



Xstrata Finance (Canada) Limited

US\$800,000,000 2.850% Notes due 2014
Issue price: 99.906%

US\$700,000,000 3.600% Notes due 2017
Issue price: 99.919%

US\$1,000,000,000 4.950% Notes due 2021
Issue price: 99.874%

US\$500,000,000 6.000% Notes due 2041
Issue price: 98.779%

Fully and unconditionally guaranteed on a senior, unsecured and joint and several basis by Xstrata plc, Xstrata (Schweiz) AG, Xstrata Canada Financial Corp. and Xstrata Finance (Dubai) Limited.

The 2.850% Notes due 2014 (the "2014 Notes"), the 3.600% Notes due 2017 (the "2017 Notes"), the 4.950% Notes due 2021 (the "2021 Notes") and the 6.000% Notes due 2041 (the "2041 Notes" and, together with the 2014 Notes, the 2017 Notes and the 2021 Notes, the "Notes") are being offered by Xstrata Finance (Canada) Limited (the "Issuer") (the "Notes Issue"). Upon issue, payment of the principal and interest on the Notes will, subject to the limitations described in "Risk Factors" beginning on page 8 and "Description of the Notes and Guarantees", be fully and unconditionally guaranteed on a senior, unsecured, and joint and several basis by Xstrata plc ("Xstrata"), Xstrata (Schweiz) AG ("Xstrata Schweiz"), Xstrata Canada Financial Corp. ("Xstrata Canada Financial") and Xstrata Finance (Dubai) Limited ("Xstrata Dubai" and, together with Xstrata, Xstrata Schweiz and Xstrata Canada Financial, the "Guarantors") pursuant to the guarantees relating to the Notes (the "Guarantees") as set forth in the indenture under which the Notes will be issued (the "Indenture"). The Notes and the Guarantees will rank *pari passu* with all other direct, unsecured and unsubordinated obligations (except for certain limited exceptions and those obligations preferred by statute or operation of law) of the Issuer and the Guarantors, respectively.

The Notes are redeemable in whole or in part at any time at the option of the Issuer or the Guarantors at a redemption price equal to the make-whole amounts described in "Description of the Notes and Guarantees". In addition, the Notes are redeemable in whole but not in part at the option of the Issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

The Notes will be issued initially in fully registered form as beneficial interests in Global Notes (as defined in this Offering Memorandum). Except as set forth in this Offering Memorandum, Global Notes will not be exchangeable for Definitive Notes (as defined in this Offering Memorandum).

Investing in the Notes involves certain risks. For a discussion of certain factors that should be considered in connection with an investment in the Notes, see "Risk Factors".

The Notes and the Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and are being offered and sold within the United States only to "qualified institutional buyers" ("QIBs") as defined in Rule 144A under the Securities Act ("Rule 144A") and outside the United States to persons other than US persons (within the meaning given in Regulation S under the Securities Act ("US persons")) in reliance on Regulation S under the Securities Act ("Regulation S"). For further details about eligible offerees, deemed representations and transfer and resale restrictions, please see "Plan of Distribution" and "Transfer Restrictions".

The Notes are being offered subject to various conditions and are expected to be delivered on or about November 10, 2011 through the facilities of The Depository Trust Company ("DTC") and its participants, including Euroclear Bank, S.A./N.V. ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"), against payment in immediately available funds.

Joint Book-Running Managers

Barclays Capital
Deutsche Bank Securities

Citigroup
HSBC

J.P. Morgan
RBS

Co-Managers

COMMERZBANK
Mitsubishi UFJ Securities

Crédit Agricole CIB

Lloyds Securities

November 3, 2011

Mizuho Securities

RBC Capital Markets

Santander

TABLE OF CONTENTS

	<u>Page</u>
CERTAIN US MATTERS	ii
AVAILABLE INFORMATION	iii
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	iii
ENFORCEABILITY OF CIVIL LIABILITIES	iv
PRESENTATION OF INFORMATION	iv
INFORMATION INCORPORATED BY REFERENCE	x
SUMMARY	1
RISK FACTORS	8
USE OF PROCEEDS	33
CAPITALISATION	34
SELECTED FINANCIAL INFORMATION	35
OPERATING AND FINANCIAL REVIEW	39
BUSINESS	73
STATUTORY AUTHORISATIONS, LICENCES AND CONCESSIONS	130
DIRECTORS AND SENIOR MANAGEMENT	160
SIGNIFICANT SHAREHOLDERS	164
DESCRIPTION OF OTHER INDEBTEDNESS	165
DESCRIPTION OF THE ISSUER AND THE GUARANTORS	166
DESCRIPTION OF THE NOTES AND GUARANTEES	168
BOOK-ENTRY, DELIVERY AND FORM	184
TAXATION	189
PLAN OF DISTRIBUTION	193
TRANSFER RESTRICTIONS	197
VALIDITY OF THE NOTES AND GUARANTEES	199
INDEPENDENT AUDITORS	199
ANNEX A: DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS	200

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer or the Guarantors, any of their respective affiliates or the Initial Purchasers. This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantors since the date of this Offering Memorandum or that there has been no adverse change in the Xstrata Group's financial position since the date hereof or that the information contained in this Offering Memorandum is correct as at any time subsequent to that date.

This Offering Memorandum is being provided on a confidential basis to QIBs and to certain prospective holders of Notes ("Noteholders") outside the United States for use solely in connection with the Notes Issue. Its use for any other purpose is not authorized. This Offering Memorandum may not be copied or reproduced in whole or in part, nor may it be distributed or any of its contents be disclosed to any person other than the prospective Noteholders to whom it is being provided. You agree to the foregoing by accepting delivery of this Offering Memorandum.

In making an investment decision, prospective Noteholders must rely on their own examination of the Issuer and the Guarantors and their respective affiliates, the terms of the Notes and the financial information contained in this Offering Memorandum and their own assessment of the merits and risks involved.

Prospective Noteholders acknowledge that they have not relied, and will not rely, on the Initial Purchasers in connection with their investigation of the accuracy of any information or their decision to invest in the Notes. The contents of this Offering Memorandum are not to be considered as legal, business, financial, investment or tax advice. Prospective Noteholders should consult their own counsel, accountants and other advisers as to legal, tax, business, financial, investment and related aspects of a purchase of the Notes.

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the Notes. You should inform yourself about and observe any applicable restrictions. This Offering Memorandum does not constitute, and may not be used in connection with, an offer to sell or a solicitation of an offer to buy Notes by anyone in any jurisdiction in which the offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make the offer or solicitation. For a further description of certain restrictions on the offering and sale of the Notes and the distribution of the document, prospective Noteholders should read "Plan of Distribution" and "Transfer Restrictions".

This statement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This statement is intended for distribution only to "Persons" of a type specified in those rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this Offering Memorandum nor taken steps to verify the information set out in it, and has no responsibility for it. The Notes to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective Noteholders should conduct their own due diligence on the Notes. If you do not understand the contents of this document, you should consult an authorized financial advisor.

The Notes will be issued in fully registered form and only in minimum denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof. The Notes will be issued initially in fully registered form as beneficial interests in Global Notes, which will be deposited with the Custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Notes initially sold within the United States to QIBs will be represented by interests in a Global Note (the "Rule 144A Global Note"), which will represent the Notes that are being sold within the United States to QIBs in reliance on the exemption from registration provided by Rule 144A. The

Notes initially sold to persons other than US persons will be evidenced by interests in a Global Note (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"), which will represent the Notes that are being sold to persons other than US persons in reliance on Regulation S. For further information, prospective Noteholders should read "Book-entry, Delivery and Form".

CERTAIN US MATTERS

This Notes Issue is being made in reliance upon an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Notes, investors are deemed to have made the acknowledgements, representations, warranties and agreements set forth under "Transfer Restrictions".

The Notes and the Guarantees have not been and will not be registered with, recommended by or approved by the United States Securities and Exchange Commission (the "SEC") or any other federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum or any supplement thereto. Any representation to the contrary is a criminal offence. The Notes may be offered and sold to QIBs in the United States within the meaning of and in reliance on Rule 144A and outside the United States to certain non-US persons in reliance on Regulation S.

