



**Xstrata Plc  
"Revised Offer for WMC Resources"  
Conference Call**

**February 2<sup>nd</sup>, 2005  
10.30 a.m. (C.E.T.)**

**Moderator: Mr. Mick Davis – Chief Executive Officer**

**Xstrata plc**  
**"Revised Offer for WMC Resources"**  
**Conference Call**  
**Chairman: Mr. Mick Davis**  
**February 2, 2005**  
**10.30 a.m. (C.E.T.)**

OPERATOR: Good morning, this is the Chorus Call Conference Operator. Welcome to the XSTRATA PLC *Revised Offer for WMC Resources* Conference Call.

As a reminder, all participants are in listen-only mode and the Conference is being recorded.

After a short introduction, there will be an opportunity to ask questions.

Should anyone need assistance during the Conference Call, they may signal an Operator by pressing \* and 0 on their telephone.

At this time, I would like to turn the Conference over to Mr. Mick Davis, Xstrata Chief Executive Officer. Please go ahead Sir!

MICK DAVIS: Thank you and good morning. I am joined by Trevor Reid, our Chief Financial Officer and Marc Gonsalves, a member of our Executive Committee and Head of Corporate Affairs.

I thought what I'd like to do is just to give you some background to this announcement that we made last night and you have noted that since the original offer was put on the table, the share price

sort of traded around the low end of the Grant Samuel range, slightly below, slightly above.

You would also have noted the Western Mining Board has up till now been quite resolute in their rejection of the offer and we of course have articulated our own concerns regarding the Grant Samuel valuation range, but the reality is that the range of 7.17 to 8.24 is driving the market, together with the possibility of a suspected potential interloper.

And when we put our 6.35 Australian dollars per share on the table, it was in recognition that an increase of around 10% would ultimately be required to get a board recommendation, I mean I note to you that that 6.35 arose out of our initial strategy of engaging with the board in a discussion, it was meant to be our entry point into the board to get an agreed deal. Now, that was impossible, but we had built some upside on that number clearly into our thinking to achieve a recommendation.

Now, clearly a board recommendation is desirable in these transactions, and I am hopeful that at some point in time, we will get a recommendation from the Western Mining Board, but up until now the discussions of Western Mining have not led to sort of constructive traction. We have not been in the position to have meaningful engagement with them and therefore a recommended offer just could not be negotiated in these circumstances.

From a valuation perspective, we are still very comfortable with our valuation model and we feel it is entirely supported by the information, which has been dribbled out to the market by Western Mining since our initial offer was put on the table together with the information contained in their target statement.

However, the numbers in the target statement have indicated that there is a low net debt in the balance sheet at year-end and greater tax losses are available to an acquirer when we had initially

estimated, when we put the deal together and clearly from that perspective, we take that into account.

I think from our position, it's very simple that it's in the interest of all parties to bring this transaction to a conclusion. We have other options to consider and a company to run and the prevailing uncertainty cannot be beneficial to the Western Mining Management operations or shareholders. Taking into account what we think it a fair price, but also noting the imminence of the 20-cent dividend declaration, we decided to revise the offer to 7.20 cum dividend in the hope of drawing a line and bringing this transaction to a position where it is capable of being concluded either way.

Now, this is our final offer and under the Truth in Takeover's Provisions in Australia, we cannot revise this offer beyond this level, and so we are giving a clear signal to the market that this is our position and the only caveat being that we can review our position in the unlikely event of a competing offer.

Now, this position is essentially to stop a nickel and dime increase from another bidder. I want to be clear, the only prospect of Western Mining shareholders getting more for their shares, is if somebody else makes a higher offer, I think we must be particularly clear on that.

The other thing I want you to note is that, I've constantly said to the market and I say it again that we will do nothing in this company, which in anyway impacts the value creation proposition that we put forward to our shareholders, so every approach that we are taking in the context of this particular offer, we have been underpinning that position.

