Plan*	21 December 2003	375,000	5.37
1999 WMC Option Plan	20 December 2004	3,951,700	8.42
2000 WMC Option Plan	18 December 2005	6,302,750	7.52
2001 WMC Option Plan	30 November 2006	10,329,100	9.35
May 2002 WMC Option Plan	30 November 2006	600,000	9.35

** WMC Options granted to executive directors of WMC.*

Schedule 2

Amendments to the terms and conditions of WMC Options

The terms and conditions of each WMC Option Plan are amended as follows:

(a) Clause 1.1 of each WMC Option Plan is amended by:

(i) deleting the definition of 'Exercise Price' and replacing it with the following definition:

'Exercise Price' means the amount calculated in accordance with the following formula:

$$EP = OEP \times \left(\frac{A}{A+W}\right)$$

where:

EP is the Exercise Price;

OEP is the Exercise Price of the Option on the Allotment Date;

A is the volume weighted average price of Shares sold on the stock market conducted by ASX on the first five days on which WMC Resources Shares are traded on the stock market conducted by ASX; and

W is the volume weighted average price of WMC Resources Shares sold on the stock market conducted by ASX on the first five days on which WMC Resources Shares are traded on the stock market conducted by ASX.';

(ii) in the definition of 'Retirement', inserting the words 'or the WMC Resources Group' after the words 'the Group'; and

(iii) inserting the following definitions:

' **'WMC Resources'** means WMC Resources Ltd (ACN 004 184 598).

'WMC Resources Group' means and includes WMC Resources and its subsidiaries from time to time as defined by the Corporations Act.

'WMC Resources Shares' means fully paid ordinary shares in WMC Resources.'

(b) Clause 5.5(a) of each WMC Option Plan is amended by:

(i) inserting the words 'or the WMC Resources Group' after the words 'the Group' each time they appear in that Clause; and

(ii) inserting the following words immediately before the closing bracket in that Clause:

', and where that Employee does not commence employment with the WMC Resources Group or the Group, respectively, within 14 days thereafter'

(c) Clause 5.6(b) of each WMC Option Plan is amended by:

(i) inserting the words 'or the WMC Resources Group' after the words 'the Group' each time they appear in that Clause; and

(ii) inserting the following words at the end of that Clause:

'where that Employee does not commence employment with the WMC Resources Group or the Group, respectively, within 14 days thereafter'; and

(d) Clause 14 of each WMC Option Plan is amended by inserting the words 'or the WMC Resources Group' after the words 'the Group'.

Schedule 3

WMC Resources Option Terms and Conditions

1. Definitions

1.1 Where used in these Terms and Conditions, the following definitions apply unless the context otherwise requires:

'Allotment Date' means the date on which WMC Resources Options were granted pursuant to the WMC Option Scheme.

'ASX' means Australian Stock Exchange Limited (ABN 98 008 624 691).

'Board' means the board of directors of WMC Resources.

'Bonus Issue' means an issue of Bonus WMC Resources Shares by WMC Resources.

'Bonus WMC Resources Shares' means WMC Resources Shares or any other Security of WMC Resources or any other corporation issued in connection with a Bonus Issue.

'Business Day' means a day on which the Melbourne offices of WMC Resources are open for business.

'Corporations Act' means the *Corporations Act 2001* (Cth).

'Exercise Price', in relation to a WMC Resources Option, means the amount calculated in accordance with the following formula:

$$EP = OEP \times \left(\frac{W}{A+W}\right)$$

where:

EP is the Exercise Price;

OEP is the exercise price of the Underlying WMC Option on the date it was granted by WMC;

A is the volume weighted average price of WMC Limited Shares sold on the stock market conducted by ASX on the first five days on which WMC Resources Shares are traded on the stock market conducted by ASX; and

W is the volume weighted average price of WMC Resources Shares sold on the stock market conducted by ASX on the first five days on which WMC Resources Shares are traded on the stock market conducted by ASX.

'Expiry Date', in relation to a WMC Resources Option, means the date on which the Underlying WMC Option would lapse if it lapsed in accordance with clause 5.6(a) of the applicable WMC Option Plan (as that clause applies immediately after the Allotment Date).

'Listing Rules' means the Listing Rules of ASX.

'Other Plan Shares' means all other WMC Resources Shares and Securities in the capital of WMC Resources (whether partly or fully paid) issued pursuant to an employee share or option scheme, but not Plan Shares.

'Plan' means the WMC Resources Option Plan established by these Terms and Conditions or any amendment thereof.

'Plan Secretary' means the person appointed by WMC Resources to administer the Plan and any duly authorised delegate.

'Plan Shares' means WMC Resources Shares which would be issued if all WMC Resources Options were exercised.

'Prescribed Percentage' means 5% or such other percentage as is authorised by shareholders of WMC Resources by way of special resolution from time to time.

'Recipient' means a person who holds WMC Options at the record date for determining entitlements under the WMC Option Scheme.

'Rights Issue' means an offer by WMC Resources made to holders of WMC Resources Shares on a pro rata basis to subscribe for or to receive Securities of WMC Resources or of any other corporation (whether by way of renounceable or non-renounceable rights or otherwise).

'Securities' includes shares, debentures, notes, convertible notes and any options to subscribe for the same.

'subsidiary' has the meaning given to that expression in section 9 of the Corporations Act.

'Terms and Conditions' means these terms and conditions of the Plan.

'Underlying WMC Option', in respect of a WMC Resources Option, means the WMC Option in respect of which WMC Resources granted that WMC Resources Option pursuant to the WMC Option Scheme.

'WMC Limited Group' means and includes WMC Limited and its subsidiaries from time to time.

'WMC Limited' means Alumina Limited (ABN 85 004 820 419), formerly known as WMC Limited.

'WMC Limited Shares' means fully paid ordinary shares in WMC Limited.

'WMC Option' means an option to subscribe for a WMC Share.

'WMC Option Plan', in relation to an Underlying WMC Option, means the option plan pursuant to which the Underlying WMC Option was granted by WMC Limited.

'WMC Option Scheme' means the scheme of arrangement between WMC Limited and that class of its creditors who hold WMC Options, approved by that class of creditors at a meeting convened by Order of the Supreme Court of Victoria made on 28 October 2002.

'WMC Resources' means WMC Resources Ltd (ABN 76 004 184 598).

'WMC Resources Group' means and includes WMC Resources and its subsidiaries from time to time.

'WMC Resources Option' means an option to subscribe for a WMC Resources Share granted to a Recipient under the Plan.

'WMC Resources Shares' means fully paid ordinary shares in WMC Resources.

1.2 Words implying the singular include the plural and vice versa.

1.3 Words implying gender will be taken to include all genders.

1.4 The headings in these Terms and Conditions are included for convenience only and will not affect its construction.

1.5 Any reference to the Corporations Act or the Listing Rules will be read as though the words 'or any modification thereof or any provision substituted therefor' were added to the reference and will be deemed to be a reference to the Corporations Act and the Listing Rules as are then in force in relation to WMC Resources after taking into account any waiver, modification or exemption which is in force either generally or in relation to WMC Resources.

2. Entitlement

2.1 Subject to adjustment under Clauses 3.2 and 6.1, each WMC Resources Option entitles the holder to subscribe for and be allotted, credited as fully paid, one WMC Resources Share at the Exercise Price applicable to that WMC Resources Option.

2.2 Subject to the Terms and Conditions, WMC Resources must, on exercise of a WMC Resources Option, allot a WMC Resources Share in accordance with the Listing Rules.

2.3 WMC Resources Shares issued on the exercise of WMC Resources Options will rank equally in all respects with all existing WMC Resources Shares from the date of issue, provided the WMC Resources Shares are not subject to a loan made pursuant to Clause 9(d).

3. Exercise of WMC Resources Options

3.1 If the holder of a WMC Resources Option is an employee of a member of the WMC Resources Group, the exercise of WMC Resources Options is subject to WMC Resources' Human Resources Policy concerning trading in WMC Resources Securities which provides that employees will not buy, sell, or redeem WMC Resources Securities while they possess privileged market-sensitive information.

3.2 The issue price in respect of a WMC Resources Share the subject of a WMC Resources Option, on the basis that no adjustment has been made to the number of WMC Resources Shares subject to the WMC Resources Option pursuant to Clause 6.1(b), will be the Exercise Price applicable to that WMC Resources Option. Where an adjustment has been made pursuant to Clause 6.1(b), the issue price will be amended by dividing the Exercise Price applicable to that WMC Resources Option by the adjusted number of WMC Resources Shares which have become the subject of the WMC Resources Option.

3.3 A WMC Resources Option is exercisable by the holder of the WMC Resources Option or their legal personal representative (as the case requires) lodging with the Plan Secretary the notice of exercise of WMC Resources Option and application for WMC Resources Shares, together with the Exercise Price applicable to that WMC Resources Option (in Australian Dollars), for each WMC Resources Option to be exercised.

3.4 WMC Resources Options with a particular Exercise Price may only be exercised in multiples of 100, unless the holder exercises all WMC Resources Options with that Exercise Price able to be exercised at that time. The exercise of some WMC Resources Options only does not affect the holder's right to exercise other WMC Resources Options at a later time.

3.5 Subject to Clause 3.6, a WMC Resources Option is exercisable at any time after the Allotment Date and on or before the Expiry Date applicable to that WMC Resources Option.

3.6 Subject to Clause 3.7, a WMC Resources Option not exercised will lapse on the same date on which the Underlying WMC Limited Option lapses in accordance with the terms and conditions of the applicable WMC Option Plan (as those terms and conditions apply immediately after the Allotment Date).