Subject to certain exceptions, the Notes and the Guarantees may not be offered or sold in the United States. For further information, prospective Noteholders should read "Plan of Distribution" and "Transfer Restrictions". Prospective Noteholders should be aware that they may be required to bear the financial risks of their investment in the Notes for an indefinite period of time. Prospective Noteholders are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Notwithstanding anything herein to the contrary, potential purchasers may disclose to any and all persons, without limitation of any kind, the US federal or state income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure. However, any information relating to the US federal income tax treatment or tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent reasonably necessary to enable any person to comply with applicable securities laws. For this purpose, "tax structure" means any facts relevant to the US federal or state income tax treatment of the offering but does not include information relating to the identity of the issuer of the securities, the issuer of any assets underlying the securities, or any of their respective affiliates that are offering the securities.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION, IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

Xstrata has agreed that, so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of any such restricted securities, or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum and the information incorporated by reference into this Offering Memorandum includes forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and the information incorporated by reference into this Offering Memorandum statements regarding the intentions, beliefs or current expectations of the directors of Xstrata (the “Xstrata Directors” or the “Directors” or the “Board” or the “Board of Directors”), Xstrata or the Xstrata Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Xstrata Group and the industries in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond Xstrata’s ability to control or predict. Forward-looking statements are not guarantees of future performance. The Xstrata Group’s actual results of operations, financial condition, liquidity, dividend policy and the development of the industries in which it operates may differ materially from the impression created by the forward-looking statements contained in this Offering Memorandum and/or the information incorporated by reference into this Offering Memorandum. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Xstrata Group, and the development of the industries in which it operates, are consistent with the forward-looking statements contained in this Offering Memorandum and/or the information incorporated by reference into this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, commodity price volatility, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labor relations and work stoppages, changes in political and economic stability, currency fluctuations (including the €/US\$, £/US\$, A\$/US\$, C\$/US\$, ZAR/US\$, ARS/US\$, CHF/US\$, CLP/US\$, the Colombian peso/US\$, the Peruvian Sol/US\$ and the Kroner/US\$ exchange rates), the Xstrata Group’s ability to integrate new businesses and recover its reserves or develop new reserves and changes in business strategy or development plans and other risks, including those described in “Risk Factors”.

You are advised to read this Offering Memorandum and the information incorporated by reference into this Offering Memorandum in its entirety, and, in particular “Summary” and “Risk Factors” for a further discussion of the factors that could affect the Xstrata Group’s future performance and the industries in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Offering Memorandum and/or the information incorporated by reference into this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made.

Other than in accordance with their legal or regulatory obligations (including under the Disclosure Rules and Transparency Rules of the United Kingdom Financial Services Authority), neither the Issuer nor the Guarantors undertakes any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is a company incorporated in Canada. Xstrata is a company incorporated in the United Kingdom. Xstrata Schweiz is a company incorporated in Switzerland. Xstrata Canada Financial is a company incorporated in Canada. Xstrata Dubai is a company incorporated in the Dubai International Financial Centre. The assets of the Issuer and the Guarantors are located in various jurisdictions and the majority of these assets are located in jurisdictions outside the United States. The directors of the Issuer and the Guarantors are citizens of various countries and most are not citizens of the United States. It may not be possible for investors in the Notes to effect service of process in these jurisdictions against the Issuer, the Guarantors or their directors or to enforce in such jurisdictions the judgment of a court outside such jurisdictions. It may be difficult for investors in the Notes to enforce, in original actions or in actions for enforcement brought in jurisdictions located outside the United States, judgments of US courts or civil liabilities predicated upon US federal securities laws. Further, it may be difficult for investors in the Notes to enforce judgments of this nature in many of the other jurisdictions in which the Xstrata Group operates and in which its assets are situated and in the countries of which most of the directors of Xstrata are citizens.

PRESENTATION OF INFORMATION

Competitive statements

The table set out below describes the basis of the competitive statements in respect of the Xstrata Group included in this Offering Memorandum. The market data supporting the competitive statements was obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Xstrata has not relied on single sources but has instead sought to ensure that each competitive statement is balanced and reasonable, based on various available sources and Xstrata's knowledge of the markets in which the Xstrata Group operates.

Analysis of the coking coal markets in this Offering Memorandum does not include coals known as pulverised coal injection ("PCI") coals, which are used for injection directly into blast furnaces, and refers only to coal used for coke-making.

Statement	Basis
Group	
The Group is the fifth largest diversified mining group in the world	Enterprise value calculated as market capitalisation (sourced from Bloomberg) plus interest bearing net debt plus minorities sourced from the latest publicly available financial information, in each case as at December 31, 2010
The Group's top five industry positions are in copper, export thermal coal, export coking coal, ferrochrome, zinc and nickel	Production for the year ended December 31, 2010
Copper Business	
The Xstrata Group is the world's fourth largest producer of copper	Production for the year ended December 31, 2010
Coal Business	
On a managed basis, the Xstrata Group is the world's largest producer of bituminous export thermal coal and a significant producer of premium quality hard coking and semi-soft coking coal	Production for the year ended December 31, 2010

Nickel Business

The Group is the fifth largest global nickel producer and one of the world's largest producers of cobalt

Refined production for the year ended December 31, 2010

Zinc Business

The Group one of the world's largest miners and producers of zinc

Production for the year ended December 31, 2010

Alloys Business

The Group is currently one of the world's largest producers of ferrochrome and one of the world's leading producers of primary vanadium

Market share of attributable production for the year ended December 31, 2010

Presentation of information on Lonmin plc

The Xstrata Group has not had any due diligence access to Lonmin plc ("Lonmin"), including at the time of the Xstrata Group's acquisitions of Lonmin ordinary shares between August and October 2008 and its subsequent additional acquisitions as a result of a rights issue and placement in 2009 and 2010. The Xstrata Group does not have access to any non-public financial or other information in respect of Lonmin. Consequently, any information included in or incorporated by reference into this Offering Memorandum relating to Lonmin has been compiled from information included in the Lonmin Annual Report and Accounts 2010 only. Such information has been accurately reproduced from such sources and, so far as Xstrata is aware and is able to ascertain from information included in public documents filed by Lonmin, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Presentation of financial information

Historical financial information

Unless otherwise indicated, financial information for the Xstrata Group in and incorporated by reference in this Offering Memorandum is presented in US dollars and has been prepared in accordance with IFRS for the financial years ended December 31, 2009 (including comparative financial information for the year ended December 31, 2008) and 2010, and for the six months ended June 30, 2011 (including comparative financial information for the six months ended June 30, 2010).

Unless otherwise indicated, capitalisation and indebtedness information for the Xstrata Group in this Offering Memorandum is derived from management accounts of the Xstrata Group, unaudited, presented in US dollars and has been prepared in accordance with IFRS as at June 30, 2011.

Accounting for the Prodeco Business

Following shareholder approval, the Group acquired 100% of the Prodeco Colombian coal operations ("Prodeco") from Glencore International AG ("Glencore International") on March 3, 2009 for a net cost of US\$2 billion and the rights to Prodeco's earnings from January 1, 2009. The Group agreed to grant Glencore a call option to repurchase Prodeco, on any business day up to March 4, 2010, for US\$2.25 billion, plus/minus the net cash paid to/received from Prodeco and all profits of Prodeco accrued but not distributed to the Group. The investment in Prodeco is included on the balance sheet at December 31, 2009 within current other financial assets. The profits of Prodeco are recognised as finance income in the period earned and the call option premium is included in finance income proportionately over the life of the option.

On March 4, 2010, the Group received formal notification from Glencore of the exercise of its option to acquire the Prodeco coal operations for US\$2.25 billion plus the balance of any profits accrued but not distributed to Xstrata during the period January 1, 2009 to the completion date and the net balance of any cash invested by Xstrata. Completion of Glencore's exercise of its option occurred on April 14, 2010.

EBITDA and EBIT are not defined under IFRS

Although IFRS does not define the measures EBITDA and EBIT, they are measures which are widely used in the natural resources sector to evaluate a company's operating performance. Nevertheless, EBITDA and EBIT should not be considered in isolation or as a substitute for operating profit, cash flows from operating activities or any other measure for determining Xstrata's operating performance or liquidity that is calculated in accordance with IFRS. As EBITDA and EBIT are not measures of performance defined by IFRS, these measures may not be comparable to similarly titled measures employed by other companies.

Unless otherwise indicated, EBITDA represents, when used in this Offering Memorandum in relation to the Xstrata Group, net profit or loss from continuing operations before interest, taxation, depreciation and amortisation. Unless otherwise indicated, EBIT represents earnings before interest and taxation.

"EBITDA (before exceptional items)" and "EBIT (before exceptional items)" presented under IFRS are EBITDA or EBIT, respectively, before material items of income and expense, presented separately due to their nature or expected infrequency of the events giving rise to them.

Set out below are unaudited reconciliations, based on information extracted without material adjustment from Xstrata's published financial statements, between net profit, EBIT and EBITDA:

- extracted from Xstrata's IFRS audited consolidated financial statements for the years ended December 31, 2008, 2009 and 2010; and
- extracted from Xstrata's IFRS unaudited condensed interim consolidated financial statements for the six months ended June 30, 2010 and 2011.

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	<i>(in US\$ millions, except as otherwise stated)</i>				
Net profit⁽¹⁾	3,864	861	4,955	2,415	3,049
<i>Add back:</i>					
Income tax charge	1,304	669	1,653	798	1,050
Finance costs	1,147	795	655	249	273
<i>Less:</i>					
Finance income	(261)	(454)	(152)	(232)	(61)
EBIT	6,054	1,871	7,111	3,230	4,311
<i>Add back:</i>					
Depreciation and amortization	2,396	2,419	2,732	1,258	1,574
Impairment of assets	974	2,553	559	–	–
EBITDA	9,424	6,843	10,402	4,488	5,885

(1) Net profit is profit for the year in the IFRS consolidated financial statements for the years ended December 31, 2008, 2009 and 2010, and in the IFRS interim consolidated financial statements for the six months ended June 30, 2010 and 2011.

