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Good morning ladies and gentlemen.

At the outset I would like to record my thanks to our hosts Bank of America Merrill Lynch for their invitation and for giving me the opportunity to share my thoughts on the state of the mining industry and Xstrata today.

It seems that each time I stand here before you the industry is buffeted by a set of forces which, apart from keeping boredom at bay, are increasing the level of complexity for investors and management alike. Interestingly, the majority of these forces have their source in some kind of government or political initiative. But such is the law of unintended consequences that these government interventions often result in a poor outcome for all. Let us not forget, for example, that while bankers are quite rightly criticised for their role in the global financial crisis, some of the roots of the crisis lay in a politically inspired intervention designed to broaden home ownership and sub-prime mortgage provision was encouraged and for some mandated. I have no doubt the US politicians had not the faintest inkling that their well-intended intervention in the supply of credit to the housing market would be a key factor in the deepest global recession since the Great Depression, the after-effects of which we will experience for many years to come. This is an example where political imperatives assault the structures of an economic system, undermining the proper measurement of risk and reward. The results, compounded by further excesses in the world banking network, do not need rehearsing at this forum, but one of the collateral outcomes is the ongoing vilification of an industry in the eyes of the public which undermines their belief and faith – two ingredients needed if we are, once again, to stride the sunlit uplands of sustained global growth.

Slide 3: Australia: Moving in the wrong direction?

It is within this context that I now turn to the most recent announcement by the Australian Government regarding their intention to impose a Resource Super Profits Tax. This is the biggest assault on the mining industry I have witnessed in my now long involvement in the sector. I am troubled both at the magnitude of the tax impact on mining companies in Australia but also its retroactive nature and the total absence of consultation in the run-up to the announcement. This is much more reminiscent of countries perennially trapped in a spiral of mercurial populist actions, followed inevitably by dwindling foreign investment and ever-poorer populations; not of a country like Australia.

I have read the commentary by various members of the Australian Government and it seems to me that they contain assumptions which are open to challenge and at the very least they overlook the significant contribution made by mining companies over many decades to Australia and its people. Certainly it is not helpful to use populist rhetoric which can be interpreted as characterising mining companies as greedy enterprises siphoning rents from Australia's natural resources to faceless foreign shareholders.

Speaking for Xstrata, I can tell you that in the eight years that we have operated and invested in Australia, we have generated total revenues of 44 billion dollars, we have paid expenses of 22 billion dollars, incurred taxes of 5 billion dollars and invested 18 billion dollars over that time. Now if you check the math you will see that this has required us to inject a further net 1 billion dollars into Australia from cash generated in other regions. In other words, there has been no leakage of profits from Australia—rather the other way round. Furthermore, our growth and investment plans are such that we planned to continue this pattern of investing more than we generate well into the future.

Xstrata and companies like us with access to multiple growth options across the globe will always find value adding opportunities; but if this tax stands in its current form and impact, it will retard the development of resources in Australia.

Slide 4: Contribution of SA Mining Industry to GDP....

Let's look at some case studies on the results of governmental interventions and in some cases inaction on the resource sector.

According to a recent analysis by Citi, South Africa is the wealthiest country measured in terms of its resources in the ground. However, in situ resources on their own do not create wealth. They require investment by mining companies which bring expertise, capital and the ability to manage the many risks associated with a cyclical industry which invests upfront for returns which begin to be generated long after the initial capital is invested. South Africa's investment climate has been coloured of late by uncertainty in the tenure of mining rights, constrained and unstable infrastructure, a shortage of key technical skills and changing royalty and ownership regimes. A study by Global Insight points to the fact that over the first phase of the current secular trend in demand for commodities up to 2008, when the mining sector's contribution to global GDP grew by 5% per annum, the South African mining industry's contribution shrank by 1% per annum. McKinsey estimates that - had South Africa's mining industry grown at the average of the global rate - 45,000 new jobs and \$8bn of additional contribution to GDP could have resulted.

Look no further than Nigeria for an illustration of how a country recognised for its vast oil and gas reserves is missing a golden opportunity to benefit from robust oil prices to create lasting benefits for its country and people. Uncontrolled security risks, endemic corruption, substantially higher royalty levels and windfall taxes have induced foreign investors to withdraw their capital from the Nigerian oil industry. In the three years since the last peak in oil prices, production has fallen by over 10% as Nigeria fails to meet its OPEC quota.

Slide 5: South American case studies...

Parts of South America have long offered us further proof of the impact of mercurial government action. The now infamous post-Chavez Venezuela case-study needs no elaboration, and unsurprisingly, it too has resulted in dwindling foreign investment. So too with Argentina, as it imposed additional taxes on the mining industry to plug its revenue gap, notwithstanding the existence of legislation guaranteeing tax stability for 30 years.