3.7 If no notice under Clause 3.3 has been received by the Plan Secretary in respect of a WMC Resources Option as at 5.00 pm (Melbourne time) on the last Business Day prior to the date that the unexercised WMC Resources Option is due to lapse under Clause 3.6, the WMC Resources Option holder will be deemed to have appointed the Plan Secretary as his agent to, on the date that the unexercised WMC Resources Option is due to lapse under Clause 3.6, exercise his WMC Resources Option and promptly sell on the stock market conducted by ASX the WMC Resources Shares the subject of the WMC Resources Option, provided that the Plan Secretary can realise a sale price for the WMC Resources Shares in excess of both the Exercise Price applicable to the WMC Resources Option and associated transaction costs. If the Plan Secretary, despite reasonable endeavours, is unable to realise a sale price for the WMC Resources Shares in excess of both the Exercise Price applicable to the WMC Resources Option and associated transaction costs, that WMC Resources Option will lapse.

4. Transfer

WMC Resources Options will not be quoted on the stock market conducted by ASX.

5. Quotation of WMC Resources Shares

WMC Resources will make application to ASX for official quotation of WMC Resources Shares issued on the exercise of WMC Resources Options, if other WMC Resources Shares are quoted on the stock market conducted by ASX at that time.

6. Capital Reconstructions and Issues

Whilst a WMC Resources Option remains in force and unexercised as to all or part of the WMC Resources Shares the subject of that WMC Resources Option, the following provisions will apply:

6.1 If at any time, while WMC Resources Options are in existence, WMC Resources makes a Rights Issue or Bonus Issue, the Board may offer holders of WMC Resources Options the following:

(a) in the case of a Rights Issue, the Exercise Price of each WMC Resources Option may be reduced according to the following formula:

$$O' = O - \frac{E\,[P - (S + D)]}{N + 1}$$

O' = the new Exercise Price of the WMC Resources Option.

O = the old Exercise Price of the WMC Resources Option.

E = the number of underlying WMC Resources Shares into which one WMC Resources Option is exercisable.

P = the average market price per WMC Resources Share (weighted by reference to volume) of the underlying WMC Resources Shares during the five trading days ending on the day before the ex-rights date or ex-entitlements date.

S = the subscription price for a Security under the Rights Issue.

D = the dividend due but not yet paid on the existing underlying Securities (except those to be issued under the Rights Issue).

N = the number of Securities with rights or entitlements that must be held to receive the right to one new Security; or

(b) in the case of a Bonus Issue, the Board may increase the number of WMC Resources Shares the subject of a WMC Resources Option by the number of Bonus WMC Resources Shares that would have been issued if the WMC Resources Option had been exercised prior to the books closing date for the Bonus Issue.

WMC Resources Option holders will not be permitted to participate in new issues of Securities except by exercising the WMC Resources Options as provided above.

6.2 In the event of a reorganisation of the capital of WMC Resources, the number of WMC Resources Options or the Exercise Price of the WMC Resources Options or both to which each holder is entitled will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

6.3 WMC Resources will notify each holder of WMC Resources Options and ASX, within one month after the books closing date of a Bonus Issue or Rights Issue, of the adjustment to the number of WMC Resources Shares over which each WMC Resources Option exists and of any adjustment to the Exercise Price applicable to each WMC Resources Option.

7. Limit on Number of Plan Shares

At any time, the aggregate of:

(a) the number of Plan Shares; and

(b) the number of Other Plan Shares,

will not exceed the Prescribed Percentage of the total number of issued ordinary shares in the capital of WMC Resources immediately prior to the relevant allotment.

8. Rights of Holders

8.1 Holders of WMC Resources Options will be entitled to receive all information forwarded to shareholders generally, but will not have any right to attend any general meeting of WMC Resources or vote at a general meeting.

8.2 WMC Resources Options will be registered in the name of the relevant Recipient.

8.3 Holders of WMC Resources Options may not transfer, mortgage, pledge or otherwise encumber WMC Resources Options, except with the permission of the Board.

8.4 The Plan Secretary will provide annually to holders of WMC Resources Options written confirmation of the number of WMC Resources Options held by that holder.

9. Powers of the Board

The Plan will be administered by the Board which will have the power to:

(a) determine appropriate procedures for administration of the Plan consistent with the Terms and Conditions;

(b) resolve conclusively all questions of fact or interpretation in connection with the Plan;

(c) delegate to any one or more persons, for such period and upon such conditions as the Board may determine, the exercise of any of their powers or discretions arising under the Plan;

(d) provide loans or other financial assistance to holders of WMC Resources Options for the purpose of assisting the holders to exercise WMC Resources Options; and

(e) terminate the Plan.

10. Modification

The Terms and Conditions may be modified, extended or suspended by the Board at any time provided that:

(a) no alteration will be made which prejudices any accrued right attaching to WMC Resources Options unless it is either made in accordance with the Corporations Act or with the written consent of the holders of WMC Resources Options;

(b) any alteration of the following matters will require the approval of the shareholders of WMC Resources by special resolution:

(i) an increase in the Prescribed Percentage;

(ii) any change to the basis of calculating the Exercise Price applicable to any WMC Resources Options which makes it more favourable to holders of WMC Resources Options; and

(c) after a WMC Resources Option has been granted, the Board may not alter any of the terms relating to the WMC Resources Option without the approval of the shareholders of WMC Resources by special resolution.

11. Right to Provide Information

WMC Resources has the right to provide such information on any Recipient's participation in the Plan to government taxation offices as such offices require.

12. No Inclusion in Contract of Employment

The Terms and Conditions do not form part of any contract of employment of any Recipient or of any employee of a company comprised in the WMC Resources Group of the WMC Limited Group and will not confer on any person any legal, equitable or other right whatsoever to call for or require any invitation to apply for WMC Resources Options.

13. Governing Law

These Terms and Conditions and the subject matter thereof will be governed by and construed in accordance with the laws in force in the State of [illegible] from time to time and WMC Resources and the Recipients hereby submit to the non-exclusive jurisdiction of the courts of that State and all courts of appeal therefrom.

WMC LIMITED
ABN 85 004 820 419

REGISTERED OFFICE:
LEVEL 16, 60 CITY ROAD
SOUTHBANK VICTORIA
AUSTRALIA 3006

Notice of court ordered meeting of holders of fully paid ordinary shares in WMC Limited

Notice is hereby given that, by an Order of the Supreme Court of Victoria (the **Court**) made on 28 October 2002 pursuant to section 411(1) of the *Corporations Act 2001* (Cth), the Court has directed that a meeting of the holders of fully paid ordinary shares in WMC Limited (the **Company**) be held at the Carlton Crest Hotel, 65 Queens Road, Melbourne, Australia on 29 November 2002 at 10.30 am (Melbourne time).

The Court has also directed that Mr Ian G R Burgess or, failing him, Mr Tommie C-E Bergman act as chairman of the meeting.

Purpose of meeting

The purpose of the meeting is to consider and, if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between the Company and the holders of its fully paid ordinary shares (the **Share Scheme**).

A copy of the Share Scheme and a copy of the Explanatory Statement required by section 412 of the *Corporations Act 2001* (Cth) in relation to the Share Scheme are contained in the Scheme Booklet of which this Notice forms part.

Resolution

The meeting will be asked to consider and, if thought fit, to pass the following resolution:

> That, pursuant to section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed to be entered into between the Company and the holders of its fully paid ordinary shares, as more particularly described in the Scheme of Arrangement which is contained in the booklet of which the Notice convening this meeting forms part, is agreed to (with or without modification as approved by the Supreme Court of Victoria).

Required voting majority

The resolution to approve the Share Scheme must be approved by a majority in number of the holders of fully paid ordinary shares in the Company present and voting (whether in person or by corporate representative, proxy or attorney), being a majority whose fully paid ordinary shares in aggregate are at least 75 per cent of the total of all fully paid ordinary shares voted at the meeting.

Court approval

In accordance with section 411(4)(b) of the *Corporations Act 2001* (Cth), the Share Scheme (with or without modification) is subject to the approval of the Court. If the resolution to be proposed at the meeting the subject of this Notice is passed by the requisite majority, and the Capital Reduction Resolution and the Ancillary Demerger Resolutions (as each term is defined in the Share Scheme) are approved by the requisite majorities at the general meeting of members of the Company to be held on the same day as the meeting the subject of this Notice, the Company intends to apply to the Court for the necessary orders to give effect to the Share Scheme.

PETER J HORTON
Company Secretary
Melbourne, Australia
Dated 28 October 2002

Voting notes

Entitlement to vote

In accordance with regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Court has ordered, and the Company has determined, that for the purposes of the meeting, all fully paid ordinary shares in the Company will be taken to be held by the persons who held them as registered members at 7.00 pm (Melbourne time) on 27 November 2002 (the **Entitlement Time**).

All holders of fully paid ordinary shares in the Company at the Entitlement Time are entitled to vote at the meeting.

Voting

Members entitled to vote at the meeting can vote in any of the following ways:

- by attending the meeting and voting in person or, in the case of corporate shareholders, by corporate representative; or
- by appointing an attorney to attend and vote on their behalf; or
- by appointing a proxy to attend and vote on their behalf, using the blue proxy form accompanying the Scheme Booklet of which this Notice forms part.

Voting in person or by corporate representative

Members entitled to vote who plan to attend the meeting are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that the Company may check their shareholding against the Company's share register and note attendances.