Unaudited financial information

The following financial information in and incorporated by reference in this Offering Memorandum is unaudited:

- Condensed interim consolidated financial information for the six months ended June 30, 2010 and 2011

Currencies

In this Offering Memorandum, references to "Argentine pesos" or "ARS" are to the lawful currency of Argentina, references to "Australian dollars", "AUD" or "A\$" are to the lawful currency of Australia, references to "Canadian dollars", "C\$", "Cdn\$" or "CAD" are to the lawful currency of Canada, references to "Chilean peso" or "CLP" are to the lawful currency of

Chile, references to “Colombian pesos” are to the lawful currency of Colombia, references to “Euro”, “EUR” or “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to “yen” or “JPY” are to the lawful currency of Japan, references to “Kroner” are to the lawful currency of Norway, references to “Peruvian Sol” are to the lawful currency of Peru, references to “CHF” are to the lawful currency of Switzerland, references to “Rand” or “ZAR” are to the lawful currency of South Africa, references to “£”, “Sterling”, “GBP”, “pence” or “p” are to the lawful currency of the United Kingdom and references to “US dollars”, “US\$”, “US¢” or “cents” are to the lawful currency of the United States.

Unless otherwise indicated in this Offering Memorandum, the financial information contained in this Offering Memorandum has been presented in US dollars. In addition, solely for convenience, this Offering Memorandum contains US dollar translations of certain amounts in various currencies as at June 30, 2011, or such other date specified therein. These translations should not be construed as representations that the relevant currency could be converted into US dollars at the rate used or any other rate, and may not correspond to the US dollar amounts shown in the historic or future financial statements of Xstrata in respect of which different exchange rates may have been, or may be, used.

Accounting for acquisitions

The Group’s acquisitions that completed in the year ended December 31, 2008, including Jubilee and Resource Pacific, have been consolidated in the Xstrata Group’s financial statements from their respective dates of acquisition. The Xstrata Group’s acquisition of 14.2% of Lonmin was treated as an available for sale financial asset until the further acquisitions in October 2008 increasing the Xstrata Group’s holding to 24.9%, at which point the total interest has been treated as an investment in an associate in the Xstrata Group’s financial statements. Sphere Minerals Limited (“Sphere”) has been consolidated in the Xstrata Group’s financial statements from November 16, 2010, being the date the Group obtained control of the Board of Sphere. Jumelles Limited (BVI) (“Jumelles”) has been consolidated in the Xstrata Group’s financial statements from February 11, 2011, being the date the Group’s acquisition of a controlling interest in Jumelles was completed. First Coal Corporation (“First Coal”) has been consolidated in the Xstrata Group’s financial statements from August 4, 2011, being the date the Group obtained control of First Coal.

Ore reserve and mineral resource reporting – basis of preparation

Unless otherwise indicated in this Offering Memorandum, ore reserves and mineral resources information reported in this Offering Memorandum and the information incorporated by reference into this Offering Memorandum in respect of the Xstrata Group has been compiled in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”), December 2004 edition.

South African mineral reserves and mineral resources information reported in this Offering Memorandum in respect of the Xstrata Group has been compiled in accordance with the South African Code for Reporting of Mineral Resources and Mineral Reserves (the “SAMREC Code”), this being materially similar to the JORC Code with only minor variations. The terms “ore reserves” and “mineral reserves” are equivalent and, where relevant, the terms “ore reserves” and “mineral reserves” can be read as including coal reserves and the term “mineral resources” can be read as including coal resources.

Nickel mineral reserves and mineral resources information reported in this Offering Memorandum has been estimated in accordance with the CIM Definition Standards on Mineral Resources and Reserves, adopted by the CIM Council on November 14, 2004, and the CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines, adopted by the CIM Council on November 23, 2003 using geostatistical and/or classical methods, plus economic and mining parameters appropriate to each operation.

The nickel resources and reserves reporting regime is materially similar to the JORC Code with only minor variations.

The relevant definitions from the December 2004 edition of the JORC Code and certain other definitions can be found in Annex A: Definitions and glossary of technical terms. The JORC Code

recognises a fundamental distinction between mineral resources and ore reserves. Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into "measured", "indicated" and "inferred" categories reflecting decreasing confidence in geological and grade continuity.

Generally, explicit allowances for dilution or for losses during mining are not included in the estimates, but the reporting of mineral resources carries the implication that there are reasonable prospects for eventual economic extraction. Mineral resources may therefore be viewed as the estimation stage prior to the application of more stringent economic criteria for ore reserve definition, such as a rigorously defined cut-off grade and mine design outlines, along with allowances for dilution and losses during mining. Under this system of reporting it is common practice for companies to include in the mineral resource category material with a reasonable expectation of conversion to ore reserves, but for which the required detailed engineering, economic and other studies have not yet been undertaken.

Ore reserves as defined by the JORC Code are designated as "proved" and "probable" and are derived from the corresponding measured and indicated resource estimates by including allowances for dilution and losses during mining. It is an explicitly stated further requirement that other modifying economic, mining, metallurgical, marketing, legal, environmental, social and governmental factors also be taken into account. Reporting conventions that may be adopted are: to report mineral resource estimates inclusively, including those measured and indicated resources modified to produce the ore reserves; or to report as additional mineral resources only those portions which have not contributed to conversion to ore reserves.

Unless otherwise indicated in this Offering Memorandum, measured and indicated resource estimates reported in this Offering Memorandum in respect of the Xstrata Group are reported inclusively, including those mineral resources modified to produce the ore reserves.

Unless otherwise indicated in this Offering Memorandum, ore reserve and mineral resources information reported in this Offering Memorandum in respect of the Xstrata Group has been extracted without material adjustment from, or, in the case of attributable resource and reserve information, is based upon, the Xstrata Group Ore Reserves and Mineral Resources Report published by Xstrata in December 2010 and incorporated by reference as described in "Information Incorporated by Reference" and such information is reported as at June 30, 2010.

In this Offering Memorandum, ore reserve and mineral resource information in relation to the Xstrata Group is based on information compiled by Competent Persons (as defined in and required by both the JORC Code and the SAMREC Code). This Ore Reserve and Mineral Resource information is incorporated by reference as described in "Information Incorporated by Reference".

Inferred resources

The reserves and resources information in this Offering Memorandum includes references to "inferred resources". An inferred resource is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. This categorisation is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Production and sales

In this Offering Memorandum, production has been measured in two ways:

- **Mine production or total production or total mine production.** Mine production or total production or total mine production is equal to the total production from a particular mine or operation for the whole year regardless of ownership of that mine or that operation.
- **Attributable production.** Attributable production is that part of mine, total or total mine production in which the Xstrata Group had an economic interest at the relevant time. It therefore excludes production attributable to minority interests in controlled subsidiaries and the interests of joint venture partners.

In this Offering Memorandum, sales by volume have been measured in two ways:

- **Total sales or total mine sales.** Total sales or total mine sales is equal to the total sales from a particular mine or operation for the whole year regardless of ownership of that mine or that operation.
- **Attributable sales.** Attributable sales is that part of sales from a particular mine or operation in which the Xstrata Group had an economic interest at the relevant time. It therefore excludes sales attributable to minority interests in controlled subsidiaries and the interests of joint venture partners.

All sales figures in this Offering Memorandum in relation to the Xstrata Group's South African operations refer to attributable sales.

Metric/Imperial conversion table

The imperial equivalents of the metric units of measurement used in this Offering Memorandum are as follows:

Metric unit	Metric symbol	Imperial equivalent	Imperial symbol
Tonne	mt	1.102311 tons	ton
Kilogramme	kg	2.20462 pounds	lbs
Gramme	g	0.032151 troy ounces	oz
Metre	m	3.2808 feet	ft
Cubic metre	m ³	35.315 cubic feet	ft ³
Kilometre	km	0.6214 miles	–
Hectare	ha	2.4711 acres	–

Rounding

Certain figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

No profit forecast

No statement in this Offering Memorandum is intended as a profit forecast or a profit estimate and no statement in this Offering Memorandum should be interpreted to mean that earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings per Ordinary Share.

Sources of information

Unless the source is otherwise stated and except as described above in relation to other third party information:

- the industry and market data in this Offering Memorandum have been extracted without material amendment from the Xstrata Group's management records;
- the non-financial operating data included in this Offering Memorandum have been extracted without material amendment from the Xstrata Group's management records; and
- the financial information included in this Offering Memorandum in respect of the Xstrata Group has been extracted without material amendment from the financial statements contained in the Annual Reports and Accounts, the Interim Financial Results for 2011 and the Company's accounting records.

