



NEWS RELEASE

XSTRATA APPROVES ROLLESTON COAL PROJECT

Zug, Tuesday 24 February 2004

The Board of Xstrata plc has approved the development of the Rolleston Project, a long-life, open-cut, export and domestic thermal coal operation located in the Bowen Basin, in Central Queensland, Australia. Total capital cost for the Project is estimated at AUD291 million, of which Xstrata's 75% share will be AUD218 million. Other partners in the Project are Sumitomo and Itochu, each of which holds a 12.5% interest.

Rolleston enjoys a rapid development profile, with first production of some one million tonnes expected in 2005, and full production of 6 million export tonnes per annum (mtpa) and 2mtpa domestic production expected in 2008. The operation is expected to have a mine life in excess of 20 years and has further expansion potential to some 12 mtpa, with minor additional capital.

Due to its low strip ratio, high-productivity dragline and its production of a 100% coal product that does not require washing, Rolleston will be in the lowest cost quartile of Australian coal producers. The operation's use of the Gladstone Port provides a freight advantage, estimated at US\$1.25/tonne, compared to export production from New South Wales, allowing its product to compete on a CIF basis with Indonesia and China.

Rolleston's coal is characterised by its exceptionally low-ash content (around 7.5%), which has already generated substantial interest across the Asian market. As part of a comprehensive assessment of the Project, undertaken following its acquisition with the other assets of MIM in June 2003, combustion tests were conducted on coal from the Rolleston trial pit by power utilities in Korea, Japan, Hong Kong, New Zealand and Australia. These confirmed the competitive advantages of the Rolleston product, with letters of intent already received from major customers.

The timing of the Project is particularly opportune, positioning Rolleston to secure an important and long-duration domestic supply contract, not anticipated in the previous MIM feasibility, that will make a significant positive difference to the Project's NPV. In addition, the current congestion in exports out of Newcastle has created additional customer interest in the Project due to Rolleston's use of the Gladstone port. Finally, Rolleston's production profile is timed to fill a gap in the market created by reducing supply of similar specification product from competitors whose operations are reaching the end of their natural lives.

In September 2003, as part of a separate disposal of a portion of its interests in its Queensland coal business, Xstrata sold a total of 25% of the Rolleston Project to Sumitomo and Itochu (12.5% each).

Queensland Rail will construct, own and operate a new 110km spur to expand their existing rail network in the Blackwater system, at an estimated capital cost of AUD230 million. The new spur will connect to the existing system near Kinrola. Rolleston mine will be charged a fee under a 20-year contract for access and use of the new line.

Commenting on the launch of the Project, Mr Mick Davis, Xstrata's chief executive, said, "Rolleston delivers an exceptional pipeline of growth in one of our major global businesses. Its fast ramp-up and considerable upside potential to 12 million tonnes per annum provide Xstrata with great flexibility to grow its coal production to meet the needs of the market. With the additional low-cost expansion capacity that sits within our New South Wales business, Xstrata has potential, after Rolleston Phase 1, to grow its Australian thermal production by over 30%, at exceptionally low capital cost and with minimal lead times, with market demand the only major consideration. Rolleston's low-cost operations, its highly competitive product and the benefits of its location will ensure that it earns for our shareholders a rate of return in excess of 18% at a conservative long-run price assumption of AUD49.00/tonne."

Peter Coates, chief executive Xstrata Coal, said, "I am delighted the Xstrata Board has given its approval to proceed with the Rolleston project. This decision follows a comprehensive six-month internal review, including the recent 50,000 tonne sample pit, which confirmed the undeniable merits of the project and the suitability of Rolleston coal for both the export and domestic markets, due to its low-ash content. Rolleston is an attractive, low-risk, robust project that is expected to be one of the lowest cost operations of its type in Australia, and indeed the world. Its competitive cost structure and extensive resources provide it with significant as yet unquantified upside potential that will make Rolleston a major engine of growth for our Australian coal business in the future.

"Xstrata's decision to invest in Rolleston reflects the Company's undertaking to play a key role in developing Queensland's mineral resources. Today's announcement will eventually see more than a third of Xstrata Coal's annual production coming out of Queensland, underscoring our long-term commitment to mining in this state. We appreciate the support of the Queensland government for this project and look forward to working together with them, and our Joint Venture partners, in taking this major Project forward."