In order to vote in person at the meeting, a corporation which is a member may appoint an individual to act as its representative. The appointment must comply with the requirements of section 250D of the *Corporations Act 2001* (Cth), meaning that the Company will require a Certificate of Appointment of Corporate Representative executed in accordance with the *Corporations Act 2001* (Cth). The Certificate must be lodged with the Company before the meeting or at the registration desk on the day of the meeting. The Certificate will be retained by the Company.

If a Certificate is completed by an individual or a corporation under Power of Attorney, the Power of Attorney under which the Certificate is signed, or a certified copy of that Power of Attorney, must accompany the completed Certificate unless the Power of Attorney has previously been noted by the Company.

Voting by attorney

A member entitled to attend and vote at the meeting is entitled to appoint an attorney to attend the meeting on the member's behalf. Each attorney will have the right to vote on a poll and also to speak at the meeting.

An attorney need not be a member of the Company.

The Power of Attorney appointing the attorney must be duly executed and specify the name of each of the member, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the Power of Attorney must also be received by the Company or the Share Registry in the same manner, and by the same time, as outlined below for proxy forms.

Voting by proxy

A member entitled to attend and vote at the meeting is entitled to appoint one or two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.

A proxy need not be a member of the Company.

A member wishing to appoint a proxy should use the blue form provided. If a member wishes to appoint two proxies, a request should be made to the Company's Share Registry for an additional blue proxy form. Replacement blue proxy forms can also be requested from the Share Registry.

Where two proxies are appointed, neither proxy may vote on a show of hands and each proxy should be appointed to represent a specified proportion of the member's voting rights. If the proxy appointments do not specify the proportion of the member's voting rights that each proxy may exercise, each proxy may exercise half of the member's votes.

If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as that person thinks fit.

If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the member's behalf on a show of hands or on a poll, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

Members who return their proxy forms but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with the directions on the proxy form. Proxy appointments in favour of the chairman of the meeting or any director or the secretary of the Company which do not contain a direction will be used to vote in favour of the resolution to be proposed at the meeting.

Completed proxy forms can be returned using the return addressed envelope provided with the Scheme Booklet of which this Notice forms part.

To be effective, proxy forms must be received, by post or by facsimile, at either the registered office of the Company, or at the Company's Share Registry at:

WMC Share Registry
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia

Facsimile: +61 (0)3 9473 2555

by 11.30 am (Melbourne time) on 27 November 2002. Proxy forms received after this time will be invalid.

The instrument appointing a proxy is required to be in writing under the hand of the appointor or of that person's attorney and, if the appointor is a corporation, in accordance with the *Corporations Act 2001* (Cth) or under the hand of an authorised officer or attorney. Where two or more persons are registered as a member, each person must sign the proxy form.

If a proxy form is completed by an individual or a corporation under Power of Attorney, the Power of Attorney under which the form is signed, or a certified copy of that Power of Attorney, must accompany the completed proxy form unless the Power of Attorney has previously been noted by the Company.

WMC LIMITED
ABN 85 004 820 419

REGISTERED OFFICE:
LEVEL 16, 60 CITY ROAD
SOUTHBANK VICTORIA
AUSTRALIA 3006

Notice of general meeting

Notice is hereby given that a general meeting of the members of WMC Limited (the **Company**) will be held at the Carlton Crest Hotel, 65 Queens Road, Melbourne, Australia on 29 November 2002 at 11.00 am (Melbourne time), or as soon after that time as the meeting of holders of fully paid ordinary shares in the Company convened by Order of the Supreme Court of Victoria on that day has concluded or been adjourned.

Business of the meeting

1. Reduction of capital

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, pursuant to section 256C(1) of the *Corporations Act 2001* (Cth), subject to and conditional on:

(a) the scheme of arrangement proposed to be entered into between the Company and the holders of its fully paid ordinary shares, and to be considered at a meeting of holders of its fully paid ordinary shares this day (the **Share Scheme**), being approved by the Supreme Court of Victoria (with or without modification); and

(b) an office copy of the Order of the Supreme Court of Victoria approving the Share Scheme being lodged with the Australian Securities and Investments Commission,

the following reduction of the share capital of the Company is approved, namely, the reduction on the Demerger Date (as defined in the Share Scheme) by an amount of A$2.78 for each Scheme Share (as defined in the Share Scheme) on issue at the Share Scheme Record Date (as defined in the Share Scheme), with the reduction being effected and satisfied by appropriating such amount to or for the benefit of the Scheme Shareholder (as defined in the Share Scheme) who is the registered holder of that Scheme Share at the Share Scheme Record Date, and otherwise in accordance with the Share Scheme.

2. Election of director – Mr Andrew G Michelmore

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, having retired in accordance with Rule 78 of the Constitution of the Company and, being eligible, having offered himself for election, Mr Andrew G Michelmore is elected as a director of the Company.

3. Amendment of Constitution – Number of directors

To consider and, if thought fit, to pass the following resolution as a special resolution:

That, pursuant to section 136(2) of the *Corporations Act 2001* (Cth), subject to and conditional on:

(a) the Share Scheme (as defined in Resolution 1 in this Notice) being approved by the Supreme Court of Victoria (with or without modification); and

(b) an office copy of the Order of the Supreme Court of Victoria approving the Share Scheme being lodged with the Australian Securities and Investments Commission,

the Constitution of the Company is amended by deleting the first sentence of Rule 76 and substituting the following:

Subject to the next succeeding Rule, the number of Directors (not including Alternate Directors) is required to be the number, not being less than three nor more than twelve, which the Directors may from time to time determine provided that the Directors may not reduce the number below the number of Directors in office at the time of the reduction.

WMC LIMITED
ABN 85 004 820 419

**REGISTERED OFFICE:
LEVEL 16, 60 CITY ROAD
SOUTHBANK VICTORIA
AUSTRALIA 3006**

4. Election of directors – New Alumina Limited Directors

To consider and, if thought fit, to pass each of the following resolutions as ordinary resolutions:

In each case subject to and conditional on:

(a) the Share Scheme (as defined in Resolution 1 in this Notice) being approved by the Supreme Court of Victoria (with or without modification);

(b) an office copy of the Order of the Supreme Court of Victoria approving the Share Scheme being lodged with the Australian Securities and Investments Commission; and

(c) in the case of four or more of resolutions (i) to (v) below being approved, the approval of Resolution 3 in this Notice,

that the following persons are elected as directors of the Company, with effect on and from 12.00 pm on the Demerger Date (as defined in the Share Scheme):

(i) Mr Donald M Morley
(ii) Mr John Marlay
(iii) Mr Peter A F Hay
(iv) Mr Ronald J McNeilly
(v) Mr Mark R Rayner.

5. Change of name

To consider and, if thought fit, to pass the following resolution as a special resolution:

That, pursuant to section 157(1) of the *Corporations Act 2001* (Cth), subject to and conditional on:

(a) the Share Scheme (as defined in Resolution 1 in this Notice) being approved by the Supreme Court of Victoria (with or without modification); and

(b) an office copy of the Order of the Supreme Court of Victoria approving the Share Scheme being lodged with the Australian Securities and Investments Commission,

the change of name of the Company to 'Alumina Limited' is approved.

6. Amendment of Constitution – Proportional takeover approval rule

To consider and, if thought fit, to pass the following resolution as a special resolution:

That, pursuant to sections 136(2) and 648G of the *Corporations Act 2001* (Cth), the Constitution of the Company is amended by inserting a new Rule 139 in the form set out in the explanatory notes to this Notice.

7. Director's Deeds

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That the entry into (by execution under seal), and performance of, deeds by each of the Company and WMC Resources Ltd in favour of each current director of the Company, with the effect described in the explanatory notes to this Notice, is approved.

8. Amendment of WMC Option Plans

To consider and, if thought fit, to pass the following resolution as a special resolution:

That, in accordance with Rule 12(c) of the terms and conditions of each of the 1997, 1998, 1999, 2000, 2001 and May 2002 Option Plans (each an **Option Plan**) promulgated pursuant to the WMC Employee Share Scheme adopted at the Annual General Meeting of the Company held on 12 November 1987 and amended at the Annual General Meeting of the Company held on 19 April 2000, and subject to and conditional on:

(a) the Share Scheme (as defined in Resolution 1 in this Notice) being approved by the Supreme Court of Victoria (with or without modification);

(b) the scheme of arrangement proposed to be entered into between the Company and the holders of options to subscribe for fully paid ordinary shares in the Company, and to be considered at a meeting of holders of options to subscribe for fully paid ordinary shares in the Company this day (the **Option Scheme**), being approved by the Supreme Court of Victoria (with or without modification); and

(c) an office copy of the Orders of the Supreme Court of Victoria approving the Share Scheme and the Option Scheme, respectively, being lodged with the Australian Securities and Investments Commission,

the amendment of each Option Plan (and thereby the terms and conditions of each outstanding option under that Option Plan) in the manner set out in Schedule 2 to the Option Scheme, and otherwise as contemplated by the Option Scheme, is approved.

By Order of the Board

PETER J HORTON

Company Secretary

Melbourne, Australia

Dated 28 October 2002

Voting notes

Entitlement to vote

In accordance with regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Company has determined that, for the purposes of the meeting, all shares in the Company will be taken to be held by the persons who held them as registered members at 7.00 pm (Melbourne time) on 27 November 2002 (the **Entitlement Time**).

All holders of ordinary shares in the Company at the Entitlement Time are entitled to vote at the meeting.

Voting

Members entitled to vote at the meeting can vote in any of the following ways:

- by attending the meeting and voting in person or, in the case of corporate shareholders, by corporate representative; or
- by appointing an attorney to attend and vote on their behalf; or
- by appointing a proxy to attend and vote on their behalf, using the blue proxy form accompanying the Scheme Booklet of which this Notice forms part.