Definitions

Certain terms used in this Offering Memorandum, including capitalised terms, are defined and explained in the Annex A: Definitions and Glossary of Technical Terms.

INFORMATION INCORPORATED BY REFERENCE

The following documents are incorporated by reference in this Offering Memorandum:

- Interim Financial Results for the six months ended June 30, 2011, which contains the unaudited consolidated interim financial statements of Xstrata for the six months ended June 30, 2011, (including comparative financial information for the six months ended June 30, 2010) (the "Xstrata 2011 Interim Financial Information");
- Annual Reports and Accounts for the financial years ended December 31, 2009 and 2010, which contain the audited consolidated and non-consolidated financial statements of Xstrata for the financial years ended December 31, 2009 (including comparative financial information for the year ended December 31, 2008) and 2010, prepared in accordance with IFRS, together with audit reports in respect of each such year (the "Xstrata 2010 Annual Financial Information" and the "Xstrata 2009 Annual Financial Information" and together "Xstrata Annual Financial Information"); and
- Mineral Resources and Ore Reserves Report dated December 2010.

All of these documents may be accessed from www.Xstrata.com/restricted/2011_us_bond/ (the "special purpose website"). Save as contained in the special purpose website, the content of Xstrata's website does not form any part of this Offering Memorandum.

The information incorporated by reference is an important part of this Offering Memorandum.

SUMMARY

Any decision to purchase the Notes should be based on consideration by the prospective Noteholder of this Offering Memorandum, and the information incorporated by reference into this Offering Memorandum, as a whole.

Overview of the Xstrata Group

The Group is the fifth largest diversified mining group in the world, with top five industry positions in copper, export thermal coal, export coking coal, ferrochrome, zinc and nickel, meaningful positions in vanadium and additional exposure to gold, cobalt, lead and silver. The Group also includes a growing platinum group metals business, iron ore projects, recycling facilities and a suite of global technology products, many of which are industry leaders.

The Group's operations and projects span more than 20 countries: Argentina, Australia, Brazil, Canada, Chile, China, Colombia, the Dominican Republic, Germany, Mauritania, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, the Republic of Congo, Singapore, South Africa, Spain, Tanzania, the United Kingdom and the United States.

The Group had revenue of US\$16.8 billion and EBITDA of US\$5.9 billion for the six months ended June 30, 2011 and revenue of US\$30.5 billion and EBITDA of US\$10.4 billion for the year ended December 31, 2010. As at June 30, 2011, the Group had total equity of US\$45.5 billion. The Group's Ordinary Shares are traded on the London Stock Exchange and the SIX Swiss Exchange. As at market close at November 3, 2011, the market capitalisation of Xstrata was approximately £31 billion (approximately US\$49 billion). Xstrata is a member of the FTSE 100, an index that comprises the 100 most highly capitalised UK-domiciled blue chip companies.

The Xstrata Group's business is organised in the following five principal business units:

Xstrata Copper: The Group is an integrated producer of copper metal and is the world's fourth largest global copper producer, with mining and processing operations in Australia, Chile, Peru, Argentina and Canada. Xstrata Copper has a world-class portfolio of seven copper development projects, located in Peru, the Philippines, Chile, Argentina and Papua New Guinea.

Xstrata Coal: On a managed basis, the Group is the world's largest exporter of bituminous thermal coal and a significant producer of premium quality hard coking coal and semi-soft coking coal. Xstrata Coal has interests in over 30 operating coal mines in Australia, South Africa and Colombia and exploration projects in Nova Scotia and British Columbia, Canada. Xstrata Coal has world-class coal development projects in Australia and also manages the Group's growing iron ore business.

Xstrata Nickel: The Group is the fifth largest global nickel producer and one of the world's largest producers of cobalt. Xstrata Nickel's operations include mines and processing facilities in Canada, the Dominican Republic and Australia, and a refinery in Norway. Xstrata Nickel has world-class development projects in Canada, Tanzania and New Caledonia.

Xstrata Zinc: The Group is one of the world's largest miners and producers of zinc. Operations span Spain, Germany, Australia, the UK and Canada, with an interest in the Antamina copper-zinc mine in Peru.

Xstrata Alloys: The Group is one of the world's largest and amongst the world's lowest cost integrated ferrochrome producers (through the Xstrata-Merafe Chrome Venture), one of the largest producers of primary vanadium and a growing producer of platinum group metals. Xstrata Alloys also owns carbon operations which supply key raw materials to its ferrochrome production operations. All of Xstrata Alloys operations are based in South Africa.

In addition to its five principal businesses, the Group also operates Xstrata Process Support and Xstrata Technology, mining and processing technology businesses with operations in Australia, Canada, Chile and South Africa.

History and development of Xstrata

Xstrata AG, which was the predecessor of Xstrata plc, was established in Switzerland in 1926 to invest in infrastructure and power projects in Latin America. Beginning in 1990, Xstrata AG built a portfolio of businesses operating in the natural resources sector. On March 25, 2002, Xstrata plc merged with Xstrata AG to become the holding company of the Xstrata Group. At the same time, the Xstrata Group acquired Enx and Duiker and the shares of Xstrata plc were listed on the Official List of the UK Financial Services Authority, admitted to trading on the London Stock Exchange's market for listed securities and admitted to listing on the SIX.

The successful acquisition and integration of the former Enx and Duiker coal assets in 2002, of MIM in 2003 and of Falconbridge in 2006 were key elements in the transformation of Xstrata. In 2009, Xstrata approached Anglo American to propose a transformational merger of the two companies. Following Anglo American's rejection of this proposal, Xstrata announced in October 2009 that it did not intend to make an unsolicited offer.

Information on the Xstrata Group's recent announcements, acquisitions and disposals is set out in "Operating and Financial Review".

Strategy

Xstrata's strategy since its IPO in 2002 has been to grow and manage a distinct, value-focused, globally diversified resources group positioned to compete for and create value, with the single aim of delivering industry-leading returns for shareholders. Xstrata recognises that this aim can only be achieved through genuine partnerships with employees, customers, shareholders, local communities, lenders and other stakeholders which are based on integrity, co-operation, transparency and mutual value creation.

The strategy leverages the Group's size and momentum and focuses on:

- commitment, capacity and headroom for growth that creates value; and
- constant improvement in the quality of Xstrata's businesses through ongoing efficiency gains, margin improvements, net present value enhancements and cost reductions.

Xstrata's strategy is based on its assessment of key success factors in global mining, including:

- scale and critical mass;
- diversification of commodity, currency and country exposure;
- a wide range of growth options, including via acquisitions and brownfield and greenfield expansions; and
- operating excellence.

Xstrata has an extensive organic growth pipeline with major expansion projects at every stage of the project development cycle to deliver a number of world class projects. The organic pipeline comprises:

- 22 approved major projects in implementation, all of which remain on schedule, comprising capital expenditure of US\$15 billion;
- nine further projects on track for near-term approval with total capital expenditure of US\$7 billion, including, Bulga Optimisation, Rolleston Open Cut expansion, Oaky Creek Open Cut Expansion, United Open Cut coal projects and the McArthur River Mine zinc mining and processing expansion; and
- a number of additional significant projects in feasibility, pre-feasibility or concept stage, including the greater Wandoan thermal coal project, Togara North, the Agua Rica, El Pachón, Tampakan, Frieda River and Collahuasi phase 3 expansion copper projects, the Askaf and Guelb el Aouj iron ore projects and the Pallas Green zinc project.

Substantially all of the projects that are required to achieve the Group's target of a 50% increase in copper-equivalent volumes by the end of 2014 are approved, with 80% of the 50% volume growth accounted for by projects that are currently in construction.

Once commissioned, approved projects are expected to cement the Group's top five market position in major commodities, delivering new, lower cost production that will further reduce costs by around 20% and robust returns, even at conservative long-run commodity prices.

Current trading and prospects

A substantially stronger financial performance in the first half reflected growing demand for the Group's products from emerging Asian economies and recovering Western markets, together with a pleasing recovery of operational performance in the second quarter following one-off events which hampered first quarter production.

Operating profit before exceptional items of US\$4.2 billion rose by 31% above the first half of 2010, EBITDA before exceptional items was 30% higher at US\$5.8 billion and basic earnings per share before exceptional items rose by 24% to 98 cents. Average prices for almost all of Xstrata's commodities rose above the first half of 2010, despite a pullback in positive sentiment on the global economy in March following global events including the earthquake, tsunami and Fukushima disaster in Japan, civil unrest in North Africa and the Middle East and concerns over European sovereign debt and Chinese inflation. Safety performance continued to improve with a 21% reduction in total recordable injuries per million hours worked, compared to the Group's 2010 performance.

In the period from July 1, 2011, Xstrata's operating and financial performance continues to be strong and its financial position remains robust, and, in August 2011, the Board proposed an interim dividend of 13 cents per share, a 160% increase over the interim dividend in 2010. Xstrata recently refinanced its corporate debt facilities and retains significant headroom thereunder; as at November 3, 2011, US\$4.1 billion was undrawn. The modest debt maturities within the next two years, together with a good spread of maturities over subsequent years, continue to underpin the Group's financial position.