Now, over 3 months of course have passed since we first confirmed our interest in acquiring Western Mining and there has been no competing offer. I note much speculation in Australia overnight

about the potential of an interloper, but I have to say to you that it is going to be a real hurdle for an interloper to come over the top. I think clearly time will have to pass before this supposition of mine is tested in any particular way, but given the absence of any other offer, I believe that any asset level transaction that Western Mining may be considering in terms of a joint venture with Olympic Dam, will simply not be able to deliver value to Western Mining shareholders at anywhere near the levels of our increased offer.

The 7 dollars 20 per share that Xstrata is now offering, I think crystallizes a very stark choice for the Western Mining shareholders.

Now, I think it is important to highlight that we continue to believe that the merger Western Mining-Xstrata will create a powerful global mining entity, but I want to stress that Western Mining is one of a series of attractive strategic growth options which is available to the company and it is therefore important that our offer is concluded either way as soon as possible, it's fair for our shareholders and for the Western Mining employees and shareholders.

Now, to facilitate a board recommendation, I think it is helpful if we accelerate the process and that is exactly what we've done. I think it's in the interest of Western Mining shareholders now to signal this to the Board clearly by turning in their shares into our withdrawal facility, that sort of signal will facilitate I think an early conclusion of the transaction. If they do so, it clearly places them at no risk as they can withdraw the shares at any time and can therefore participate should any higher bid be ventured, but I think clearly that signals to the Western Mining Board from their shareholders will now result from us making this move.

Our offer falls within the Grant Samuel Independent range and therefore I guess will be considered fair and reasonable and that you will note in the statement of Western Mining response target's statement, that their big concern is, and they reiterated it a number

of times in their target statement, that our offer was not considered to be fair and reasonable by the independent expert.

Given the fact that it's now in their range, it would I think now have to be considered to be fair and reasonable and that takes a major hurdle away or impediment away from the board in considering this offer and recommending it. It represents of course a 46% premium to the pre-speculation price.

Now from the perspective of Xstrata shareholders, notwithstanding the price increase, we believe the transaction remains very enhancing and transforming for Xstrata. At the same time, obviously offering, I think, an unprecedented opportunity for Western Mining shareholders to realize the full value for their company with the certainty of cash as opposed to the risks associated with the projects, prices and future cash flow that is inherent in investing in a company over medium-term.

So, with those introductory remarks, I am now up to turn it over to you for questions, which you need to take through the Operator.

OPERATOR:

Thank you. Excuse me. This is the Chorus Call conference Operator. We will now begin the Question & Answer session. Anyone who wishes to register for a question should press \* and 1 on their touchtone telephone. If you change your mind and wish to remove yourself from the question queue, then you may press \* and 2. Anyone who has a question may press \* and 1 at this time.

The first question is from Mr. Marcus Lun, Morgan Stanley. Please go ahead Sir.

MARCUS LUN:

Good morning. I've got a couple of questions. Firstly, could you talk a bit more about your valuation of WMC, has anything particularly changed there in terms of your assessment, of either operating costs, commodities, assumptions or expansion prospects within WMC?

And then secondly you mentioned there are other other strategic growth options for - apart from WMC. Could you maybe talk about, you know, any particular commodity or industries, to which they may be?

MICK DAVIS:

Okay. I mean, just in response to your first question, nothing has changed in our valuation models based on the - the plethora of information, which WMC put on the market after our bid as - and in addition to the information that came over in the target's statement on our perspective of operating costs going forward, the value of any expansions, the probability of expansions and anything that relates to that.

As I indicated earlier, the one area where we gained more accurate information was on the closing net debt levels and on the availability of additional tax losses to be carried forward, which obviously can be for the benefit of a future owner and we have taken those into account in allowing us to actually stretch our offer to 7.20.

On the growth options available to the company, I mean clearly I am not going to go into specifics in relation to our growth opportunities, I mean that could be a self-defeating exercise, but we have constantly indicated to the market the criteria that we look at in terms of driving growth for the organization and that is that we are looking for clearly value-enhancing opportunities, which do not in fact dilute shareholders from an earnings and cash point of view for any meaningful time post the acquisition.