Voting in person or by corporate representative

Members entitled to vote who plan to attend the meeting are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that the Company may check their shareholding against the Company's share register and note attendances.

In order to vote in person at the meeting, a corporation which is a member may appoint an individual to act as its representative. The appointment must comply with the requirements of section 250D of the *Corporations Act 2001* (Cth), meaning that the Company will require a Certificate of Appointment of Corporate Representative executed in accordance with the *Corporations Act 2001* (Cth). The Certificate must be lodged with the Company before the meeting or at the registration desk on the day of the meeting. The Certificate will be retained by the Company.

If a Certificate is completed by an individual or a corporation under Power of Attorney, the Power of Attorney under which the Certificate is signed, or a certified copy of that Power of Attorney, must accompany the completed Certificate unless the Power of Attorney has previously been noted by the Company.

Voting by attorney

A member entitled to attend and vote at the meeting is entitled to appoint an attorney to attend the meeting on the member's behalf. Each attorney will have the right to vote on a poll and also to speak at the meeting.

An attorney need not be a member of the Company.

The Power of Attorney appointing the attorney must be duly executed and specify the name of each of the member, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the Power of Attorney must also be received by the Company or the Share Registry in the same manner, and by the same time, as outlined below for proxy forms.

Voting by proxy

A member entitled to attend and vote at the meeting is entitled to appoint one or two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.

A proxy need not be a member of the Company.

A member wishing to appoint a proxy should use the blue form provided. If a member wishes to appoint two proxies, a request should be made to the Company's Share Registry for an additional blue proxy form. Replacement blue proxy forms can also be requested from the Share Registry.

Where two proxies are appointed, neither proxy may vote on a show of hands and each proxy should be appointed to represent a specified proportion of the member's voting rights. If the proxy appointments do not specify the proportion of the member's voting rights that each proxy may exercise, each proxy may exercise half of the member's votes.

If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as that person thinks fit.

If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the member's behalf on a show of hands or on a poll, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

Members who return their proxy forms but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with the directions on the proxy form. Proxy appointments in favour of the chairman of the meeting or any director or the secretary of the Company which do not contain a direction will be used to vote in favour of the resolutions to be proposed at the meeting.

Completed proxy forms can be returned using the return addressed envelope provided with the Scheme Booklet of which this Notice forms part.

To be effective, proxy forms must be received, by post or by facsimile, at either the registered office of the Company, or at the Company's Share Registry at:

WMC Share Registry
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia

Facsimile +61 (0)3 9473 2555

by 11.30 am (Melbourne time) on 27 November 2002. Proxy forms received after this time will be invalid.

The instrument appointing a proxy is required to be in writing under the hand of the appointor or of that person's attorney and, if the appointor is a corporation, in accordance with the *Corporations Act 2001* (Cth) or under the hand of an authorised officer or attorney. Where two or more persons are registered as a member, each person must sign the proxy form.

If a proxy form is completed by an individual or a corporation under Power of Attorney, the Power of Attorney under which the form is signed, or a certified copy of that Power of Attorney, must accompany the completed proxy form unless the Power of Attorney has previously been noted by the Company.

Explanatory notes for the meeting

Terms used in these explanatory notes have the same meanings as set out in the Glossary of terms in the Scheme Booklet of which this Notice forms part.

Conditional nature of certain resolutions
Some of the resolutions being put to WMC Shareholders for approval at the General Meeting are being proposed in connection with the Share Scheme and are, as a result, conditional on the approval of other resolutions, or on the Share Scheme becoming effective. Similarly, the Share Scheme depends on certain of the resolutions being approved by the requisite majorities of WMC Shareholders present and voting at the General Meeting (in person or by proxy).

For the Share Scheme to become effective, certain conditions need to be satisfied, including the approval of Resolution 1 (the Capital Reduction Resolution) and Resolutions 5 and 7 (the Ancillary Demerger Resolutions) by the requisite majorities of WMC Shareholders present and voting at the General Meeting (whether in person or by corporate representative, proxy or attorney).

Resolutions 1, 3, 4(i) to (v), 5 and 8 (the WMC Option Plan Resolution) will not come into effect unless and until the Share Scheme becomes effective. Resolution 8 also depends on the Option Scheme becoming effective. The Option Scheme depends on the approval of Resolution 8 and also depends on the Share Scheme becoming effective.

If four or more of Resolutions 4(i) to (v) are approved, they will not come into effect unless Resolution 3 is also approved.

Resolutions 2, 6 and 7 are not conditional on the approval of any of the other resolutions to be considered by WMC Shareholders at the General Meeting or on the Share Scheme becoming effective.

1. Reduction of capital
An ordinary resolution is being put to WMC Shareholders to obtain approval under section 256C of the Corporations Act to an equal reduction in WMC's share capital, under section 256B of the Corporations Act, by an amount of A$2.78 for each Scheme Share on issue at the Share Scheme Record Date.

The impact, financial and otherwise, on WMC and WMC Shareholders if the Capital Reduction Resolution is passed, together with all other factors which are material to the making of a decision by WMC Shareholders whether to approve the Capital Reduction Resolution, are as described in the Scheme Booklet.

If the Capital Reduction Resolution is approved by the requisite majority of WMC Shareholders present and voting at the General Meeting (whether in person or by corporate representative, proxy or attorney), it will take effect on the Demerger Date (provided that the Share Scheme is approved by the requisite majority of WMC Shareholders and by the Court and all other conditions relating to the Share Scheme are satisfied).

The WMC Directors consider that the Capital Reduction, to be effected as part of the Demerger, is fair and reasonable to WMC Shareholders as a whole and does not materially prejudice WMC's ability to pay its creditors. Each WMC Director intends to vote all WMC Shares controlled by the WMC Director in favour of the Capital Reduction Resolution.

2. Election of director - Mr Andrew G Michelmore
An ordinary resolution is being put to WMC Shareholders to elect Mr Andrew G Michelmore as a director of WMC. Mr Michelmore was appointed to the WMC Board on 13 August 2002 and it is intended that he will assume the role of Chief Executive Officer and Managing Director of

WMC (or WMC Resources, if the Demerger is first implemented) upon the retirement of Mr Hugh M Morgan in January 2003.

Having been first appointed by the WMC Directors Mr Michelmore, in accordance with Rule 78 of the Constitution of WMC, retires and, being eligible, offers himself for election. The personal particulars of Mr Michelmore are set out in the Scheme Booklet.

Each current WMC Director (other than Mr Michelmore who, being interested in the outcome of the proposed resolution, has chosen not to make a recommendation to WMC Shareholders) recommends that WMC Shareholders vote in favour of the proposed resolution, and intends to vote all WMC Shares controlled by the WMC Director in favour of the proposed resolution.

3. Amendment of Constitution – Number of directors

A special resolution is being put to WMC Shareholders to obtain approval under section 136(2) of the Corporations Act to an amendment of the Constitution of WMC. The effect of the amendment will be to lower the minimum number of members of the WMC Board from six to three.

The proposal for lowering the stipulation in the Constitution regarding the minimum number of WMC Directors is a consequence of the fact that, upon implementation of the Demerger, it is intended that the WMC Board will consist of only five persons. As a result, the current minimum of six will be too high. In determining a suitable replacement minimum number, the WMC Directors considered it appropriate that some flexibility be built into the Constitution to allow the size of the WMC Board to be reduced further in the future (down to the statutory minimum of three for public companies) should that be considered appropriate, or become necessary for an interim period (for example, as a result of the death or resignation of a WMC Director).

Each WMC Director recommends that WMC Shareholders vote in favour of the proposed resolution, and intends to vote all WMC Shares controlled by the WMC Director in favour of the proposed resolution.

4. Election of directors – New Alumina Limited Directors

Five ordinary resolutions are being put to WMC Shareholders to elect new directors to the WMC Board. These five new directors are intended to constitute the WMC Board following implementation of the Demerger. The personal particulars of Mr Donald M Morley, Mr John Marlay, Mr Peter A F Hay, Mr Ronald J McNeilly and Mr Mark R Rayner are set out in the Scheme Booklet.

Each current WMC Director recommends that WMC Shareholders vote in favour of the proposed resolutions, and intends to vote all WMC Shares controlled by the WMC Director in favour of the proposed resolutions.

5. Change of name

A special resolution is being put to WMC Shareholders to obtain approval under section 157(1) of the Corporations Act to the change of name of WMC to 'Alumina Limited'. This change of name will reflect the change in focus of WMC's activities as a result of, and will allow WMC Resources to continue to utilise the 'WMC' name following, the implementation of the Demerger.

Each WMC Director recommends that WMC Shareholders vote in favour of the proposed resolution, and intends to vote all WMC Shares controlled by the WMC Director in favour of the proposed resolution.

6. Amendment of Constitution – Proportional takeover approval rule

A special resolution is being put to WMC Shareholders to obtain approval under section 136(2) of the Corporations Act to an amendment of the Constitution. The effect of the amendment will be to insert a new Rule 139 into the Constitution, in the following terms:

Approval of partial takeover bids

139. **Partial takeover bids**

(a) Where offers have been made under a proportional takeover bid for securities of the Company the registration of a transfer giving effect to a takeover contract relating to the takeover bid is prohibited unless and until a resolution (in this Rule referred to as an 'Approving Resolution') to approve the takeover bid is passed in accordance with the provisions of this Rule 139.

