



NEWS RELEASE

XSTRATA RESPONSE TO WMC'S PROFIT OUTLOOK AND PROPOSED CAPITAL MANAGEMENT INITIATIVES

Zug, 10 December 2004

Xstrata plc notes the statement released by WMC Resources (WMC) dated 9 December 2004 announcing a revision of 2004 profits and proposed capital management initiatives. The announcement includes proposed actions that would, if implemented, allow Xstrata to reduce its offer price and/or withdraw its bid.

WMC's announcement highlights a number of issues for WMC shareholders:

Capital return and Final 2004 Dividend

- The capital return of AUD350 million or AUD0.30 per share is significantly less than the premium of AUD1.43 offered to the pre bid speculation share price by Xstrata.
- If the capital return and the declaration of a final 2004 dividend occur during the offer period, Xstrata is entitled to reduce the offer price by a corresponding amount. We note that this capital return is subject to shareholder approval to be sought at WMC's AGM in May 2005, or earlier if practical.
- If the capital return were to be approved during the Offer period, Xstrata would be entitled to withdraw its bid.

Proposed increase to share repurchase programme

- While WMC has announced the intention to extend its share buyback program to purchase up to AUD250 million or around 3% of WMC's issued share capital, it is worth noting that the programme has not purchased any WMC shares since it was announced in September 2004. The proposal to extend the buy back programme at this point raises serious questions as to the fundamental rationale for any repurchase at current prices.
- The maximum number of shares to be purchased under the programme is proposed to increase from 7.2 million shares to 35.5 million shares at current market prices. This extension would trigger one of the Xstrata offer conditions and constitutes a frustrating action by WMC. As such, the proposed extension of the programme could not proceed without WMC shareholders voting on it. Even if shareholders do approve the proposed extension, Xstrata is entitled to withdraw its Offer if the amended buy back proceeds.

Profit revision and proposed expansion at Olympic Dam

- As already highlighted in today's press and in a number of analyst reports the announced profit upgrade consists largely of one-off items relating to non-cash tax impacts and an insurance claim. Excluding these items, WMC's underlying operating profit of around AUD900 million actually appears to fall short of consensus expectations of around AUD1.1 billion.
- In proposing to its shareholders a AUD0.30 per share capital return, WMC has demonstrated that it has no need for project development funds in the near term, a point re-iterated by its confirmation that the Olympic Dam expansion feasibility study will not be complete before February 2008. Clearly this project, if it is to proceed at all, remains a long way off. In the absence of even a pre-feasibility study and resolution on the mining method and financing plan, both the project and any value attributed to it are subject to significant risk and any real value to shareholders would likely only be realized after many years into the project's operating life.

Xstrata Chief Executive Mick Davis commented:

"This is an announcement with very little substance. It seeks to disguise an apparently weak operating performance under the guise of a profit upgrade generated by one-off benefits such as tax credits. Further, the purported benefit to shareholders of handing back up to one billion Australian dollars of cash is largely illusory as it includes not only the final 2004 ordinary dividend shareholders expect, and the buyback program already announced, but also the interim 2004 dividend already paid.

"The real benefits this announcement purports to offer WMC shareholders, compared to a cash offer of \$6.35, are very hard to see.

"Shareholders should of course compare WMC's announcement of an additional 30 cents per share in May 2005 and any promises of future possible value in what are inherently risky mining projects, with Xstrata's cash Offer of AUD6.35 – a premium of AUD1.43 over the pre-speculation market price for WMC shares.

"This announcement is an attempt to distract shareholders from the central issue of value, and frankly only highlights the attraction of Xstrata's cash offer, which would provide shareholders with the certainty of a cash amount at a fair and full premium to WMC's pre-speculation share price. In view of the inherent risks of this company attempting technically complex growth projects which are large relative to its market value, we would expect that WMC shareholders will look to their Board to demonstrate unequivocally how it can deliver at least equivalent risk free value for shareholders to that offered by Xstrata's bid price of AUD6.35."

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