Chile, on the other hand, has recognised fully the nature of the relationship that must exist between governments and mining companies if in situ resources are to be converted into wealth for the country and its populace, with the mining industry representing around 17% of Chilean GDP. The 'Codelco Law' of April 1992 authorised Codelco for the first time to form joint ventures with the private sector to develop unexploited deposits. Thus, in a major step in 1992, Codelco invited domestic and foreign mining firms to participate in four joint explorations in northern Chile. A transparent and stable investment regime, with clear rules, has opened the floodgates of foreign investment over almost two decades, resulting in a burgeoning and productive mining sector. Even in the aftermath of a massive natural disaster, when arguably the Chilean government has a legitimate reason to temporarily increase taxation to fund reconstruction activities, the government appears to have opted for a process of genuine consultation with the mining industry, offering various options to ensure the aims of all parties continue to be met.

Most recently, Peru has instituted numerous reforms which have started the flow of foreign investment into the mining sector and, should successive governments sustain these, Peru's mining industry will continue to rival Chile's in terms of contribution to the economy. Peru is today the third biggest copper producer in the world. To date, the Government has privatized 220 state-owned firms via joint ventures and consortia in the mining and fuels industries. The firms have generated 9.2 billion dollars, with an additional committed capital flow of about 11.4 billion dollars, representing 17% and 21% of Peru's GDP, respectively. Over the last five years, mining privatizations and concessions generated a committed investment of 6.9 billion dollars.

These case studies I think demonstrate that when governments intervene in the allocation process only tears result. I have read commentary from the Australian Government that, aside from the revenue grab, this intervention is about a rebalancing of their economy. What in fact will happen is that potential funds for further investment will be taken from a highly productive sector and channelled to less productive endeavours. This type of gerrymandering of an economy is rarely successful. The market remains the best vehicle for allocating funds across an economy.

Slide 6: Potential exists for mutually beneficial partnerships between mining industry and governments

The conversion of mineral resources into value for all stakeholders requires the existence of a symbiotic relationship between the mining industry and the government.

Mining companies' side of the bargain is to bring to bear necessary long-term capital and expertise to optimally exploit the resources, assume the risks inherent in a long investment horizon in a cyclical sector and to do this in a manner which is sustainable and safe. In doing so, mining companies provide employment and development, pay taxes and royalties, invest in the communities in which they operate and purchase goods and services from a myriad of local suppliers. If you consider all these activities, it is difficult to argue that most of the countries with mature mining industries do not receive their fair share. Looking at the tax component alone, a recent PwC study found that mining companies make a total tax contribution that is 12.5% higher than other industries of similar size.

The government's contribution to the relationship is to provide or facilitate equitable and stable conditions which will allow access to resources within a transparent and stable environment conducive to the multi-billion dollar investments required to develop the resources.

These conditions include:

- **Certain and stable regulatory regimes:** which are essential to provide a basis for long-term investment decisions. Certainty over the prevailing fiscal and regulatory regime provides foreign and local investors with the ability to better assess the returns on their potential investment, increasing the likelihood that the decision to invest in viable mines and projects will be made. In the rare event that changes are required to the regulatory regime, two important principles come into play – first, a legitimate consultative process should precede any changes and, second, the application of changes retrospectively to existing operations should be avoided to prevent deterring future investment.
- **Transparency and security of tenure** are central to instilling confidence in a country. Lack of transparency over the use or collection of mining revenues, or the basis for licensing, lease tenure and other decisions, creates enormous uncertainty and effectively erodes the investment credentials of the country over time.
- **Furthermore, natural resource companies require the infrastructure to support their production and get their products to market.** The inability of regional or national authorities to create the conditions for the effective provision of rail, ports, roads, electricity and water and other basic support functions constrains mining companies and, ultimately, the communities that could benefit from their investment. Insufficient or unstable infrastructure can be a significant barrier to investment in a region's natural resources.

Finally, the broad set of **skills and capabilities** required by natural resource companies and their support services - especially technical expertise – are the lifeblood of a thriving mining industry. Government, educational institutions, and the industry itself all have a central role to play in ensuring a constant pipeline of this vital human capacity exists.

Slide 7: Structural Trend....

But enough of this! We have much to be optimistic about and all that is required is belief and conviction.

One of the most important things which I did while we were in the midst of the crisis was to reiterate, to my colleagues, my conviction about the positive outlook for commodities. It is something which I think is worth doing now when investors are being assaulted by a large variety of issues and forces.

So let's return to the fundamentals for a moment.