(b) Where offers have been made under a proportional takeover bid for securities of the Company:

(i) a person (other than the bidder or an associate of the bidder) who, as at the end of the day on which the first offer under the takeover bid was made, held bid class securities, is entitled to vote on the Approving Resolution; and

(ii) the bidder or an associate of the bidder is not entitled to vote on an Approving Resolution.

(c) An Approving Resolution shall be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the Approving Resolution.

(d) The provisions of this Constitution that apply in relation to a general meeting of the Company shall, with such modifications as the circumstances require, apply in relation to a meeting that is convened to vote on an Approving Resolution and shall so apply as if such a meeting were a general meeting of the Company.

(e) An Approving Resolution that has been voted on in accordance with this Rule 139 shall be taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one-half, and otherwise shall be taken to have been rejected.

(f) This Rule 139 ceases to have effect on the third anniversary of the date of the adoption or last renewal of this Rule 139.

Until recently, the Constitution of WMC included a provision in substantially similar terms to the proposed new Rule 139. However, that provision was, by force of the Corporations Act, omitted from the Constitution on 15 April 2002, having not been renewed by WMC Shareholders within three years after its initial approval. In those circumstances, the WMC Board considers it appropriate to provide to WMC Shareholders the opportunity of effectively reinstating that provision.

If approved, the new Rule 139 would operate for three years from the date of the meeting (subject to being renewed).

The effect of the new Rule 139 will be that where a proportional takeover bid is made for securities in WMC (ie a bid for a specified proportion, but not all, of each holder's bid class securities), the WMC Directors must convene a meeting of WMC Shareholders to vote on a resolution to approve the proportional takeover bid. The meeting must be held, and the resolution voted on, at least 15 days before the close of the bid. The resolution must be approved by a majority of votes at the meeting, excluding votes by the bidder and its associates.

The Corporations Act stipulates that if the meeting is not held within the time required the resolution approving the proportional takeover bid is deemed to have been passed. If the resolution is passed or deemed to be passed, the relevant transfer of shares can be registered in accordance with the Corporations Act.

If the resolution is rejected, the registration of any transfer of shares resulting from the proportional takeover bid will be prohibited and the bid deemed to be withdrawn.

The new Rule 139 will not apply to full takeover bids.

The WMC Directors consider that WMC Shareholders should have the opportunity to vote on a proposed proportional takeover bid. A proportional takeover bid for WMC may enable control of WMC to be acquired by a party holding less than a majority interest. As a result, WMC Shareholders may not have the opportunity to dispose of all their securities, and risk being part of a minority interest in WMC or suffering loss if the takeover bid causes a decrease in the market price of the securities or makes the securities less attractive and, accordingly, more difficult to sell.

The new Rule 139 will allow the WMC Directors to formally ascertain the views of WMC Shareholders in respect of a proportional takeover bid. WMC Shareholders will have an opportunity to study any proportional takeover bid and to decide whether to accept a bid that may effect a change of control in WMC at a meeting called specifically to vote on the proposal. Accordingly, a majority of WMC Shareholders will be able to control the terms of any successful bid and the rejection of bids will encourage future proportional takeover bids to be in terms acceptable to the majority of WMC Shareholders.

On the other hand, proportional takeover bids may be discouraged by the further procedural steps that the new Rule 139 will entail and, accordingly, this may reduce any takeover speculation element in the price of WMC's securities. WMC Shareholders may be denied an opportunity to sell a portion of their securities at an attractive price where the majority rejects an offer from persons seeking control of WMC.

There are no advantages or disadvantages specific to the WMC Directors in relation to the proposed new Rule 139.

As at the date of preparation of these explanatory notes, the WMC Directors are not aware of any proposal by a person to acquire, or to increase the extent of, a substantial interest in WMC.

If the proposed resolution is passed, the new Rule 139 will continue to apply to WMC (as Alumina Limited) after the Demerger, in accordance with its terms.

Each WMC Director recommends that WMC Shareholders vote in favour of the proposed resolution and intends to vote all WMC Shares controlled by the WMC Director in favour of the proposed resolution.

7. Director's Deeds

An ordinary resolution is being put to WMC Shareholders to obtain approval for the entry into, and performance of, deeds by:

(a) WMC in favour of each current WMC Director, providing for certain terms of office of those WMC Directors; and

(b) WMC Resources in favour of each current WMC Director, providing for certain terms of office of those WMC Directors as directors of WMC Resources.

Each deed to be executed by WMC (a **WMC Director's Deed**) will impose on WMC an obligation to indemnify the relevant WMC Director (**Recipient**) in respect of any liability incurred by the Recipient in or arising out of the conduct of the business of WMC or any subsidiary of WMC, or any act or omission of the Recipient as a director of WMC or as a director or officer of any subsidiary of WMC. Liability relating to the Recipient's involvement in, or conduct in connection with, the Demerger will be specifically included.

The indemnity obligation will not, however, cover any liability in respect of which an indemnity is prohibited under the Corporations Act or any other law (such as in the case of bad faith conduct or conduct involving a breach of duties to WMC), or to the extent that the Recipient is otherwise indemnified (for example, under an insurance policy or by another company other than WMC Resources).

Each WMC Director's Deed will also require:

(a) WMC to provide cash advances to the Recipient to cover any costs associated with the defence of any proceeding that may result in a claim under the indemnity, such advances to be repaid once the actual amount liable to be indemnified is ascertained;

(b) the Recipient to promptly notify WMC of any circumstances that may lead to a claim under the indemnity, and to take such action as WMC reasonably requests, at WMC's expense, to mitigate any consequent liability; and

(c) the Recipient to provide all reasonable assistance and co-operation, at WMC's expense, to WMC and its insurers in connection with any proceeding that may lead to a claim under the indemnity, and to subrogate WMC and its insurers to the Recipient's rights in relation to the proceeding (subject to WMC not being in material breach of the WMC Director's Deed and to such subrogation not prejudicing any rights the Recipient may have in relation to defamation by a third party).

The indemnity will continue after the relevant Recipient ceases to hold office with WMC.

Each WMC Director's Deed will also oblige WMC to maintain normal director's and officer's insurance policies for the benefit of the Recipient in relation to liability of the type referred to above. That obligation will apply both during the term of office of the Recipient, and for at least 15 years after the Recipient ceases to be a director (for Demerger-related liability, the insurance must be maintained for at least 15 years after the Demerger Date). For the period after the Recipient leaves office, WMC will be required to use best endeavours to ensure that the terms of the insurance policy are, taken as a whole, not less favourable than the terms applicable at the time the Recipient left office.

The WMC Director's Deed will also grant to the Recipient, during the term of office of the Recipient and for at least 15 years after the Recipient ceases to be a director (or, in the case of Demerger-related documents, 15 years after the Demerger Date), access to company documents (including WMC Board papers) relating to their period as a director of WMC. The purpose of such access being available is limited to defending or appearing before any proceeding or a governmental inquiry in relation to any act or omission of the Recipient as a director of WMC or as a director or officer of any subsidiary of WMC, or in relation to the Recipient's involvement in the Demerger. The intent of this limited access right is to relieve directors from the burden of retaining copies of all relevant company documents (in particular WMC Board papers) provided to them during their term in office.

Each deed to be executed by WMC Resources (a **WMC Resources Director's Deed**) will be in substantially similar terms to the WMC Director's Deed, except that it will apply only in relation to liability incurred by the Recipient in or arising out of the conduct of the business of WMC Resources or any subsidiary of WMC Resources, or any act or omission of the Recipient as a director of WMC Resources or as a director or officer of any subsidiary of WMC Resources. Again, liability relating to the Recipient's involvement in, or conduct in connection with, the Demerger will be specifically included (provided that such liability arises out of the Recipient's acting in their capacity as a director of WMC Resources or as a director or officer of a subsidiary of WMC Resources).

Similar exclusions will apply as under the WMC Director's Deeds. In particular, liability will not be covered by the WMC Resources Director's Deed to the extent that the Recipient is otherwise indemnified. The intent is that, to the extent that a Recipient incurs liability as a director of WMC Resources or as a director or officer of any of its subsidiaries prior to the Demerger, or arising out of the Demerger itself, their primary recourse should be against WMC under its indemnity. The WMC Resources Director's Deeds are primarily intended to provide coverage to the Recipients in their capacity as directors of WMC Resources or as directors or officers of any of its subsidiaries after the Demerger is implemented, and in the course of the conduct of the relevant businesses after that time.

Each of the WMC Director's Deed and the WMC Resources Director's Deed is of a type that is now common for listed companies. Accordingly, it is the WMC Board's view that it is appropriate in the circumstances of WMC and WMC Resources. A copy of the proposed form of each of the WMC Director's Deed and the WMC Resources Director's Deed can be inspected in accordance with the procedure set out in the Scheme Booklet.

8. Amendment of WMC Option Plans

A special resolution is being put to WMC Shareholders to obtain approval for the amendment of certain terms of the WMC Option Plans. The purpose of the amendments is to facilitate the implementation of the Option Scheme.

Under the terms of each WMC Option Plan, after a WMC Option has been granted, the WMC Board may not alter the terms relating to the WMC Option without the approval of WMC Shareholders by special resolution. As described in more detail in the Scheme Booklet, under the Option Scheme it is proposed that the terms of each WMC Option Plan be amended to reflect the impact on WMC of the Demerger, by reducing the exercise price of the WMC Options and preventing their lapse as a consequence of the Demerger.

Each WMC Director recommends that WMC Shareholders vote in favour of the WMC Option Plan Resolution, and intends to vote all WMC Shares controlled by the WMC Director in favour of the WMC Option Plan Resolution.

