TRANSCRIPTION

Company:	**Xstrata**
Title:	**Xstrata bid for WMC**
Date:	**22 November 2004**
Time:	**5:30PM EDST**
Conference ID number:	**387222**
Moderator / Speaker:	**Mick Davis**

[START OF TRANSCRIPT]

Mr Davis Good afternoon everybody, thank you for coming on to the call. You will have seen that at the close of market we have made an off market bid for WMC at $6.35 a share. Before I open it to questions I thought I'd just make a few opening remarks. I make the point to you that this offer is at a 43% premium to the average base case broker estimate of WMC's net value per share - $4.43 as of 19 November 2004. And also to make the point that it is at a premium of 29.1% to the closing price of WMC shares of $4.92 on 26 October which is one day prior to the market speculation that WMC might be in receipt of an offer from ourselves.

I think one has to recognise that this is a value issue, that the speculation over the last couple of weeks which is rife about as to what the value of the company is, has been more in tune to competing bids. Now that our formal bid is on the table, I think there's an opportunity for shareholders to make a judgment themselves looking at the certainty of the cash that we're offering against the value of the company. From our perspective we have put in a very full price, it reflects not only our view of the value of the company but also our share of synergies which arrives from the unique combination of synergies from putting Xstrata together with Western Mining. I guess as the board of WMC proceeds to get an independent expert and respond to our offer with an independent expert's report, shareholders will then be informed to make a decision as to how they want to go forward. As you know, Xstrata is a very committed investor in Australia, we've invested in excess of A$8.5 billion in the last few years and that includes almost a billion dollars of growth investments since our acquisitions of the coal assets of ENEX and the MIM acquisition. And we have committed a further A$1.9 billion of capital expenditure in Australia over the next three years. Much of the value of WMC is clearly in its growth. We are therefore very keen and would be very keen to get the growth on board as soon as possible as clearly it would be beneficial for everybody concerned in the company particularly for jobs and for all stakeholders involved with the company. We have secured the finance to fund not only acquisition but to fund this growth as well. And as far as our capacity to fund projects as concerned we have raised in excess of $6 billion on the international market since March 2002 and we are highly confident therefore that we are quite capable of bringing the funds necessary to achieve the full growth out of the combination. Our experience at MIM I think has demonstrated not only our operating capability but clearly our commitment to revitalising assets and to investment and I am very pleased about the fact that we have got 350 new positions created at Mt Isa and the turnaround that we've achieved there. Essentially, from our perspective and from the perspective I guess of the Xstrata shareholders, the combination of Western Mining and Xstrata would create a powerful vehicle which would be competitive against the majors seeking opportunities and seeking growth going forward. And as I have said at the start of my remarks it represents a very full value, a certain cash price for the Western Mining shareholders to consider. Having made those points I would now like to open it up to questions.

Ian Howarth, Financial Review.

You talk about WMC's value, does this bid indicate that this is what you consider to be full value and will you bid any more if somebody comes over the top?

Mr Davis We have put a price to WMC shareholders which represents our view of the value of the company and bearing in mind that we have had a scenario of a strengthening Australian dollar since we made our initial formal offer to the shareholders. We have obviously looked at value quite closely and we're still of the view that that this represents a very full value price to the shareholders.

Richard Gluyas Australian.

The market is significantly at a premium to the bid price that you announced, or that was announced in late October. I'm just wondering what the strategy is when you announce a bid that is well below the prevailing market price.

Mr Davis I think you have to actually look at the bid in the context of where the price was prior to our offer to Western Mining, and there the price was $4.92. Now, this price is actually at a premium to that, a very significant premium to that and it is a very significant premium to the average base case broker estimate. I think you have to interpret what has happened subsequent to our formal offer as a range of speculation about where competitors might come in or whatever the reasons people might have for looking at trading at $6.50 to $7.00 a share. Our price was at a premium to where the shares had been trading, and if you look at all the metrics in relation to the one month, the six months, the three months, you'll find that it's at a significant premium. The Western Mining share price has not traded anywhere near this price of $6.35 and therefore this represents I think a significant premium. And I make that point that the original thinking behind the demerger of the Western Mining base metals company from the alumina assets was to create a vehicle where there would be the possibility of a transaction of the sort where a control premium could be realised for shareholders. Now, since 2002, since that demerger there has not been any offer put on the table until our offer came forward.

Michael Weir, West Australian

Hello, Mick I'm just wondering why you decided to bid now, what's the strategy behind the timing?