Last year I stood humbly before you in the midst of what seemed a synchronous downturn across the globe and reluctantly softened my view of the then thoroughly discredited 'decoupling' theory. However, so swift and powerful was the medicine

administered by the Chinese government in response to vanishing exports, that their economy delivered more than the target 8% growth rate and, as you know, grew at an astonishing 11.9% in the first quarter of this year on the back of sustained stimulus and fixed asset investment. At the same time, Western economies were characterised by high levels of unemployment, retrenching consumer spending, increasing consumer savings and only moderately successful stimulus packages.

I think we're all agreed that the current rate of GDP growth in China is not sustainable, nor is their addiction to fixed asset investment. We probably also agree, despite the various headwinds, that the US economy – which is crucial for its potential contribution of massive consumer spending – is beginning to recover. However, large deficits, deleveraging by consumers, corporate and government debts and the prospect of sustained high levels of unemployment imply that the OECD growth rates may well be pedestrian beyond the initial recovery.

We are facing a 'two-speed' economy for the foreseeable future, with - on the one hand - large, populous industrialising countries such as China, India, Indonesia and Brazil becoming the engine of growth for the global economy by virtue of their rapid urbanisation and industrial expansion and – on the other hand - OECD countries burdened by stifling levels of debt at all levels of the economy struggle to discover their growth engine. One could even argue for a 'three-speed' global economy if you assumed that the US would grow at a higher rate of growth than the rest of the OECD – and especially, EU, countries. Already, the US grew at an annualised GDP growth rate of 3.2% in the first quarter of this year, importantly underpinned by increased personal consumption expenditure. US PMIs continue to strengthen, March factory orders were stronger than expected, as was consumer confidence, and Pending Home Sales point to the recovery of the maligned housing market. Crucially, exports from China to the US grew by 20% in the first quarter following an unexpectedly rapid retrenchment in 2009, allowing China to rebalance their economy somewhat away from fixed asset investment.

How that analysis sits with 'decoupling', I think is a semantic debate.

Slide 8: Xstrata: The Growth Within

Let's turn now to Xstrata.

Slide 9: Xstrata's strategy evolved to continue....

I am extremely pleased at the evolution of Xstrata's strategy. While the initial phase of our strategy was, of necessity as a then \$500m company, heavily weighted towards acquisition-led growth, our strategy has evolved in tandem with a consolidating industry to one in which we are pursuing the dual strategies of operational excellence and exploiting embedded options which were accumulated and nurtured over the years. Opportunistic acquisitions will always remain part of our growth armoury and so they should because we are generally quite good at them. But much of our growth and cost improvement will result from the successful development of the myriad of brown and greenfield projects in our portfolio.

The financial crisis and subsequent downturn provided our management teams with the opportunity to accelerate their transformation plans and significantly and structurally reduce costs, hence improving the competitive position of our entire portfolio. However, at no point did we put in jeopardy our growth options, electing instead to judiciously

invest throughout the cycle in the continued development of our most attractive organic growth projects.

The combination of a pre-emptive rights issue early in 2009, strong cash-flow generation since the start of this year, the sale of our El Morro project for 463 million dollars and the exercise of the Prodeco option by Glencore, have placed Xstrata in a strong position to fund our projected 14 billion dollar pipeline of approved and soon to be approved projects over the next three years, while at the same time giving us comfort through any period of macroeconomic uncertainty that may remain.

As a result, we emerge from the downturn having positioned Xstrata, and its shareholders, to benefit strongly from the continuation of the positive secular environment for commodities.

Slide 10: Organic growth to deliver next transformation of Xstrata's portfolio

This next phase in the Xstrata growth story is underpinned by the delivery of the highly attractive projects in our portfolio. The average internal rate of return of our approved and soon to be approved projects is projected to exceed 20% using conservative long-term price projections. The investment in these projects represents the largest as a proportion of enterprise value in our peer group. The growth pipeline already in train has the potential to increase copper and coal volumes by 50% respectively by 2014, while doubling our nickel production.

At this point I want to emphasise that this near-term set of organic growth options will not only deliver this astonishing level of volume growth, including in tier one assets such as Collahuasi, Antamina and Koniambo, but that unit cash costs in the key business units will reduce by a further 20 to 25 percent in real terms; once more transforming Xstrata's portfolio and competitive position.

Slide 11: Significant growth already delivered and being implemented

We have already delivered significant organic growth. Over the last few years, we have invested 9 billion dollars in 13 brown and greenfield projects, which have been successfully completed on time and within budget.

In our nickel business unit, the one billion dollar greenfield Nickel Rim project's ramp up is well on track to reach nameplate capacity of 18 thousand tonnes of nickel by next year. Notably, this operation is a negative cash cost mine, in large part due to rich platinum group metal by-products, and is already having a significantly positive impact on the nickel business unit's cash costs.