WMC LIMITED
ABN 85 004 820 419

REGISTERED OFFICE:
LEVEL 16, 60 CITY ROAD
SOUTHBANK VICTORIA
AUSTRALIA 3006

Notice of court ordered meeting of holders of options to subscribe for fully paid ordinary shares in WMC Limited

Notice is hereby given that, by an Order of the Supreme Court of Victoria (the **Court**) made on 28 October 2002 pursuant to section 411(1) of the *Corporations Act 2001* (Cth), the Court has directed that a meeting of the holders of options to subscribe for fully paid ordinary shares in WMC Limited (the **Company**) be held at the Carlton Crest Hotel, 65 Queens Road, Melbourne, Australia on 29 November 2002 at 11.30 am (Melbourne time), or as soon after that time as the general meeting of members of the Company on that day has concluded or been adjourned.

The Court has also directed that Mr Ian G R Burgess or, failing him, Mr Tommie C-E Bergman act as chairman of the meeting.

Purpose of meeting

The purpose of the meeting is to consider and, if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between the Company and the holders of options (**Options**) to subscribe for fully paid ordinary shares in the Company (the **Option Scheme**).

A copy of the Option Scheme and a copy of the Explanatory Statement required by section 412 of the *Corporations Act 2001* (Cth) in relation to the Option Scheme are contained in the Scheme Booklet of which this Notice forms part.

Resolution

The meeting will be asked to consider and, if thought fit, to pass the following resolution:

> That, pursuant to section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed to be entered into between the Company and the holders of options to subscribe for fully paid ordinary shares in the Company, as more particularly described in the Scheme of Arrangement which is contained in the booklet of which the Notice convening this meeting forms part, is agreed to (with or without modification as approved by the Supreme Court of Victoria).

Required voting majority

The resolution to approve the Option Scheme must be approved by a majority in number of the holders of Options present and voting (whether in person or by proxy), being a majority whose Options in aggregate are at least 75 per cent of the debts and claims of all holders of Options present and voting (whether in person or by proxy).

Court approval

In accordance with section 411(4)(b) of the *Corporations Act 2001* (Cth), the Option Scheme (with or without modification) is subject to the approval of the Court. If the resolution to be proposed at the meeting the subject of this Notice is passed by the requisite majority, the Share Scheme (as defined in the Option Scheme) is approved by the requisite majority at a meeting of holders of fully paid ordinary shares in the Company to be held on the same day as the meeting the subject of this Notice, and the Capital Reduction Resolution and the Ancillary Demerger Resolutions (as each term is defined in the Share Scheme) and the WMC Option Plan Resolution (as defined in the Option Scheme) are approved by the requisite majorities at the general meeting of members of the Company to be held on the same day as the meeting the subject of this Notice, the Company intends to apply to the Court for the necessary orders to give effect to the Option Scheme.

PETER J HORTON
Company Secretary
Melbourne, Australia
Dated 28 October 2002

Voting notes

Entitlement to vote

The Court has ordered, and the Company has determined, that for the purposes of the meeting all Options will be taken to be held by the persons who held them as registered holders at 7.00 pm (Melbourne time) on 27 November 2002 (the **Entitlement Time**).

All holders of Options at the Entitlement Time are entitled to vote at the meeting.

Voting

Holders of Options entitled to vote at the meeting can vote in either of two ways:

- by attending the meeting and voting in person; or
- by appointing a proxy to attend and vote on their behalf, using the gold proxy form accompanying the Scheme Booklet of which this Notice forms part.

Voting in person

Holders of Options entitled to vote who plan to attend the meeting are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that the Company may check their holding against the Company's register of options and note attendances.

Voting by proxy

A holder of Options entitled to attend and vote at the meeting is entitled to appoint one proxy. The proxy will have the right to vote on a poll and also to speak at the meeting.

The proxy need not be a member of the Company or a holder of Options.

A holder of Options wishing to appoint a proxy should use the gold form provided. If a holder wishes to appoint two proxies, a request should be made to the Company's Share Registry for an additional gold proxy form. Replacement gold proxy forms can be requested from the Company's Share Registry.

Where two proxies are appointed, neither proxy may vote on a show of hands and each proxy should be appointed to represent a specified proportion of the holder's voting rights. If the proxy appointments do not specify the proportion of the holder's voting rights that each proxy may exercise, each proxy may exercise half of the holder's votes.

If the proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as that person thinks fit.

If the proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the holder's behalf on a show of hands or on a poll, and the Options the subject of the proxy appointment will not be counted in computing the required majority.

Holders of Options who return their proxy forms but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with the directions on the proxy form. Proxy appointments in favour of the chairman of the meeting or any director or the secretary of the Company which do not contain a direction will be used to vote in favour of the resolution to be proposed at the meeting.

Completed proxy forms can be returned using the return addressed envelope provided with the Scheme Booklet of which this Notice forms part.

To be effective, proxy forms must be received, by post or by facsimile, at either the registered office of the Company, or at the Company's Share Registry at:

WMC Share Registry
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia

Facsimile: +61 (0)3 9473 2555

by 11.30 am (Melbourne time) on 27 November 2002. Proxy forms received after this time will be invalid.

The instrument appointing the proxy is required to be in writing under the hand of the appointor or of that person's attorney.

If a proxy form is completed by an individual under Power of Attorney, the Power of Attorney under which the form is signed, or a certified copy of that Power of Attorney, must accompany the completed proxy form unless the Power of Attorney has previously been noted by the Company.

Glossaries

E

Nickel briquettes ready for shipment

PART E

Glossaries

17. Glossary of terms

A$ or Australian Dollars	means the lawful currency of Australia.
A GAAP	means Generally Accepted Accounting Principles in Australia.
Accounting Effective Date	means 30 November 2002, or such other date as may be agreed between Alumina Limited and WMC Resources, with the intention that it be the date of the closest month end preceding the Demerger Date.
ADR	means American Depositary Receipt.
ADS	means American Depositary Share.
Agency	means the US Environmental Protection Agency.
Alcoa	means Alcoa Inc of 201 Isabella Street, 7th Street Bridge, Pittsburgh, Pennsylvania, US, a company incorporated in the Commonwealth of Pennsylvania.
Alcoa of Australia	means Alcoa of Australia Limited (ABN 93 004 879 298).
Alumina Limited	means WMC, as constituted following implementation of the Demerger on the Demerger Date and, as the context may require, any or all of its controlled entities.
Alumina Limited Board	means the board of directors of Alumina Limited.
Alumina Limited Director	means a director of Alumina Limited.
Alumina Limited Director's Deed	has the meaning given in Section 10.14.1.
Alumina Limited Group	means Alumina Limited and each of its controlled entities following implementation of the Demerger on the Demerger Date.
Alumina Limited Loan Facility	means the separate bi-lateral 364 day revolving facilities together amounting to A$700 million to be entered into between WMC (as borrower) and a small number of major banks, as described in Section 5.5.4(a)(ii).
Alumina Limited Options	means WMC Options on and from the Option Scheme Implementation Date, to be known from that date as 'Alumina Limited Options'.
Alumina Limited SAPs	means WMC SAPs on and from the Option Scheme Implementation Date, to be known from that date as 'Alumina Limited SAPs'.
Alumina Limited Shares	means WMC Shares on and from the Demerger Date, to be known from that date as 'Alumina Limited Shares'.
Ancillary Demerger Resolutions	means the Name Change Resolution and the Director's Deed Resolution.
Annual Report	means the Annual Report of WMC for the financial year ended 31 December 2001 distributed to WMC Shareholders in accordance with section 314 of the Corporations Act on or about 28 March 2002.
ASIC	means the Australian Securities and Investments Commission.
ASX	means Australian Stock Exchange Limited (ABN 98 008 624 691).
ATO	means the Australian Taxation Office.

AWAC	means the unincorporated joint venture between WMC and Alcoa known as Alcoa World Alumina and Chemicals, the interest of WMC in which is held through: (a) its wholly-owned subsidiary Westminer International Holdings Pty Ltd (ABN 33 006 840 731), which has a direct or indirect 40% interest in each of Alcoa World Alumina LLC, Alcoa Caribbean Alumina Holdings LLC, Alumina Española SA, Alcoa Chemie Nederland BV, Alcoa Moerdijk BV, Alcoa Chemie GmbH and Abalco SA; and (b) Alcoa of Australia, in which WMC has a direct 39.25% interest.
AWAC Agreements	means the agreements which established AWAC on 1 January 1995 and those which govern its operation, including the 'Formation Agreement' and the 'Charter of the Strategic Council' each dated 21 December 1994 between WMC and Alcoa, amongst others.
Business Day	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that the ASX declares is not a business day.
Capital Reduction	means the equal reduction of the share capital of WMC by an amount of A$2.78 for each Scheme Share on issue at the Share Scheme Record Date.
Capital Reduction Resolution	means an ordinary resolution pursuant to section 256C(1) of the Corporations Act to approve the Capital Reduction.
CGT	means capital gains tax.
CGT Demerger Relief	means the Australian CGT rollover relief that certain WMC Shareholders resident in Australia should be eligible to elect as a consequence of the Demerger Relief Act, as described in Section 9.2.
Chalco	means Aluminum Corporation of China Limited.
CHESS	means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
Clarendon	means Clarendon Alumina Production Limited.
Compagnie Guinée	means Compagnie des Bauxites de Guinée.
Corporations Act	means the *Corporations Act 2001* (Cth).
Corporations Regulations	means the *Corporations Regulations 2001* (Cth).
Court	means the Supreme Court of Victoria.
Demerger	means the separation of WMC's AWAC interest from its non-AWAC businesses resulting in two independent entities separately listed on the stock market conducted by the ASX, to be implemented in the manner as more fully described in this Scheme Booklet, including in accordance with the terms of the Share Scheme.
Demerger Date	means the second Business Day after the Share Scheme Record Date.
Demerger Deed	means the deed to be entered into between Alumina Limited and WMC Resources on or before the Demerger Date, as described in Section 10.17.2.
Demerger Relief Act	means the *New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Act 2002* (Cth).
Depositary	means, with respect to WMC, The Bank of New York.
Deutsche Bank	means Deutsche Bank AG (ABN 13 064 165 162).

