



28 July 2005

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For the attention of:
Belinda Close, Project Engineer

Dear Belinda

Preliminary Survey Licence 12 ('PSL 12') Annual Report

In accordance with the requirements of the *Petroleum Act 2000* (SA) ('the Act') and, in particular, Regulation 33 of the *Petroleum Regulations 2000* (SA) ('the Regulations'), we submit this outline as WMC (Olympic Dam Corporation) Pty Ltd's ('WMC') annual report for the first year of PSL 12.

Introduction

WMC was granted a Preliminary Survey Licence, PSL 12, in March 2004 to undertake survey activities to assess the feasibility of constructing a pipeline to supply natural gas to WMC's Olympic Dam Operation ('ODO'). The feasibility study investigates the merit of gas fired generation at the ODO site and the displacement of more expensive liquid fuels such as LPG and distillate.

Pipeline Route Investigations/Summary of Regulated Activities

WMC engaged a pipeline construction company, Delco Australia Pty Ltd ('Delco'), to survey two prospective routes from an engineering perspective. Delco surveyed the pipeline routes using a helicopter and four wheel drive vehicles commencing in late March 2004. The attached drawings GPPODGAS-0100 and GPPODGAS-0200 shows the two pipeline routes surveyed.

Common to both Options

The first part of the route between ODO and bore pump station 6 (PS6) is common to both routes. WMC has an existing easement along this route for its water pipelines servicing Borefields A and B. This route was selected in order to supply gas to the pump stations which are currently run by diesel fired pumps. This part of the route has good access and traffic conditions and would pose no difficult construction or design issues.

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Northern Route (Option 1) – Direct Route

The first section of this route from PS6 to the Tirari Desert (15 km) has good access and construction would not be difficult. The second section of 25 km from the Tirari Desert to the Birdsville Track requires access across sand dunes and will be difficult to establish and maintain. The third section of 59 km from the Birdsville Track to Lake Gregory has established access tracks and will present no significant construction issues. The final section of 146 km from Lake Gregory to Moomba traverses the Strzelecki Regional Reserve poses the most difficult and costly portion of Option 1. There are more than 300 large undulating sandhills which would need to be crossed, there are no existing access tracks and construction, operation and maintenance would be very difficult in this area.

Southern Route (Option 2) – via Compressor Station 2 (CS2) on the Moomba to Adelaide Pipeline

The 37 km section from PS6 to the Birdsville Track is easily accessible apart from a 6 km section of low sand dunes. Upgrade and ongoing construction maintenance of access tracks will be required. The second section of 20 km from the Birdsville Track to the boundary of Clayton and Murnpeowie Stations has relatively good access and consists of loose gibber. It is possible that loose large gibber stones may be encountered during excavation in this area. The third section of 57 km from Clayton Station to Twins Creek will require careful route selection to avoid deep eroded creek gullies and new access tracks will be required with the possibility that blasting may be required to excavate rock trench. The final section of 86km from Twins Creek to CS2 is relatively straight forward with very good access.

As a result of these surveys it was concluded that either Option 1 or Option 2 was feasible from an engineering perspective and a 5 km easement has been recommended for each route. The northern route (Option 1) is more difficult terrain and accordingly is likely to be significantly more costly to construct. This is tempered by the fact that Option 2 will require an ongoing tariff for the use of the Epic Energy's Moomba to Adelaide Pipeline (MAP). Preliminary economic analysis suggests that for low gas volumes Option 2 is preferred whilst for high volumes, Option 1 is preferred.

The 5km alignment of the preferred route will be narrowed down to a much narrower construction easement during the detailed design phase of the project if the feasibility is proven.

Discussions with Landholders

Traditional Landowners

Ethnographic and archaeological heritage surveys were undertaken for both options by WMC utilising in house specialists and external consultants. This involved discussions and field inspections with representatives of the Dieri, Kuyani and Adnyamathanha Native Title claimants.

Whilst several potential ethnographic and archaeological sites were identified within or in close proximity to the proposed pipeline routes each of these sites can be avoided. As a result WMC is confident it may construct the pipeline within either route without impacting any heritage site.

Pastoralists

All pastoralists potentially affected by either pipeline route were given advance notice of WMC's intention to enter their properties for the pipeline route survey and a site briefing was carried out. Further briefings will be given to pastoral lease holders after a final decision has been made to construct the pipeline.

Construction Activities

There have been no construction, drilling or seismic activities carried out under this licence PSL12.

Technical Evaluation and Analysis

Delco have completed their brief and provided capital estimates and construction schedules of the two pipeline options. This information has been used in order to approach the market to determine the viability of on site generation and liquid fuel replacement (LFR) with natural gas.

Market responses have been obtained and WMC now intends to construct a pipeline from ODO to Moomba. The pipeline route and pipeline diameter have not yet been finalised.

Reports Produced

The following reports were produced during the licence year:

Title	Produced by	Date
Liquid Fuel Replacement Pipeline Estimate	Delco Australia	Aug 2004
Ethnographic Heritage Assessment and Consultations (Kuyani and Adnyamathnha Native Title Claimants) – ODO Proposed Gas Pipeline Corridors	WMC	Aug 2004
Ethnographic Heritage Assessment and Consultations (Dieri Native Title Claimants) – ODO Proposed Gas Pipeline Corridors	WMC	Sep 2004
Liquid Fuel Replacement Gas Conversion Pre Feasibility Study	FCT Combustion Pty Ltd	Oct 2004
ODO Liquid Fuel Replacement Gas Reticulation Pre Feasibility	ODA Projects Delivery Group	Oct 2004
ODO Generation Pre Feasibility Study	Burns and Roe Worley	Dec 2004

There were no management system audit reports produced during the licence year.

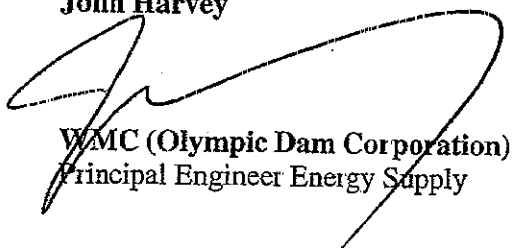
Expenditure

Commercial in confidence

Compliance with the Act, the Regulations and PSL

WMC confirms that it believes it has complied with the requirements of the Act, the Regulations and that there have not been any non compliances under the Act or Regulations in relation to Preliminary Survey Licence PSL 12.

Yours sincerely
John Harvey



WMC (Olympic Dam Corporation) Pty Ltd
Principal Engineer Energy Supply