However, the company is now in the position, I think, to consider opportunities where the value is more back-ended than previously. I mean previously we've only been able to look at opportunities where cash flows had been immediate by virtue of the the nature and the construct of the company, but given the fact that we are now well settled, we've come to a substantial size now with a

market capitalization well in excess of 10 billion dollars, we are able to look at a wider range of opportunities, you know, available to us before and opportunities where value resides in projects, much the same as we are able now to look at Western Mining for that reason.

I mean, the one area where we have indicated that we would have an interest in is in platinum and that's no great secret to that and that's something that at the appropriate time that we will try and bring to some sort of fruition, but that is as much as I can say on the growth opportunities, but not getting into any sort of specifics as I said, that wouldn't be useful for us.

MARCUS LUN: Yeah. Could you just clarify the tax loss sort of benefit you are assuming there?

TREVOR REID: We have been careful not to actually quantify the issue that Mick is referring to is that we simply did not have adequate information on what were the tax loss going forward at WMC, they have now made those very clear in the target statement.

MARCUS LUN: Okay. Thanks.

OPERATOR: The next question is from John McKinnon, Deutsche Bank. Please go ahead Sir!

JOHN MCKINNON: Hi Mick!

MICK DAVIS: Hi John!

JOHN MCKINNON: Just I guess a quick one with the revised offer to put a floor under the price now for WMC and I guess the bid spread offer has narrowed, but you know a gap is still there. What are the catalysts do you think that are going to bring about you know the bid spread offer coming in and you starting to see some acceptance at the current offer?

MICK DAVIS: Well I think, we are basically there is one issue, which needs to be crossed and that's the FIRB approval, which clearly we and everyone else I think has to come sooner rather than later, as shown by the comments of Mr. Costello in a press conference which was held overnight, where he has indicated that you know they we are on track on that.

I think from that point of view that clearly is an important condition which needs to be satisfied and that I think a number of institutions could well be waiting for that before they act and then I think the second thing is something which is much more difficult to define and that is peoples' perspective of whether there is going to be a competing offer or not. I think, you know, one has - there's going to be a situation where either there is an offer or people have to believe that there isn't another offer coming and if they come to a conclu... - no offer comes, they will then face the choice of either accepting our bid or basically happy that our bid in fact fails and then attempt to achieve that level of value through holding the share over a long period of time.

JOHN MACKINNON: What were the particular factors that saw you bringing the revised offer now rather than late after the current period and then revise your offer on the 20<sup>th</sup> or the 28<sup>th</sup> of February?

MICK DAVIS: It is my judgment that we had got into a sort of Mexican standoff as it were, no move being made. I have made some attempts to see if there was a possibility of some sort of constructive engagement and it became clear to me that at 6.35, that the Western Mining Board would not have been able to engage with us just given where the share prices are trading, even they were minded to.

As I said to you, we always had recognized that we would have to pay more than 6.35; that was our initial entry and and it was a price set at a time when we hoped that we would get an agreed

deal with Western Mining and I just took the view that, you know, the amount of time that has gone, water under the bridge means that we really need to actually bring this to a head and from that perspective, put our final position on the table.

That would facilitate flushing out any competing bidder if there was one around, it would also declare to the shareholder that that is the number that you can realistically hope to achieve on the takeover and allow me to actually manage or take control of the process from an Xstrata point of view, you know this is a small management team. As I said, we have other things that we are working on and there is a limited amount of time that we would be able to devote to any single transaction even if the transaction is as desirable as Western Mining.

JOHN MACKINNON: Okay, thanks.

OPERATOR: The next question is from Mr. Aaron Lyons, Polygon. Please go ahead sir.

AARON LYONS: Thank you. Good morning. Most of my questions have already been asked. I guess, clearly the one I had left remaining is not withstanding the comments by Castello on the news this evening, would it be reasonable that the conclusion will be there must be someone in the immediate vicinity, but would it be reasonable to suppose that in a hostile transaction, is it that much harder to get through FIRB and perhaps that in part was what you guys are thinking in formulating today's move.

MICK DAVIS: I don't think that the nature of the transaction has anything to do with FIRB's decision. I think FIRB was quite neutral on that, I mean their issue isn't about a fair price and you must remember that XSTRATA has made a number of applications to FIRB since 2001, 2002, all of which have been successful. The key issue there is that anything in the national interest, which in the view of the Treasurer, should suggest that he should not approve a foreign

company from acquiring an Australian asset and so the nature of how we do that acquisition, I think is completely indifferent and so from our point of view, FIRB was an entirely neutral factor in the decision.