Xstrata believes the Group is operating with good momentum, benefiting from good cost performance and the restructurings undertaken during the downturn, moving the Group's businesses progressively down their respective industry cost curves.

For selected production data for the three months ended September 30, 2010 and 2011 and for the nine months ended September 30, 2010 and 2011, see "Operating and Financial Review – Current trading and prospects".

Summary financial information

The summary financial information in the tables below should be read in conjunction with the Xstrata Annual Financial Information and the Xstrata 2011 Interim Financial Information, each of which has been incorporated by reference into this Offering Memorandum. Prospective Noteholders should also read "Risk Factors" and "Operating and Financial Review".

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	<i>(in US\$ millions, except as otherwise stated)</i>				
Revenue ⁽¹⁾	27,952	22,732	30,499	13,608	16,777
EBITDA (before exceptional items)*	9,657	6,732	10,401	4,492	5,828
EBITDA ⁽²⁾	9,424	6,843	10,402	4,488	5,885
EBIT (before exceptional items)*	7,261	4,313	7,669	3,234	4,254
EBIT ⁽³⁾	6,054	1,871	7,111	3,230	4,311
Operating profit	6,076	2,204	7,102	3,236	4,303
Profit before taxation ⁽⁴⁾	5,168	1,530	6,608	3,213	4,099
Profit for the year/period (as applicable)	3,864	861	4,955	2,415	3,049
Profit attributable to equity holders of parent ⁽⁵⁾	3,595	661	4,688	2,288	2,916
Earning per share (US\$) (before exceptional items)* ⁽⁶⁾	2.77	1.05	1.77	0.79	0.98
Earning per share (US\$) ⁽⁶⁾	2.12	0.25	1.61	0.79	1.00
Dividends per share – declared and paid (US¢) ⁽⁷⁾	29.4	–	13.0	8.0	20.0
Dividends per share – proposed (US¢) ⁽⁸⁾	–	8.0	20.0	5.0	13.0
Net debt ⁽⁹⁾	16,026	12,290	7,638	8,377	8,131
Net assets ⁽¹⁰⁾	24,399	34,919	42,021	35,223	45,533
Net debt to equity ⁽¹¹⁾	65.7%	35.2%	18.2%	23.8%	17.9%
Net cash flow from operating activities	6,585	4,131	8,213	3,672	3,887
Net cash flow from / (used in) investing activities	(10,393)	(5,752)	(3,196)	656	(3,634)
Net cash flow from / (used in) financing activities	3,915	1,600	(4,521)	(4,122)	(630)
Net increase / (decrease) in cash and cash equivalents	107	(21)	496	206	(377)

Notes

* Exceptional items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to Shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include, but are not limited to, impairment charges, liability fair value adjustments, profits and losses on the sale of investments, profits and losses from the sale of operations, restructuring and closure costs, inventory write-downs, foreign currency gains and losses on borrowings, loan issue costs written-off on facility refinancing and the related tax impacts of these items.

(1) Sales recognised within the consolidated Xstrata Group including joint venture turnover.

(2) Earnings before interest, tax, depreciation and amortisation. IFRS does not define the measure EBITDA. For a description of how these amounts are derived, see the section of this Offering Memorandum headed "Presentation of Information – Presentation of financial information".

(3) Earnings before interest and tax. IFRS does not define the measure EBIT. For a description of how these amounts are derived, see the section of this Offering Memorandum headed "Presentation of Information – Presentation of financial information".

(4) Earnings after interest but before tax and minority interests.

(5) Profit from operating activities after minority equity interests.

(6) Attributable profit divided by the weighted average number of Ordinary Shares in issue during the period. The 2008 comparative earnings per share has been restated after applying a rights issue bonus factor of 0.57.

(7) Dividends declared and paid during the period per Ordinary Share. The 2008 comparative dividends per share have been restated after applying a rights issue bonus factor of 0.57.

(8) Dividends proposed, but unpaid, during the period per Ordinary Share.

(9) The level of external indebtedness of the Xstrata Group including loans, the liability component of the convertible borrowings and finance leases net of cash (including 100% of Minera Alumbrera Limited cash), cash equivalents and arrangement fees, including hedges.

(10) Total assets less total liabilities.

(11) Net debt as a percentage of equity (including minority interests).

The Offering

For a more complete description of the terms of the Notes, see "Description of the Notes and Guarantees".

Issuer	Xstrata Finance (Canada) Limited, a company incorporated under the laws of the province of Ontario, Canada with limited liability.
Guarantors	Xstrata, Xstrata Schweiz, Xstrata Canada Financial and Xstrata Dubai.
Notes	US\$800,000,000 2.850% Notes due 2014 US\$700,000,000 3.600% Notes due 2017 US\$1,000,000,000 4.950% Notes due 2021 US\$500,000,000 6.000% Notes due 2041
Ratings	As at the date of this Offering Memorandum, the expected ratings of the Notes are BBB+ (stable outlook) (S&P) and Baa2 (positive outlook) (Moody's). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revisions, suspension or withdrawal at any time by the relevant rating organization.
Issue price	99.906% of the total principal amount of the 2014 Notes 99.919% of the total principal amount of the 2017 Notes 99.874% of the total principal amount of the 2021 Notes 98.779% of the total principal amount of the 2041 Notes
Guarantees	Upon issue, the obligations of the Issuer under the Notes will, subject to the limitations described in "Risk Factors" beginning on page 8 and "Description of the Notes and Guarantees", be unconditionally and irrevocably guaranteed on a senior, unsecured and joint and several basis by the Guarantors pursuant to the Guarantees.
Ranking	The Notes will rank as direct, unsecured and unsubordinated indebtedness of the Issuer. The Guarantees are unconditional and the obligations of the Guarantors under the Guarantees will rank equally with all present and future direct, unsecured and unsubordinated obligations (except for certain limited exceptions and those obligations preferred by statute or operation of law) of the Guarantors.
Maturity	Unless previously purchased or redeemed in accordance with the Indenture, the principal amount of the Notes will mature and become due and payable as follows, with accrued and unpaid interest at such date: 2014 Notes: November 10, 2014 2017 Notes: January 15, 2017 2021 Notes: November 15, 2021 2041 Notes: November 15, 2041
Interest	The 2014 Notes will bear interest from November 10, 2011 at the rate of 2.850% per annum.

Interest will be payable on the 2014 Notes semi-annually in arrears on May 10 and November 10 of each year commencing on May 10, 2012.

The 2017 Notes will bear interest from January 15, 2012 at the rate of 3.600% per annum.

Interest will be payable on the 2017 Notes semi-annually in arrears on January 15 and July 15 of each year commencing on January 15, 2012.

The 2021 Notes will bear interest from November 15, 2011 at the rate of 4.950% per annum.

Interest will be payable on the 2021 Notes semi-annually in arrears on May 15 and November 15 of each year commencing on May 15, 2012.

The 2041 Notes will bear interest from November 15, 2011 at the rate of 6.000% per annum.

Interest will be payable on the 2041 Notes semi-annually in arrears on May 15 and November 15 of each year commencing on May 15, 2012.

Form and denomination The Notes will be in registered form in principal amounts of US\$2,000 and integral multiples of US\$1,000 in excess thereof. The Notes will be issued in the form of Global Notes in registered form and may be exchanged into Definitive Notes only under the circumstances described in the Global Notes.

The Notes sold to QIBs in the United States in reliance on Rule 144A will be represented by the relevant Rule 144A Global Note. The Notes sold outside the United States to persons other than US persons in reliance on Regulation S will be represented by the relevant Regulation S Global Note.

The Global Notes will be deposited with the Custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Further issues The Issuer may from time to time without the consent of the Noteholders issue further securities having identical terms and conditions as any series of Notes so that any further issue is consolidated and forms a single series of securities with such Notes.

Redemption at the option of the Issuer The Notes are redeemable in whole or in part at any time at the option of the Issuer or the Guarantors at a redemption price equal to the make-whole amounts described in "Description of the Notes and Guarantees".

Redemption for tax reasons The Issuer may redeem all but not part of the Notes outstanding at their principal amount with accrued and unpaid interest to the date of redemption if the Issuer or a Guarantor is required to pay Additional Amounts upon the occurrence of certain changes in taxations in the jurisdiction of the Issuer or the jurisdiction of such Guarantor.