Xstrata Coal's project teams have been extremely busy over the last while, investing over 5 billion Australian dollars in expansions in Australia since 2002, most recently having constructed the 3 million tonne expansion of our Glendell operation and the 2 million tonne Liddell project. In South Africa, the team completed construction of the 7 million tonne Goedgevonden coal mine in the last year, which is now well into commissioning.

Currently under construction by Xstrata Coal are the 8 million tonne Mangoola and 4 million tonne Blakefield South projects in Australia, as well as the 4 million tonne ATCOM East project in South Africa.

Xstrata Zinc continue to grow their business organically, completing the 50 thousand tonne McArthur River expansion and the 120 thousand tonne Mt Isa Zinc project. The Executive Committee of Xstrata recently approved a 133 million dollar expansion of the Black Star Pit at Mount Isa.

At the same time, the Xstrata Copper team has been accelerating its highly attractive brown and greenfield projects. The board of Antamina, the world-class copper-zinc operation in Peru, approved in January a 1.3 billion dollar expansion which will increase ore processing capacity by 38% to 130 thousand tonnes per day. Also under construction are the Lomas Bayas extension project and the Ernest Henry underground project.

Most exciting is the highly attractive Antapaccay brownfield expansion of Tintaya, final approval of which is pending approval of the environmental impact assessment by the Peruvian authorities sometime in the next two months. Construction of Antapaccay is expected to begin this year, with commissioning in 2012 and production ramping up to 160 thousand tonnes of copper.

The environmental impact assessment for our large greenfield copper operation in Peru, Las Bambas, will be submitted to the authorities in the next few months, and we expect to be in a position to provide approval for construction of this exciting project in the fourth quarter of this year, with construction starting in 2011. Las Bambas is projected to produce 400 thousand tonnes of copper and, together with Antapaccay, will result in total production from Peru approaching 600 thousand tonnes per year.

You will recall that Falcondo, our 28 thousand tonne ferronickel plant in the Dominican Republic, was put on care and maintenance as the financial crisis took hold in late 2008. Since then, the Xstrata Nickel team have been evaluating options to significantly reduce the costs of production and convert Falcondo into a competitive producer. It appears that converting the fuel source from oil to LNG offers potential for substantial cost savings and, should the feasibility study which is currently underway support this thesis, Falcondo could be back to 50% capacity utilisation by the middle of next year.

At our largest project, the 60 thousand tonne ferronickel operation, Koniambo; the industrial site earthworks are essentially complete in preparation for the delivery of the modules, which are being constructed in Quindao in China, in the third quarter of 2010. Dredging for the port is complete and the construction of the main wharf to receive the modules and from which the final product will be shipped is completing as we speak. I and members of my executive committee visited the Quindao module yard and the New Caledonia site in recent trips and came away highly impressed not only with scale of the project, but also with the progress being made and innovative approaches being applied to ensure the project completes on time and on budget. Construction of the smelter and power plant will commence later this year as the modules begin to arrive and I fully expect the major site works and construction activity to be completed by the end of next year. First ore will reach the furnace in 2012, with production ramping up to full capacity through 2013.

In our Alloys business, the expansion of the Eland platinum mine continues through the Western Decline, which is well underway. This will be followed shortly thereafter by an equivalent Eastern Decline, effectively doubling production to 370 thousand ounces of platinum group metals per annum by the middle of the decade.

Slide 12: Conclusion

The fundamentals underpinning the positive secular trend for our sector remain intact. Urbanisation and industrialisation of one third of the world's population in populous developing countries such as China, India, Brazil and Indonesia, continues apace despite the financial crisis and the slow but ongoing recovery underway in the OECD. On the other hand, already constrained supply has been further hampered by the cutback in expansionary capital by the majors and the loss of access to equity and debt finance by junior companies during the recession.

We have positioned Xstrata optimally to benefit from the next phase of this secular trend, cutting our costs dramatically and sustainably through the downturn, nurturing our organic options to the point where we can now rapidly initiate the development of a substantial project pipeline to increase our volumes by 50% and reduce our costs by over 20% by 2014 and ensuring our balance sheet has the capacity to support this programme.

Commodity producing countries wishing to be equally well positioned to ensure their populations benefit from the positive outlook for the natural resource sector need to recognise the importance of the symbiotic relationship with mining companies, which is essential to the ability to maximise the wealth generated for all parties from the in situ resources. They should seek to create an environment conducive to large scale and long-term investment in their mining sectors, not pursue short-term financial and political goals at the expense of the long-term prosperity and competitiveness of their economies.

Thank you and I'd be happy to take any questions