AARON LEONS: Okay, thank you very much.

OPERATOR: The next question from Mr. Robert Marshall-Lee, Newton. Please go ahead sir!

ROBERT MARSHALL LEE: Hi Mick. I've got couple of questions for you. Firstly, with regards to the Olympic Dam expansion, I just wanted to get some kind of degree of your confidence in terms of implementing the project there. What do you see the risk in implementation, because clearly at this kind of price you need that expansion to come through at some point.

MICK DAVIS: Okay, we have factored into our thinking that we will raise the production of Olympic Dam to round about 300,000 tonnes per annum and that is based on the reserve that is delineated at the moment with the current plant and existing capacity with some additional capital expenditure.

The value that we think we will bring to Olympic Dam is better utilization of the existing asset base to raise the production; that has been our focus and that's why we have been willing to pay for that value up to 300,000. A project beyond that to go to higher levels, where you are talking about whether it's an open pit mine or blocked cave, underground mining or whatever, we think that that is far too undefined at this stage to place a significant amount of value on and we have not attempted to do that, so sure we've taken that into account in our evaluation but recognizing that it's a project which does not have a feasibility study, where the mining method is uncertain, where the capital expenditure is uncertain and we have evaluated it accordingly.

ROBERT MARSHALL LEE: Thanks. My other question, in regards to the WMC Board, whether you had the time to approach them with this beforehand, any feedback you've got to date?

MICK DAVIS: We did not approach the WMC board before we made this proposal. As I said earlier, it appeared to us that it was not possible to have a constructive engagement with the WMC Board given the disparity of our 6.35 and where the market price was trading, which as I said was you know sort of around about the bottom end of the Grant Samuel range and having made that judgment based on, you know, clearly based off the feedback that the tenor of the target statement in former contact that we had at a management level, we decided that it would be best to put a number on the table which would reflect I think full value for the company, be a major and considered move by Xstrata, would be a serious view by Xstrata which the board would then able to in fact look at very seriously, given the fact that we were no longer such miles apart. We haven't had any feedback from the board since we have revised this number; I suspect that they haven't had an opportunity to evaluate it fully.

ROBERT MARSHALL LEE: Right, thanks very much.

MICK DAVIS: Thanks Robert.

OPERATOR: The next question is from Beat Schaffner. Please go ahead sir!

BEAT SCHAFFNER: Yeah, good morning to everybody, I have basically two questions. First of all is, Mick you said that this increased offer will hand over some of the synergies already now to the older Western Mining shareholders and it's on those synergies where I would like to feel your pulse a little bit, how confident are you that you can really lift them and could you make due diligence and in what area have you identified most of them, that's one part, and the other one goes to Trevor.

I wonder, since you said that you will be financing the whole takeover through debt, whether this will still be within your sleeping level or comfortable sleeping level or whether it's envisaged at a later point in time to maybe have the rights issue still?

MICK DAVIS: We clearly haven't been able to do due diligence on Western Mining. We have a reasonable knowledge of Western Mining, we have some knowledge of the company given the fact that we have had access to a data room at the time when Western Mining were allowing companies to look at them just prior to the split between the mining and base metal assets and the alumina company, but there is a lot of information about how the company is structured and we have taken I think a reasonable assessment of where we are able to find savings and built that into our models.

I am reasonably comfortable that we have made reasonable estimates and that we can realize those synergies, so I don't feel we are at a significant risk there, but clearly the company structure and some of the infrastructure will have to continue.

The Grant Samuel valuation range sort of assumed that a company with presence in Australia could come in and do away with practically the whole of the head office infrastructure and everything associated with it. We would say to you that that is not

really possible no matter which company you are. With respect to whether Trevor can sleep at night, I mean ask him.