Repurchase on Change of Control Repurchase Event	Unless the Notes are otherwise subject to redemption as described under "Description of the Notes and Guarantees – Optional redemption" and "Description of the Notes and Guarantees – Redemption for tax reasons" and the Issuer has elected to exercise its right to redeem the Notes, if a Change of Control Repurchase Event occurs, the Issuer will make an offer to each Noteholder to repurchase the Notes as described under "Description of the Notes and Guarantees – Repurchase on Change of Control Repurchase Event".
Transfer restrictions	The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with all applicable laws. The Notes are subject to certain restrictions on transfer.
Use of proceeds	The Xstrata Group will use the net proceeds of the Notes Issue to repay part of the amounts outstanding under maturing indebtedness and for general corporate purposes. Some of the Initial Purchasers and/or their affiliates are lenders under such indebtedness and will receive a portion of the proceeds from the Notes Issue.
Listing	None
Governing law	The Notes and the Indentures governing the Notes will be governed by the laws of the State of New York.
2014 Notes (Rule 144A) Global Note	CUSIP: 98417EAD2 ISIN: US98417EAD22
2014 Notes (Reg S) Global Note ..	CUSIP: C98874AF4 ISIN: USC98874AF43
2017 Notes (Rule 144A) Global Note	CUSIP: 98417EAG5 ISIN: US98417EAG52
2017 Notes (Reg S) Global Note ..	CUSIP: C98874AG2 ISIN: USC98874AG26
2021 Notes (Rule 144A) Global Note	CUSIP: 98417EAK6 ISIN: US98417EAK64
2021 Notes (Reg S) Global Note ..	CUSIP: C98874AH0 ISIN: USC98874AH09
2041 Notes (Rule 144A) Global Note	CUSIP: 98417EAN0 ISIN: US98417EAN04
2041 Notes (Reg S) Global Note ..	CUSIP: C98874AJ6 ISIN: USC98874AJ64

RISK FACTORS

Noteholders and prospective Noteholders should consider carefully all of the information set out in this Offering Memorandum and all of the information incorporated by reference into this Offering Memorandum, including, in particular, the risks described below, prior to making any decisions on whether or not to invest in the Notes. Additional risks and uncertainties not presently known to the Issuer or the Guarantors, or that the Issuer or the Guarantors currently consider to be immaterial, may also have an adverse effect on the Xstrata Group.

The Xstrata Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such case, the market price of the Notes may decline and Noteholders may lose all or part of their investment.

Unless otherwise specified by reference to the Issuer, Xstrata Schweiz, Xstrata Canada Financial or Xstrata Dubai, the risks apply in the context of the Xstrata Group, and are also applicable to each of the Issuer, Xstrata Schweiz, Xstrata Canada Financial and Xstrata Dubai.

Industry risk factors relating to the Group

Macroeconomic conditions and commodity price volatility

The Group's revenue and earnings depend upon prevailing prices for the commodities it produces. These commodities are globally traded and, as a result and in common with its competitors, the Group is unable to directly control the prices it receives for such commodities. Historically, commodity prices have been volatile and subject to wide fluctuations in response to relatively minor changes in supply and demand, market uncertainty, the overall performance of world or regional economies and the related cyclicity in commodity consuming industries, such as steel production.

In the past, commodity prices have exhibited a broadly upward trend, reflecting demand generated by global economic growth, particularly in China and India as those countries urbanise and industrialise. In addition, commodity prices have been influenced by the growth of exchange traded commodities futures markets.

In the latter part of 2008 and early 2009, the rapid deterioration of the global macroeconomic environment, in particular amongst OECD members, led to reduced demand globally, stock drawdowns or increased use of scrap or recycled materials by potential customers (reducing demand for virgin stock) and the unwinding of speculative positions by commodities traders. As a result, prices of many of the commodities the Group produces fell significantly over a relatively short period of time. Prices of commodities recovered in the second half of 2009 and throughout 2010 and the first half of 2011 as shown in the table below:

	Unit	Average commodity prices for the				
		year ended December 31,			nine months ended September 30,	
		2008	2009	2010	2010	2011
Australian FOB export coking	US\$/t	233	145	204	203	269
Australian FOB export semi soft coking	US\$/t	158	123	137	132	200
Australian FOB export thermal coal	US\$/t	96	80	86	83	107
Americas FOB export thermal coal	US\$/t	81	74	73	71	102
South African export thermal coal	US\$/t	78	68	74	74	99
Copper (LME)	US\$/t	6,956	5,150	7,536	7,169	9,270
Lead (LME)	US\$/t	2,084	1,726	2,148	2,066	2,538
Zinc (LME)	US\$/t	1,870	1,659	2,159	2,106	2,289
Nickel (LME)	US\$/t	21,104	14,712	21,809	21,203	24,348
Ferrochrome (Metal Bulletin)	US¢/1b	176	85	124	122	127
Ferrovandium (Metal Bulletin)	US\$/kg	61	25	30	30	30
Platinum (average LPPM price)	US\$/oz	1,578	1,205	1,611	1,582	1,783

Source: Average realised prices by the Group, excluding Prodeco (for coals), otherwise as indicated

During August, September and October 2011, commodity prices, and particularly exchange-traded metals, declined as investors reduced positions in commodities and equities and sought asset classes perceived as safer. For example, the price of copper for three month delivery on the London Metals Exchange declined from US\$9,847 per tonne on August 1 to US\$7,325 per tonne on October 19, 2011. Notwithstanding the declines in prices driven by flows of investment funds, physical demand for commodities remains strong, particularly from China, which is supporting prices above historical norms. It is notable that the spot price for Australian thermal coal has remained strong at approximately US\$120 per tonne throughout the market turmoil which has impacted the exchange-traded metals. Although market fundamentals appear robust across the commodities which the Xstrata Group produces, the Xstrata Group's earnings are sensitive to movements in realised prices. There can be no assurance that current price levels will be maintained over time and that declines from current levels will not adversely affect the financial condition of the Xstrata Group.

The Group has not historically engaged in meaningful hedging against declines in commodity prices. As a result, volatility in commodity prices has directly impacted the Group's results of operations.

Monetary and fiscal stimulus packages by governments around the world, including in the United States and China, brought some relief to volatile financial markets and led to significant commodity price gains in 2009-2010; however, high volatility and a downward market trend resumed in the second half of 2011 as a result of the market reactions to the sovereign credit concerns in Europe and the United States. There can be no assurance that additional monetary and fiscal stimulus packages will be sufficient (or enacted) to avoid "double-dip" recessionary conditions as a result of these crises.

In addition, there can be no assurance that adverse changes in the political, regulatory and economic conditions of individual countries or regions, particularly in less-developed or more volatile regions, including China, Brazil, Russia and India, will not contribute to further economic dislocation or delay global or regional economic recovery. A period of economic decline (or weaker growth) will adversely affect the related demand for commodities which may lead to further declines in the prices of the commodities the Group produces. In addition, speculative short positions in commodities on the futures markets may cause further price declines for such commodities. Any continuation of current price levels over a sustained period or further declines from current levels will adversely affect the results of operations or financial condition of the Group.

Given the persisting uncertainty about a global economic recovery, forward planning is difficult. Changing production levels in response to current price levels or the Group's estimates of future price levels imposes costs, and if mistimed, could adversely affect the results of operations or financial condition of the Group.

Risk factors relating to the business of the Group

Operational considerations

The success of the Group's business is affected by a number of factors which are, to a large extent, outside its control. Such factors include the availability of raw materials, water and power. In addition, the Group's business is subject to numerous other operating risks which include: unusual or unexpected geological features, ground conditions or seismic activity; climatic conditions (including as a result of climate change) such as flooding, drought or a reduction in permafrost; interruptions to power supplies; congestion at commodities transport terminals; industrial action or disputes; environmental hazards; and technical failures, fires, explosions and other potential accidents at a mine, processing plant, cargo terminal or related facilities. For example, flooding in Australia and elsewhere in 2010 and 2011 resulted in material production curtailments and operating costs at Xstrata Coal. These and other risks and hazards could result in damage to, or destruction of, properties or processing or production facilities; may reduce or cause production to cease at those properties or production facilities; may result in personal injury or death, environmental damage, business interruption, monetary losses and possible legal liability; and may result in actual production differing from estimates of production, including those contained, expressly or by implication, in this Offering Memorandum or in information incorporated by reference into this Offering Memorandum.

While the Group has insurance covering various types of business interruptions in respect of its operations, such insurance may not fully cover the consequences of such business interruptions and, in particular, may not cover interruptions arising from all types of equipment failure, labour disputes or “force majeure” events. No assurance can be given that such insurance will continue to be available, or that it will be available at economically feasible premiums. Equally, there can be no assurance that operating risks and the costs associated with them will not adversely affect the results of operations or financial condition of the Group.

Metal processing plants are especially vulnerable to interruptions, particularly where events cause a stoppage which necessitates a shutdown in operations. Stoppages in smelting, even if lasting only a few hours, can cause the contents of furnaces to solidify, resulting in a plant closure for a significant period and necessitating expensive repairs, which could adversely affect the results of operations or financial condition of the Group.

The Group depends upon seaborne freight, rail, trucking, overland conveyor and other logistics and transport systems to deliver its commodities to market. Disruption of these services because of any impact of piracy, terrorism, climate change, weather-related problems, key equipment or infrastructure failures, strikes, lock-outs or other events could temporarily impair the Group’s ability to supply its commodities to its customers and thus could adversely affect the Group’s results of operations or financial condition. Consistent with practice in the industries in which the Group operates, members of the Group may enter into long-term contracts related to, for example, infrastructure and supply of services. Any early termination of such contracts may require the payment of amounts which might have a material adverse effect on the Group’s results of operations. In addition, the Group’s ability to increase its export sales may be restricted by lack of available rail infrastructure and port capacity, which may adversely affect the Group’s ability to increase revenue.