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Xstrata contacts

Marc Gonsalves
 Telephone +44 20 7968 2812
 Mobile +44 7775 662 348
 Email mgonsalves@Xstrata.com

Justine Winn
 Telephone +61 2 9253 6748
 Mobile +61 416 196 403
 Email jwinn@xstratacoal.com

Brigitte Mattenberger
 Telephone +41 41 726 6071
 Mobile +41 793 811 823
 Email bmattenberger@Xstrata.com

Michael Oke & Claire Bithell
 Prospero Financial
 Telephone +44 20 7898 9394/9387
 Mobile +44 7778 469630/07796 278 294

www.xstrata.com

Notes for Editors

Xstrata plc is a major global diversified mining company, listed on the London and Swiss stock exchanges, with meaningful positions in six major international commodity businesses: copper, coking coal, thermal coal, ferrochrome, vanadium and zinc, and additional exposures to gold, lead and silver. The Group, which is headquartered in Switzerland, employs some 18,000 people worldwide with operations across four continents in six countries: Australia, South Africa, Spain, Germany, Argentina and the UK.

Xstrata Coal is the world's leading exporter of thermal coal, the largest exporter of thermal coal in Australia, and the fifth largest producer of hard coking coal in the world, producing both premium quality hard coking coal and semi-soft coal. Headquartered in Sydney, Australia, Xstrata Coal has interests in over 30 operating coal mines managed within three distinct divisions: Xstrata Coal New South Wales, Xstrata Coal Queensland and Xstrata Coal South Africa. Thermal coal is used in power generation, while coking coal is used mainly in the production of steel and other industrial applications.

Additional Information: Rolleston

Background:

The Rolleston Project was originally approved as a 6 million tonne per annum operation by the Board of the former MIM Holdings in March 2003, after a detailed feasibility study that completed in December 2002. Following, the acquisition of MIM by Xstrata in June 2003 a thorough review of the Project was undertaken, which included the development of a trial open-pit to allow product testing with potential major customers. As a consequence, the intention is that the Project be expanded to an 8mtpa operation.

Location:

The Rolleston Project is located in the south-west of Central Queensland's Bowen Basin on the east coast of Australia. More specifically, it is situated 16 kilometres west of the town of Rolleston and 275 kilometres due west (424 km by rail) of the established coal port at Gladstone, from which Rolleston coal will be exported.

The Rolleston Project is capable of rapid development and production will commence towards the end of 2005.

Reserves and Resources:

The Rolleston Project has estimated Identified Coal Resources of approximately 600 million tonnes in its Rolleston tenements, including 173 million tonnes of Recoverable Coal Reserves. Recent market tests have demonstrated the suitability of Rolleston coal for both the export and domestic markets, due its low ash content (7.5% in combustion trials).

Mining Process:

The Rolleston Project is planned as an open cut thermal coal mine with two large draglines as the prime waste stripping machines. Feasibility investigations have determined that the coal does not require washing to produce an acceptable product. Product coal will be railed 424 km to Gladstone via Blackwater using a new section of rail line yet to be constructed. Power supply for the Rolleston coal mine will be sourced by a new 132kv powerline from an existing substation at Blackwater to a new substation just north of the mine site. The powerline will be approximately 130km long.

The Project has completed feasibility which involved further exploration drilling and resource modelling, two sample pits (240,000 and 65,000 tonnes respectively), detailed mine design, combustion trials, and negotiation of key contracts and agreements is in progress.

Bauhinia Regional Rail Project:

Progress is being made on developing an extension to the existing rail network to service the Bauhinia Shire region. The proposed line would be over 110km and would connect to the Blackwater system via the existing spur at Kinrola. The line has potential to enable economic growth to the region, via the Rolleston Project and any future coal developments, as well as by servicing the supply chain requirements of grain growers in the southern highlands region of Central Queensland.

Regional Benefits:

The development of the Rolleston Project is expected to generate significant economic benefits equating to around AUD170 million each year for the life of the mine (AUD3.4 billion over the life of the mine). Of this, some AUD20 million will be paid annually in royalties and a further AUD15 million in wages.

It is anticipated that an average of around 150 jobs will be generated during the construction phase, with a further 300-350 jobs for the rail construction project. Once the mine is commissioned, it will create average long-term direct employment growth of some 150 jobs and will also have a further flow-on effect of numerous additional jobs in the region.

As part of the development of the mine, Xstrata Coal will spend approximately \$1.8 million on a community funding agreement over a three-year period with the local council that will bring many benefits to the towns of Rolleston and Springsure and surrounding districts. The fund will help improve services and infrastructure in the district. Furthermore, as a result of the development of the mine, additional improvements to the region's infrastructure will include the new multi-user railway line and an upgraded, more secure electricity supply.