Mr Davis — No great strategy behind the timing. I mean I'm a great believer that when the opportunity meets your strategic intent you should actually exercise the opportunity to try and achieve your strategy. And it comes that we have now bedded down MIM, we have the capacity to move forward and to think about further growth, we have the financial capability of doing the transaction and therefore we are proceeding with this transaction. The idea of Western Mining is not new, we had the opportunity of participating in a data room exercise prior to the demerger. That was something which we recognised we couldn't do at that point in time but now the time is that we can do it and hence the attempt to consummate a transaction.

Michael Weir, West Australian

But I'm presuming that your further discussions with the board after you presented it to the board and that was rejected, I take it that because those talks didn't progress anywhere you've decided now to put the offer formally to the shareholders in a bid to retain control of this process. I mean force the directors to get independent expert's report and also force any potential counter bidders to make a bid?

Mr Davis — I think we certainly want the offer put to shareholders, we think it's a good offer. Shareholders have the right to receive the views of an independent expert and we think the process should go along those lines. And yes you're right in saying that it was not possible to achieve a recommended scheme of arrangement with the board at this time.

Michael Weir — Thanks Mick.

Mr Parkinson — The Deal.

Hey Mick, just going back to this issue about the share price and the fact that you are bidding 10% below the current share price. I mean presumably you are just that no one else is out there in WMC resources, if there is someone out… [question recommenced]

So look, just as we put the question, just going back to this idea that still bidding 10% below the market you either are; one, convinced that there are no other bidders out there; and two, you're presumably very worried that if there is other bidders out there like Rio or BHP you're not really going to be able to match them for financial weight.

Mr Davis — No, I'm just convinced that the price that we've offered represents a full value for the company and the shareholders should have the chance of evaluating that price against the advice they are going to receive from the independent expert and that's where we come from. I've indicated previously that it stands at a significant premium to what the share price was trading prior to our formal offer and a significant premium to where average broker base case estimates of the NPV of Western Mining were. I note that earlier this year that when Western Mining were discussing a share buy back, the statement was made that one would only consider a buy back in Western Mining if the share price was below the company's long term net present value and that statement was made at the time when the share price was trading at around about $4.94 to $5.32 per share. We are offering $6.35 a share and that's why we think that offer should be put to shareholders. I have really no concern and no interest in speculating about what others might do.

Mr Parkinson: Just one other question, if I may? You mentioned the interest in uranium and you also mentioned you see the potential of WMC in its growth assets. I mean, presumably uranium is its one big growth asset, what exactly would your plans be for that particular mineral?

Mr Davis: I have to say that our interest in WMC is because of Olympic Dam and because of their nickel assets. And Olympic Dam is, from our perspective primarily, a copper asset which has a by-product of uranium. And so to the extent that we can produce more copper if that produces more uranium, well, then we'll sell the uranium at the best possible price we can. But we're buying this company because it will enhance our copper portfolio and bring in a very important revenue stream in nickel, another commodity into the business.

Facilitator: Next question from Yvonne Bell of the Financial Review.

Yvonne Bell: I was just wondering since the first approach was made to the board have you received any shareholders' feedback suggesting they would have preferred a chance to consider that offer? Have you actually canvassed some of the shareholders?

Mr Davis: We have not had direct discussions with the shareholders. I have seen reported in various media that some shareholders would have preferred the offer to have been put to them.

Facilitator: Ian Howarth, Financial Review.

Ian Howarth: Mick, can you tell us whether Xstrata actually holds any WMC shares at this point – either directly or warehoused? I mean, on behalf?

Mr Davis: We hold no shares at all.

Howarth: How soon would you anticipate changing that situation, i.e. buying some?

Mr Davis: We've put our offer to shareholders and when they tender their shares we'll own them.

Howarth: When do you think that the formal process of actually acquiring shares, that might take place? What's your timing on this?

Mr Davis: It goes to pretty rigid process in terms of Corporate Law. The timetable, I think, is set out in the press release, but essentially we'd make our bidder statement next week and then it goes through a program process of doing that and it's pretty well set out, I think, in the press release.

Howarth Just one other one. You've talked quite a lot about the fact that there's been no other bids for WMC since the demerger. To what do you put that down? How do you explain that?

Mr Davis I can't explain why other people aren't bidding.

Ian Howarth I mean, why didn't Xstrata, for example, bid 18 months ago when the price was essentially half what you're paying today.

Mr Davis Well, it just is that we couldn't do two transactions at the same time, you know, we basically had the MIM deal and that was a really big deal for us, it doubled the size of the company and so, as I said earlier, it's only now that we've absorbed MIM and bedded it down that we have the capacity going forward. So it was just a matter of practicalities more than anything else.