Although the Group maintains liability insurance, the insurance does not cover every potential risk associated with its operations, and meaningful coverage at reasonable rates is unobtainable for certain types of environmental hazards. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the results of operations or financial condition of the Group. See “Business – Operational hazards and insurance”.

Input supply and prices

As the Group is unable to directly set the prices it receives for the commodities it produces, its competitiveness and long-term profitability depend, to a significant degree, on its ability to reduce costs and maintain low-cost, efficient operations. Important cost inputs in the Group’s operations generally include the extraction and processing costs of raw materials and consumables, such as reductants, reagents, power, fuels, labour, transport and equipment, many of which have been, and continue to be, particularly susceptible to inflationary and supply and demand pressures. While increases in these costs moderated (and in some cases actually declined) during the recent global economic downturn, these costs have increased at hyper-inflationary rates for significant periods of time during the years ended December 31, 2008, 2009 and 2010, with supply shortages also being experienced in some cases. Because it is difficult for the Group to pass these costs onto its customers, any increases in input costs will adversely affect the results of operations or financial condition of the Group.

In addition, if certain mining sector inputs are unavailable at any price (as has been the case with tyres from time to time), the Group may find its production of certain commodities to be involuntarily curtailed, which would result in lost revenue and profits, which would adversely affect the results of operations or financial condition of the Group.

Production curtailment and resumption

In an effort to avoid over-supplying markets or building up inventory of unsold products during the periods of depressed commodity pricing (including that recently experienced during the global economic downturn), the Group’s policy, in common with other producers, is to curtail its production by closing mines and production facilities, placing other mines and production facilities under care and maintenance and deferring or cancelling previously planned expansionary capital expenditure. While this practice may contribute to the stabilisation of

commodity prices and avoid the Group selling products at or below their marginal cost of production, it imposes costs both directly, in the form of redundancy payments, equipment removal, security and other closing costs and the cost of resuming production or resuming a capital expenditure programme when prices justify renewed investment, and indirectly, in the form of revenue foregone, deterioration of assets or the resulting increase in unit costs. These costs can adversely affect the results of operations or financial condition of the Group.

Notwithstanding such measures, inventory may continue to build-up across the Group's range of production during periods of reduced demand, including as a result of the slowing of certain off-take arrangements, which would mute the impact of the Group's production curtailment.

Any reductions in capital expenditure and investment undertaken by the Group may ultimately result in the Group no longer being able to access sufficient mineral resources to continue production at cost-effective levels. Furthermore, any such curtailment may cause the Group to forego some of the benefits of any future rises in commodity prices, as it is generally costly or impossible to resume production immediately or complete a deferred expansionary capital expenditure project immediately, which in the longer term may adversely affect the results of operations or financial condition of the Group.

Given the lead times required to curtail or resume production levels, periods of higher commodity price volatility (including that experienced during the period under review) have exacerbated and may in the future exacerbate the adverse effects of changes in the Group's production levels, which has had and may in the future continue to adversely affect the results of operations or financial condition of the Group.

Finally, the early closure of a mine or production facility could trigger removal, stabilisation, reclamation and site rehabilitation costs, which could adversely affect the Group's cash flows during the period in which these costs are incurred.

Significant customer

In the year ended December 31, 2010, the Group had sales of US\$9,319 million to Glencore, which represented 30.6% of the Group's total revenue for the year (US\$7,688 million and 33.8%, respectively, in the year ended December 31, 2009). In particular, the Group and Glencore are parties to an agreement by which Glencore purchases the entire output of the Group's nickel operations and are parties to a variety of agreements under which Glencore purchases a substantial portion of the Group's copper concentrate and copper cathode. See "Business – Relationship with Glencore" for a discussion of further agreements between the Group and Glencore.

In addition, Glencore is a major Shareholder in the Group, beneficially owning 34.1% of the issued ordinary share capital of Xstrata at December 31, 2010 (see "Business – Relationship with Glencore – Relationship with major shareholder").

Commercial counterparty risks

In addition to Glencore, the Group's customer base consists principally of large industrial concerns. During periods of economic decline, or weaker economic growth, such as the recent period of global financial uncertainty, these customers will be subject to varying degrees of financial difficulties, such as issues in accessing credit and the resulting problems with being able to continue their own development or production leading, potentially, to insolvency. The effects of these difficulties will include such customers delaying payments owed to the Group, reducing their purchases over time or otherwise defaulting on their obligations, the occurrence of any of which would adversely affect the results of operations or financial condition of the Group.

Coal supply contract terms

A substantial portion of the Group's coal sales are made under annual or quarterly contracts and are subject to renewal or price renegotiation. While price negotiations are staggered throughout the year in order to mitigate pricing risk, approximately one quarter of the Group's total export (thermal and coking) coal production by volume is priced in the Japanese Fiscal Year (i.e., ending March 31). The next major renewal or price renegotiation will take place in

respect of the Japanese fiscal year commencing April 1, 2012. A rolling annual contract cycle means that the Group's exposure to any decline or increase in coal prices in the current contracted period is limited. Prices or volumes achieved at the renewal of such contracts may be lower than those prevailing under any preceding arrangements, which could have an adverse effect on the financial results of the Group.

Integration of acquisitions

A substantial portion of the Group's growth in revenue and earnings has historically been generated from, and will continue to be generated from, acquisitions and investments and subsequent improvements in the performance of the businesses acquired or invested in, including Jubilee, Resource Pacific, Sphere, First Coal and Zananga. Xstrata expects to continue a strategy of identifying and, subject to market conditions, at the appropriate time, acquiring and investing in businesses with a view to expanding its operating businesses or diversifying into other natural resources. Xstrata believes that acquisitions and investments will continue to be an important part of its business strategy when appropriate market conditions permit.

There can be no assurance that Xstrata will continue to identify suitable acquisition opportunities, obtain the financing necessary to complete and support such acquisitions or its investment or acquire businesses on satisfactory terms, or that any business acquired will prove to be profitable. Furthermore, there can be no assurance that an acquisition offer made by Xstrata will ultimately be accepted. For example, Xstrata's acquisition offers for Gloucester Coal Limited and LionOre in 2007 and Indophil in 2008 were unsuccessful and Xstrata decided not to proceed with its proposed acquisition of Lonmin in 2008 and announced that it had no intention of making an unsolicited merger proposal to the shareholders of Anglo-American in 2009.

In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain key personnel, risks associated with unanticipated events or liabilities, difficulties in the assimilation of the acquired operations, technologies, systems, services and products and risks arising from change of control provisions in contracts of any acquired company. Further, the Group's integration strategy may also be influenced by local factors in the markets in which it has made and makes acquisitions, such as black empowerment in South Africa and foreign investment laws and regulations in Australia and Canada. Any failure to achieve successful integration of such acquisitions or joint ventures could have a material adverse effect upon the results of operations or financial condition of the Group.

Project development

The Group benefits from a significant pipeline of organic growth projects in a number of countries. The development of its projects can be affected by a number of factors, some of which are outside of its control. Such factors include technical uncertainties, the availability of suitable financing, infrastructure constraints, cost overruns, overstretched management and insufficient skills or resources. In addition, external organizations can cause unexpected delays in the development of our projects by affecting our ability to obtain, renew or extend operating, social or environmental permits or to satisfy other legislative requirements. For example, anti-mining sentiment by local communities and/or NGOs can slow or halt project development and influence governmental processes. Delays in the development of the Group's organic growth projects could have a material adverse effect upon the results of operations or financial condition of the Group.

Reserves

The Group's recoverable reserves decline as the commodities are extracted. Further, the Group may not be able to mine all of its reserves as profitably as anticipated, potentially to the extent that reserves may become uneconomical to mine. The Group's future success depends upon conducting successful exploration and development activities, or acquiring properties containing economically recoverable reserves. Although the Group engaged in a cash conservation exercise in light of the global economic downturn, including restricting its expansionary capital expenditures and acquisition activities the Group's medium- and long-term strategy includes increasing its reserve base through acquisitions of commodity-producing properties and continuing to develop the Group's existing properties. To the extent current market conditions

do not improve and the Group does not increase its expansionary capital expenditure or acquisition activities, the amount of the Group's economically recoverable reserves will decrease, which would materially adversely affect the Group's results of operations or financial condition.

Even assuming such activities are increased, the Group's planned development and exploration projects and acquisition activities may not result in significant additional reserves and it may not be successful in developing additional mines. In addition, in order to develop its reserves, it must receive various governmental permits. The Group cannot predict whether the Group will continue to receive the permits or extensions to any existing permits necessary for it to operate profitably in the future. The Group may not be able to negotiate economically viable mining contracts for properties containing additional reserves.