Director's Deed	has the meaning given in Section 5.1.2(b)(ii)(B).
Director's Deed Resolution	means an ordinary resolution to approve the entry into, and performance of, deeds by each of WMC and WMC Resources in favour of directors of WMC, with the effect described in the explanatory notes to the notice convening the General Meeting, as referred to in Section 5.1.2(b)(ii)(B).
Dividend Resolution	means a resolution of the WMC Board to approve, in accordance with the Implementation Deed, the declaration and payment of the Share Scheme Dividend.
EBIT	means operating profits before net borrowing costs and income tax expense.
EBITDA	means operating profits before depreciation, amortisation, net borrowing costs and income tax expense.
Effective Date	means the date on which the Court orders made under section 411(4)(b) of the Corporations Act in relation to either both the Schemes or the Share Scheme come into effect pursuant to section 411(10) of the Corporations Act.
Eligible WMC Shareholder	means a Scheme Shareholder that is not an Ineligible Overseas Shareholder.
EPS	means earnings per share.
Exercise Deadline	means 3.00 pm on the Business Day immediately after the Effective Date.
Fertilizers	means WMC Fertilizers Pty Ltd (ABN 30 004 936 850).
fob	means free on board. An fob price does not include insurance and seaborne freight costs.
Formation Date	means the date on which AWAC was formed, being 1 January 1995.
General Meeting	means the general meeting of WMC Shareholders to be held on 29 November 2002 to consider and, if thought fit, to approve (among other things) the Capital Reduction Resolution, the Ancillary Demerger Resolutions and the WMC Option Plan Resolution.
Gold Operations	means WMC's past interests in the St Ives and Agnew gold operations and Central Norseman Gold Corporation Limited.
Grant Samuel	means Grant Samuel & Associates Pty Limited (ABN 28 050 036 372).
Halco	means Halco (Mining) Inc.
Half-year Report	means the Half Yearly Report of WMC for the six months ended 30 June 2002 lodged with the ASX in accordance with Listing Rule 4.1 on 13 August 2002.
Hi-Fert	means Hi-Fert Pty Ltd (ABN 76 008 038 962).
Implementation Deed	means the Implementation Deed dated 25 October 2002 between WMC, WMC Resources, Fertilizers and ODC, a copy of which is set out in Section 14.
Ineligible Overseas Shareholder	means any Scheme Shareholder whose Registered Address at the Share Scheme Record Date is in a jurisdiction other than Australia or its external territories, New Zealand, Hong Kong, Singapore, Germany, Switzerland, the United Kingdom or the US, except where WMC is reasonably satisfied that the full implementation of the Share Scheme in respect of that Scheme Shareholder and the transfer of WMC Resources Shares in accordance with the terms of the Share Scheme to that Scheme Shareholder are not prohibited, not unduly onerous and not unduly impractical in that jurisdiction.

Inespal	means Industria Española del Aluminio.
Interim Healthwise Report	means the Healthwise Cancer and Mortality Study Interim Report published by Monash University and the University of Western Australia in April 2002.
ITAA	means the *Income Tax Assessment Act 1936* (Cth).
Jamalco	means the joint venture between Alcoa Minerals of Jamaica LLC and Clarendon.
JP Morgan	means JP Morgan Australia Limited (ABN 52 002 888 011).
Kyoto Protocol	means the Kyoto Protocol to the United Nations Framework Conventions on Climate Change.
Listing Date	means the second Business Day after the Effective Date or such later date on which trading in WMC Resources Shares (on a deferred settlement basis or otherwise) commences on the stock market conducted by the ASX.
Listing Rules	means the official listing rules of the ASX.
Mabo Decision	means the decision by the High Court of Australia, in *Mabo v Queensland [No 2]* (1992) 175 CLR 1.
Meetings	means the Scheme Meetings and the General Meeting.
Melbourne time	means the time in Melbourne, Victoria, Australia on the relevant day.
MRN	means Mineração Rio do Norte SA.
Name Change Resolution	means a special resolution pursuant to section 157(1) of the Corporations Act to change the name of WMC to 'Alumina Limited', as referred to in Section 5.1.2(b)(ii)(A).
Nickel Business Unit	means the WMC Group's nickel mining, concentrating, smelting and refining business unit described in Section 7.2.2, which will form part of the WMC Resources Group post-Demerger.
NPAT	means net profit after tax.
NYSE	means New York Stock Exchange.
ODC	means WMC (Olympic Dam Corporation) Pty Ltd (ABN 99 007 835 761).
Olympic Dam	means the WMC Group's copper and uranium mining and processing business unit described in Section 7.3.3, which will form part of the WMC Resources Group post-Demerger.
OMG Group	means OMG Harjavalta Nickel Oy.
Optimisation 3	means the project currently being undertaken to increase the production capacity of the process plant used in Olympic Dam's operations, as described in Section 7.3.3(a).
Option Scheme	means the scheme of arrangement between WMC and that class of creditors who hold WMC Options as set out in the document contained in Section 15.4, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.
Option Scheme Implementation Date	means the Business Day immediately after the Demerger Date.
Option Scheme Meeting	means the meeting of WMC Optionholders ordered by the Court to be convened and to be held on 29 November 2002 to consider and, if thought fit, to approve the Option Scheme.

Option Scheme Record Date	means 5.00 pm on the third Business Day after the Effective Date or such other date as permitted by the ASX.
Partly Paid Shares	has the meaning given in Section 8.2.2.
Point Comfort	means the alumina refinery assets held by Alcoa World Alumina LLC in Point Comfort, Texas, US.
Queensland Fertilizer Operations	means the WMC Group's fertilizers production and distribution business unit described in Section 7.4.2, which will form part of the WMC Resources Group post-Demerger.
Reduction Amount	means A$2.78 for each WMC Share on issue at the Share Scheme Record Date.
Registered Address	means, in relation to a WMC Shareholder, the address shown in the WMC Share Register.
Sale Agent	means WMC or such other person nominated by WMC to sell the WMC Resources Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Share Scheme.
SCH Business Rules	means the operating rules of ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
Schemes	means the Share Scheme and the Option Scheme.
Scheme Booklet	means this booklet, which includes the Schemes, the explanatory statements for the Schemes and the notice of each Meeting.
Scheme Meetings	means the Share Scheme Meeting and the Option Scheme Meeting.
Scheme Shareholder	means any WMC Shareholder at the Share Scheme Record Date, after the registration of all transfers and transmission applications in accordance with the terms of the Share Scheme.
Scheme Shares	means WMC Shares on issue at the Share Scheme Record Date.
SEC	means the US Securities and Exchange Commission.
Share Scheme	means the scheme of arrangement between WMC and that class of its members who hold WMC Shares as set out in the document contained in Section 15.2, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.
Share Scheme Consideration	means the consideration to which each Scheme Shareholder becomes entitled in accordance with the Share Scheme.
Share Scheme Dividend	means the dividend of A$0.75 for each WMC Share on issue at the Share Scheme Record Date to be declared and applied by WMC in accordance with the terms of the Share Scheme.
Share Scheme Meeting	means the meeting of WMC Shareholders ordered by the Court to be convened and to be held on 29 November 2002 to consider and, if thought fit, to approve the Share Scheme.
Share Scheme Record Date	means 5.00 pm on the fifth Business Day after the Effective Date or such other date as permitted by the ASX.
SOSP	means a WMC Senior Officers Share Plan, as described in Section 8.2.2.
Strategic Council	means the body comprising five members (two appointed by WMC and three appointed by Alcoa) established under the AWAC Agreements, that manages the strategic direction and business of AWAC.
Sumitomo	means Sumitomo Metals and Mining Company Ltd.

Suralco	means Suriname Aluminum Company LLC.
Transitional Services Agreement	means the agreement to be entered into between Alumina Limited and WMC Resources on or before the Demerger Date, as described in Section 10.17.3.
US GAAP	means Generally Accepted Accounting Principles in the US.
US or USA	means the United States of America.
US$ or US Dollars	means the lawful currency of the US.
Voting Record Date	means 7.00 pm on 27 November 2002.
VWAP	means volume weighted average price.
Ward Decision	means the decision by the High Court of Australia in *Western Australia v Ward; Attorney General (NT) v Ward; Ningarmara v Northern Territory* [2002] HCA 28 (8 August 2002).
WMC	means WMC Limited (ABN 85 004 820 419) as constituted prior to implementation of the Demerger on the Demerger Date and, as the context may require, any or all of its controlled entities.
WMC Board	means the board of directors of WMC.
WMC Director	means a director of WMC.
WMC Director's Deeds	has the meaning given in Section 10.14.3.
WMC ESPP	means the WMC Employee Share Purchase Plan, as described in Section 8.2.5.
WMC ESS	means the WMC employee share scheme, as described in Section 8.2.1.
WMC Finance	means WMC Finance Limited (ABN 83 008 569 560).
WMC Finance (USA)	means WMC Finance (USA) Limited (ABN 98 061 718 198).
WMC Group	means WMC and each of its controlled entities, as constituted prior to implementation of the Demerger on the Demerger Date.
WMC Option	means an option to subscribe for WMC Shares granted under the terms of a WMC Option Plan.
WMC Optionholder	means any person who is registered in the WMC Option Register as the holder of WMC Options.
WMC Option Plan Resolution	means a special resolution to approve the amendments to the terms and conditions of the WMC Option Plans to be made in accordance with the Option Scheme.
WMC Option Plans	means the WMC Option Plans promulgated by the WMC Board under the WMC ESS, as described in Section 8.2.3.
WMC Option Register	means the register of holders of WMC Options maintained pursuant to sections 168 and 170 of the Corporations Act.
WMC Registered Office	means the registered office of WMC at Level 16, IBM Centre, 60 City Road, Southbank, Victoria, Australia.
WMC Resources	means WMC Resources Ltd (ABN 76 004 184 598) and, as the context may require, any or all of its controlled entities following implementation of the Demerger on the Demerger Date.
WMC Resources Board	means the board of directors of WMC Resources.