TREVOR REID: When we tabled our original offer, we said that we had arranged incremental debt facilities of \$6 billion. I have had to extend that to \$6.6 billion and a portion of that is made up by a \$2.6 billion bridge facility which we're clearly going to have to refinance soon after the transaction is finalized. Now the major portion of that we will look to re-financing in the traditional bond market and as I have said all along, you know to ensure the best possible debut into those debt capital markets, I am going to need a strong investment growth balance sheet.

We haven't been able to interact formally with the rating agencies because they weren't up to advising in the face of a hostile takeover, but we have had some informal interaction and I will certainly be dealing with them formally as soon as the transaction is over. We have had our debt advisory groups, that are our lead banks, look over our balance sheet and they believe that an investment grade rating is possible, but if we do need a modest amount of equity, we will certainly ask for it. You mentioned a rights issue, certainly the level of equity that we might need would not necessitate a formal rights issue.

BEAT SCHAFFNER: All right brilliant. Thank you very much.

OPERATOR: As a reminder, if you wish to register for questions please press \* and 1 on your telephone, \* & 1. The next question is from Craig Campbell, Citigroup. Please go ahead sir!

CRAIG CAMPBELL: Yes, just a question back on the FIRB situation. I was just wondering if you think there is any similarity between the case that you are presenting at the moment where you are looking to expand to 300,000 tonnes per annum at Olympic Dam and the situation that Shell went through when they had attempted to take over Woodside and the government there was worried about an

underexploitation of the resource, could you make some comments on that?

MICK DAVIS:

I think I need to make two comments. One is you made an assumption which is not correct. I did not say that we would expand to 300,000 tonnes and that's it, I said building into our valuation model is the clear step up to 300,000 tonnes and that we had applied normal project valuation criteria to the project beyond that.

We will obviously continue to study in terms of getting a greater expansion at Olympic Dam and it is our interest to do that, so let's not be in a position where you are interpreting me saying that we are just talking about, this is just a 300,000 tonn a year animal, that's not what I am saying at all. It's just how you evaluate it.

The second issue is, are there any similarities to Woodside, I can see no similarities at all. I mean here we are buying, Xstrata is a growing business, we wish to grow the company, we are buying an asset where a lot of the value sits in the growth of the project or growth projects, and the only way we are going to capture that value is by actually doing those projects.

Olympic Dam would be a very important component of our copper division and I can assure you that Charlie Sartain and his team will be very very mindful and energized to try and achieve value through the growth project.

On the Woodside situation, while I am not an expert, I suspect that one of the concerns that the government had at the time was that the projects or the growth inherent in Woodside would just be one of many options available to Shell worldwide and that they would not necessarily be priority options and for Xstrata, this is the very issue, that the growth at Olympic Dam and the growth in the nickel projects are priority options, so the exact opposite.

We are not like Rio or BHP, which have a huge amount of growth optionality within their business, where if they acquired Olympic

Dam; it would just be another copper opportunity - for us it is the major copper opportunity we are acquiring.

CRAIG CAMPBELL: So, just to summarize then, once if you were successful in acquiring Western Mining, you obviously have the plan to go to 300,000 tonnes, but you would then, if it's feasible look to expand beyond that and if the studies prove up, you could even go beyond the 500,000 tonnes that Western is talking about.

MICK DAVIS: I am not going to comment on that at all. I am not quite sure where you got that from. I am just saying to you that we will not stop the studies. We will continue with the studies to expand Olympic Dam to its optimum size.

What that final size would be I do not really know, and I do not think anybody does at this stage, but if it makes sense, we will do it and I think we are arguably in a better position to do it than WMC is because we are a bigger company.

CRAIG CAMPBELL: That's correct. Thank you very much.

MICK DAVIS: Okay.

OPERATOR: Any further questions please press \* and 1 on your telephone, \* and 1. Mr. Davis, there are no more questions registered at this time.

MICK DAVIS: All right, thank you all very much for your attendance, and I appreciate your interest in Xstrata and in this transaction. Obviously, there is still some water to flow under the bridge, but at the end of the day, we hope that we will get a rational and realistic outcome. Thank you very much.

OPERATOR: Ladies and Gentlemen, the conference call is now over; you may disconnect your telephones. Thank you for joining. Good bye.

END