Facilitator Christine Lacy of the Sydney Morning Herald.

Christine Lacy Last time round you used the services of Deutsche Bank in an advisory capacity on MIM, I wonder why you haven't used them this time round?

Mr Davis We quite like to spread out our advisory and deals to a whole range of people and so this time round we've got JP Morgan and we've got Gresham. It's just a matter of making sure that everybody gets a fair crack of our business.

Facilitator [Sonali Paul] of Reuters.

Sonali Paul WMC has put out some comments saying the bid's opportunistic and they will only consider a material improvement in the bid. Can you comment on that? And I think also earlier today Michelmore told reporters in South Australia that if investors sell out at the offer price they would not be reflecting the value of the expansion of Olympic Dam. Is that fully reflected in the bid?

Mr Davis Our bid fully reflects our view of the value of Western Mines, taking into account the growth optionality inherent in Olympic Dam. Now, one has to recognise, as we do and every sensible person does, is that the feasibility of those growth plans is not complete and won't be complete for some years. We like everybody else clearly have to reflect that in valuation. I think from the perspective of shareholders is I think all shareholders have the right to consider the offer and hence we are making the bid and they will have to consider the offer, as I said, against the certainty of the cash that we're offering now verses their perceptions of the value of the company, and we believe that we've factored every possible aspect of value into our model and our price reflects what's in our model. The base case valuation of the brokers still sits at $4.43 per share and our offer is at $6.35 per share – some $2.2 billion more value than is reflected in the base case valuation of analysts.

Facilitator Richard Gluyas of The Australian.

Richard Gluyas I guess you must have been aware of some of the discussion that's started about whether or not Olympic Dam is a strategic national asset and if it's seen to

	be that way by decision makers in Canberra then that takes us down the path of the Shell bid for Woodside. Is that a concern for you?
Mr Davis	I really have no concerns about this. You know, Xstrata has such a tremendously good track record of stewarding assets in this country. We own substantial assets in New South Wales, we own substantial assets in Queensland, we've revitalised the copper assets of Mt Isa and I would say that as far as Mt Isa is concerned it is more strategic than Olympic Dam could ever be just given the employment it offers to a major town in that area. From the perspective of Olympic Dam, it's an excellent ore body; it can be a fine asset if it's operated effectively. The fact that it produces uranium is neither here nor there, you know, the Australian government quite rightly has in place certain requirements for how uranium is placed and there needs to bilateral agreements with various countries and obviously any owner of those assets falls in line with those requirements. So I see no issues around that at all.
Facilitator	Leonie Wood, The Age.
Leonie Wood	Hi, Mick. How are you doing?
Mr Davis	Well. And yourself?
Wood	Fine, thank you. I notice in the release today you're referring several times to the speculative prices, highly speculative prices in the share market. Granted that that speculation doesn't go away, I'm just wondering whether or not there's an element here in you being a bit ticked off at the rebuff that you got in late October?
Mr Davis	No, I'm not ticked off. I'm disappointed that we couldn't reach agreement with the board on what I think is a very good offer, but I'm not ticked off. I mean, I recognise that people are entitled to take any position they like and the board must do what they think is in the interest of their shareholders. I have a very good relationship with Andrew Michelmore and I hope that that will continue.
Wood	You also refer, though, in the release to Western Mining's questionable project management capabilities. Aren't you taking another shot at them there?
Mr Davis	No, I'm not taking a shot. I think I'm basically saying that they have struggled in the past to bring projects on stream, on time and within budget. I mean, that's a fact and I'm just making that point, and I think it's a reasonable point to be made for the shareholders to bear in mind when they evaluate the offer.
Wood	Are you able to tell us anything about those discussions that you had with the board or with the company in late October?
Mr Davis	I think you actually know everything that was discussed. We made an offer, they rejected it.
Facilitator	Steven Bell of Dow Jones.
Stephen Bell	Mick, just following on from Ian Howarth's question earlier on. I just wanted to clarify about your bid price. Can you state categorically that this is your final offer?

Mr Davis	I can state categorically that we have no intention of raising the price, but clearly I reserve my rights in this respect.
Facilitator	That does appear to be the final question from the media. Do you wish to say anything to conclude the meeting?
Mr Davis	No, I think I've said as much as we can say. Just to make the point that all shareholders deserve the right to look at the offer, that this is a cash offer, a certain price at $6.35, it represents full value for the company at a significant premium to analysts that reviewed the value and where the share price was trading prior to us making our offer to the Western Mining board. Thank you all very much for attending and for your interest.

[END OF TRANSCRIPT]