



## NEWS RELEASE

### INITIAL RESPONSE TO ISSUE OF WMC TARGET'S STATEMENT

Zug, 4 January 2005

Xstrata plc has made the following comments in response to the Target Statement issued by WMC Resources today.

Marc Gonsalves, Executive General Manager Corporate Affairs, said: "Xstrata will review the information contained in the Target's Statement over the next week or so. As you would expect with these Target's Statements, the headlines look exciting. However, the credibility of the WMC Directors' defence is critically dependent upon assumptions regarding exchange rates, commodity prices, discount rates and production levels. While we will review the assumptions made by Grant Samuel in detail, we are sceptical of their conclusion, and suggest that WMC shareholders take extreme care in presuming that these optimistic assumptions are capable of being realised."

"WMC shareholders will recall that when Xstrata announced its offer WMC was trading at AUD4.92 per share. WMC shareholders should consider carefully the credibility of any analysis which assesses the value for a WMC share at a premium of 45% to 67% to that pre-bid market price. No doubt the independent broking analysts, whose base case valuations do not remotely come close to the range calculated by Grant Samuel, must also be questioning these assumptions. Even taking account of WMC's constant stream of announcements, we understand the average broker base case valuation still to be around AUD4.50 per share.

"Indeed, the Target Statement contains some surprises on the downside. For example, we note that the 2004 profit upgrade to AUD1.3billion, announced by WMC with such fanfare on 9 December 2004, is now only AUD697 million on a normalised basis on page 51 of this 300 page document, after 'one off' financial adjustments."

Mr Gonsalves also expressed concern that the headline value analysis presented by Grant Samuel could be misunderstood by WMC shareholders and by the market. "This is not the assessed value of a WMC share should the company remain independent. The WMC Directors, in defence of their recommendation, state that the Independent Expert's value of WMC is AUD7.17 to AUD8.24 per share. What they fail to make it clear is that this value actually assumes very substantial head office and Perth office annual cost savings of over AUD110 million – a significant value uplift. Such savings surely would only be available if

these offices are closed and WMC ceases to be a listed company - clearly not an option for shareholders trying to understand the future per share value of an independent WMC. On our preliminary analysis, even using Grant Samuel's valuation assumptions, the bottom end of the Grant Samuel range when adjusted for these head office closures and listing cost savings alone comes back to under \$6.50 per share."

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