WMC Resources Director	means a director of WMC Resources.
WMC Resources Director's Deed	has the meaning given in Section 10.14.2.
WMC Resources ESS	has the meaning given in Section 8.3.1.
WMC Resources Group	means WMC Resources and each of its controlled entities following implementation of the Demerger on the Demerger Date.
WMC Resources Loan Facility	means the US$1.1 billion loan note facility to be entered into between WMC Finance (as borrower), and WMC Resources and certain other entities within the WMC Group (as guarantors), and Commonwealth Bank of Australia, Deutsche Bank, JP Morgan and Westpac Banking Corporation (as joint lead arrangers).
WMC Resources Option	means an option to subscribe for a WMC Resources Share.
WMC Resources Option Plans	has the meaning given in Section 8.3.1.
WMC Resources Plans	means the WMC Resources Option Plans and the WMC Resources Stock Appreciation Plans.
WMC Resources SAPs	has the meaning given in Section 8.2.4(b).
WMC Resources Share Register	means the register of WMC Resources members maintained pursuant to sections 168 and 169 of the Corporations Act.
WMC Resources Share Registry	means Computershare Investor Services Pty Limited of Level 12, 565 Bourke Street, Melbourne, Victoria, Australia.
WMC Resources Shares	means fully paid ordinary shares in WMC Resources.
WMC Resources Stock Appreciation Plans	has the meaning given in Section 8.3.1.
WMC SAPs	has the meaning given in Section 8.2.4.
WMC Shareholder	means any person registered in the WMC Share Register as the holder of WMC Shares.
WMC Share Register	means the register of WMC members maintained pursuant to sections 168 and 169 of the Corporations Act.
WMC Share Registry	means Computershare Investor Services Pty Limited of Level 12, 565 Bourke Street, Melbourne, Victoria, Australia.
WMC Shares	means fully paid ordinary shares in WMC.

18. Glossary of mining terms

Bauxite	is an oxide of aluminium, which is refined to produce alumina.
Commissioning	is bringing plant or equipment into operation at a rate approximating its design capacity.
Commodity cost curves	plot global production against cost of production less intermediate and co-product revenue. Cumulative production is expressed as a percentage, usually divided into quartiles. The lower a producer is placed on the cumulative production curve, the higher its margins at a given price.
Competent Person	means a person who is a Member or Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and/or the Australian Institute of Geoscientists (AIG) with a minimum of five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which that person is undertaking. If the competent person is estimating, or supervising the estimation of, Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the competent person is estimating, or supervising the estimation of, Ore Reserves, the relevant experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves.
Concentrate	means a product containing the valuable minerals of an ore from which most of the waste material has been removed by undergoing a specific treatment.
Copper SX Circuit	means the copper solvent extraction circuit used in Olympic Dam's operations.
Cost of sales	includes all cash costs and non-cash production costs, and any selling, marketing and administration costs, and takes into account any stock movements.
DAP	means Di-ammonium phosphate.
De-bottlenecking	means optimising a processing plant through minor capital expenditure and procedural change.
Di-ammonium phosphate	is a high-analysis fertilizer used on horticultural broad-acre crops, and to provide the essential nutrients nitrogen and phosphorus. Often referred to as DAP.
Fully allocated cost	includes all mining and processing costs, the cash costs, plus any amortisation, depreciation, royalty and administration costs less intermediate and co-product revenue. This figure is used by independent agencies to assess the real cost of mine production, and is broadly similar to cost of sales.
Heavy minerals	are oxides of iron and titanium that can concentrate in sand deposits, then known as mineral sands. Heavy minerals, especially when rich in titanium, can in some cases be economically separated and treated to produce useful materials, such as titanium dioxide used as a pigment.
High-analysis fertilizer	is an agricultural soil additive, such as DAP, with high nutrient concentrations.
Indicated Mineral Resource	is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Inferred Mineral Resource	is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

JORC Code	Australasian Code for Reporting of Mineral Resources and Ore Reserves, September 1999.
LME or London Metal Exchange	is a major 'spot' market for selling metals outside long-term contracts. As such it provides useful benchmark or reference prices.
MAP	means Mono-ammonium phosphate.
Matte	means high grade sulphide which requires further refining.
Measured Mineral Resource	is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity.
Mineral	is any inorganic, naturally occurring element or compound. All metals and most chemicals are derived from products extracted by the resources industry.
Mineralisation	is a concentration of valuable, solid minerals.
Mineral Resource or Resource	is a concentration or occurrence of material or intrinsic economic interest in or on the Earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Mono-ammonium phosphate	is a fertilizer that assists with early crop growth and enhances phosphorous uptake in broad-acre crops. Often referred to as MAP.
Nickel-in-concentrate (contained nickel)	means tonnes of nickel contained in concentrate.
Nickel-in-matte	means tonnes of nickel contained in matte.
Ore	is any mineralisation that can be profitably mined and treated.
Ore Reserve or Reserve	is the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.
Precious metals	are rare, high-value metals such as gold, silver or platinum group metals, which include platinum, palladium, iridium, osmium and rhodium. Their value comes from their density, malleability and resistance to corrosion.
Probable Ore Reserve	is the economically mineable part of an Indicated, and in some circumstances Measured, Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Proved Ore Reserve	is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Solvent-extraction plant	is infrastructure and equipment used for hydrometallurgy, which extracts or enriches metals from one solution to another prior to recovering the metals through electroplating.
Sulphide	is a naturally occurring compound of metal and sulphur.
Uranium SX Circuit	means the uranium solvent extraction circuit used in Olympic Dam's operations.

19. Glossary of sources

AME	means AME Minerals Economics.
British Sulphur Consultants	means British Sulphur Consultants, a division of CRU International Limited.
Brook Hunt	means Brook Hunt Limited.
CRU	means CRU International Limited.
Fertecon	means Fertecon Limited.
IAEA	means International Atomic Energy Agency.
OECD NEA	means Organisation for Ecomonic Co-operation and Development Nuclear Energy Agency.
WBMS	means World Bureau of Metal Statistics.
WNA	means World Nuclear Association.

20. Glossary of cost curve terminology

Alumina cash cost includes each of the following costs set out in the table below, and has been prepared assuming that all refineries paid for the alumina content of the bauxite ex-mine at about 3.5% of the LME price of aluminium:

Cash cost components
Feedstock: • cash cost of mining (including royalties) or bauxite purchase • freight (where appropriate)
Labour
Energy
Caustic soda
Other: • reagents • maintenance consumables • miscellaneous

DAP cash cost is also referred to as 'total cash operating cost' and includes an estimate of the cost of each component in the production and distribution of DAP as set out in the table below:

Cash cost components
Variable site costs: • phosphate rock • phosphoric acid • ammonia • sulphuric acid • electricity • water • steam • chemicals • fuel oil • gypsum disposal
Fixed site costs: • labour • maintenance • overheads
Freight (to export port)

C3 is the Brook Hunt terminology used for classifying fully allocated costs, and includes each of the costs set out in the table below:

Cash costs of:	Production costs of:	Other costs of:
Mining and milling	Depreciation (excluding that for idle capacity and inactive assets)	Business unit costs
Mine site general expenses and administration costs	Amortisation	Sales and production based royalties
Smelting and smelter general expenses and administration costs	Provision for rehabilitation	Marketing administration costs
Refining and refining general expenses and administration costs	Non-cash intermediate product costs	Research and Development (non production)
Outward freight for downstream processing (despatching operation incurs costs)		Abnormal items*
Township costs (including messing and fly in fly out costs)		Depreciation of idle and inactive assets*
Maintenance costs		Profit/loss on sale or write off of redundant assets
Marketing freight and selling costs		General provisions
Net intermediate product credit: – intermediate product costs – intermediate product revenue		Amortisation of goodwill
		Idle capacity reallocations
		Sundry expenses

* Only very large abnormal items would be excluded from the C3 costs. Exclusions would be agreed with the Financial Director before they were reported.

Note: Stock write downs to NRV are specifically excluded from C3. If they were included, it would result in the double counting of these costs.
Stock write downs should be included as part of the unit cost of sales because the unit cost of sales is a measure of profitability and must reconcile to the total cost of sales in the profit and loss.

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Computershare Investor Services Pty Limited

Deutsche Bank AG

Arthur Robinson & Hedderwicks

PricewaterhouseCoopers

PricewaterhouseCoopers Securities Ltd

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Grant Samuel & Associates Pty Limited

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