The Group bases its reserve information on engineering, economic and geological data assembled and analysed by its staff, including engineers and geologists, and that data in certain cases is reviewed by third parties. The reserve estimates as to both quantity and quality are periodically updated to reflect extraction of commodities and new drilling or other data received. There are numerous uncertainties inherent in estimating quantities and qualities of reserves and costs to mine, including many factors beyond the Group's control. Estimates of reserves necessarily depend upon a number of variable factors and assumptions, all of which may vary considerably from actual results such as:

- (i) geological and mining conditions which may not be fully identified by available exploration data, or which may differ from experience in current operations;
- (ii) historical production from the area compared with production from other similar producing areas; and
- (iii) the assumed effects of regulation and taxes by governmental agencies and assumptions concerning commodity prices, operating costs, mining technology improvements, severance and excise tax, development costs and reclamation costs.

The Group's reported mineral reserves are estimated quantities of proven and probable reserves and other minerals that under present and anticipated conditions can be legally and economically mined and processed, including (where relevant) by the extraction of their mineral content. The Xstrata Group Ore Reserves and Mineral Resources Report published by Xstrata in December 2010 is stated as at June 30, 2010. To the extent that the prices of the commodities produced by the Group decline from the levels prevailing as at June 30, 2010, certain of the Group's reserves which are currently classified as proved or probable may cease to be classified as recoverable as they become uneconomic to mine. In addition, changes in operating and capital costs may have the same effect by rendering certain mineral reserves uneconomic to mine in the future.

The volume and grade of reserves actually recovered and rates of production from the Group's present mineral reserves may be less than geological measurements of the reserves, which may result in the Group realising less value from such reserves than has been predicted.

In addition, in the future short-term operating factors relating to the mineral reserves, such as the need for orderly development of ore bodies and other mineral resources or the processing of different ore grades, may cause mineral reserves to be modified or the Group's operations to be unprofitable in a particular period.

No assurance can be given that the indicated amount of reserves of ore or other minerals will be recovered or will be recovered at the prices assumed. Mineral reserve estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative of the entire ore body and mineral resource. As a better understanding of the ore body or mineral resource is obtained, the reserve estimates may change significantly, either positively or negatively.

For these reasons, estimates and classifications of reserves prepared by different Competent Persons or by the same Competent Persons at different times may vary substantially. Actual

commodity tonnage recovered from identified reserves and revenue and expenditures with respect to the Group's reserves may vary materially from estimates. Accordingly, these reserve estimates may not accurately reflect the Group's actual reserves. Any inaccuracy in the estimates related to the Group's reserves could result in lower than expected revenue, higher than expected costs and/or decreased profitability.

Currency fluctuations

The Group produces and sells commodities that are typically priced in US dollars, while a large portion of the operating costs of the Group's business is incurred in local currencies, including the Australian dollar, the Canadian dollar, the Swiss Franc, pounds sterling, the Chilean peso, the Kroner, the Euro, the South African Rand, the Argentine peso, the Colombian peso and the Peruvian Sol. Accordingly, the strengthening of any of those currencies or other local currencies in which the Group incurs expenditure against the US dollar has (and has historically had) a detrimental effect on the Group's results of operations and financial condition. For instance, the Group's results of operations and financial condition have been negatively affected by the recent strengthening of the Australian dollar against the US dollar. See "Operating and Financial Review – Principal factors affecting the Xstrata Group's business – Currency exchange rates".

The Group's operations are conducted in many countries and the results of operations and the financial condition of individual Group companies are reported in the relevant functional currency which, in some cases, is not the US dollar. The results for Group companies whose functional currency is not the US dollar have been translated into US dollars at the applicable foreign currency exchange rates for inclusion in the Group's historical consolidated financial statements. The exchange rates between relevant currencies other than the US dollar and the US dollar have historically fluctuated (including over the last five years) and the translation effect of such fluctuations may have a material adverse effect on the Group's consolidated results of operations or financial condition.

In late 2009 the US dollar began to decline against each of these currencies. This decline persisted in 2010 and 2011 and adversely affected operating profit by an estimated US\$1,291 million for the year ended December 31, 2010. Any continued decline in the US dollar against the currencies in which the Group incurs costs, absent a corresponding increase in commodity prices, would have a material adverse effect on the Group's consolidated results of operations or financial condition.

The Group may, from time to time, hedge a portion of its currency exposures and requirements to try to limit any adverse effect of exchange rate fluctuations on the Group's results of operations and financial condition but there can be no assurance that such hedging will eliminate the potential material adverse effect of such fluctuations.

Energy supply and prices

Certain of the Group's operations and facilities are intensive users of natural gas, electricity, oil and other fuels. The procurement dynamics of these energy types are becoming increasingly connected as supply and demand conditions become more inter-dependent on a global basis. Factors beyond the control of the Group, such as strong demand from the Asia-Pacific region; political, regulatory and economic uncertainties; and the costs associated with emissions from fossil fuels, as well as problems related to local production and delivery conditions (as has been the case frequently with electricity in South Africa and was the case in 2008 with natural gas in Chile), can both reduce the reliability of supply of energy to the Group's production processes and put upward pressure on the prices paid by the Group for the fuels and energy used by it. In South Africa, the ability of the national electricity producer Eskom to meet electricity demand is expected to be somewhat constrained in the future. Eskom may face high capital costs to increase future production capacity, which would place significant upward pressure on electricity prices in general and prices paid by the Group in South Africa.

As with other mining sector inputs, the Group has historically been exposed to energy cost inflation in excess of broader measures of inflation. While these increases have abated to some extent in recent months, any renewed increases in energy costs will adversely affect the results of operations or financial condition of the Group.

The Group's North Queensland operations have entered into fixed-term diesel supply agreements with Shell. On termination of those agreements, the Group will need to source its diesel requirements from Glencore or third parties. There can be no assurance that the Group will be able to renew its diesel supply agreements with Shell or to source its diesel requirements on better or equivalent terms compared with its current agreements, which may have an adverse effect on the results of operations or financial condition of the Group.

In addition, the Group's business operations could be adversely affected, including through loss of production and damage to its plants and equipment, if the supply of energy to one or more of its facilities was interrupted even temporarily.

Taxation

Although Xstrata is incorporated in England and Wales, it is regarded as resident in Switzerland, and not in the UK, for Swiss and UK tax purposes and for the purposes of the UK-Switzerland double tax treaty. This means, broadly, that Xstrata's profits, income and gains are subject to the Swiss tax regime and not, save in the case of UK source income, to the UK tax regime. Any dividends paid by Xstrata will be regarded as Swiss dividends rather than UK dividends. For further information see "Taxation – United Kingdom taxation", "Taxation – Swiss taxation" and "Taxation – US taxation".

It is possible that in the future, whether as a result of a change of law or the practice of any relevant tax authority or the renegotiation of the UK-Switzerland double tax treaty, or as a result of any change in the management or the conduct of Xstrata's affairs, Xstrata could become, or be regarded as having been, resident in the UK, therefore becoming subject to the UK tax regime, which could adversely affect the results of operations or financial condition of the Group.

As a result of changes made to the UK controlled foreign company rules by section 90 of the Finance Act 2002 (as amended by section 78 of the Finance Act 2006), it is possible that in certain circumstances future acquisitions by the Group could bring it within these rules, with the consequence that Xstrata may become subject to UK tax on the profits, income and gains of certain non-UK resident subsidiaries. Future acquisitions could therefore adversely affect the results of operations or financial condition of the Group. However, HM Revenue & Customs ("HMRC") has provided a non-statutory letter of comfort to Xstrata that the legislation is not intended to apply to a company such as Xstrata and that HMRC will not regard the legislation as applying, provided that Xstrata continues to act as the parent company of its existing group, where Xstrata acts in the ordinary course of its business in making acquisitions of other groups or companies in the same general business sector as its existing group, or carrying out significant post-acquisition refinancing or restructuring (including disposals). HM Treasury and HM Revenue and Customs published a consultation document in June 2011 entitled "Consultation on Controlled Foreign Companies (CFC) reform" (the "Consultation Document"). The Consultation Document sets out proposals for reform of the current CFC rules. If there were to be such a change of law, it is likely to be enacted in 2012. Although the Directors consider that HMRC's objectives in reforming the UK tax system should not lead to Xstrata being disadvantaged, the final position cannot be known until the new legislation is published and enacted. The Group will monitor the proposals in order to assess and mitigate their effects (if any). If the proposed changes to the UK's CFC rules result in the profits of certain non-UK resident companies in the Group being subject to UK corporation tax, this may result in a substantial increase in the tax costs or effective tax rates of the Group which in turn could have a material adverse effect on the after-tax results of operations and financial condition of the Group.

The government of South Africa has recently effected or communicated an intention to effect significant changes to its existing tax laws, including the following:

- The government of South Africa is in the process of introducing an amendment to the Income Tax Act 58 of 1962 (the "Income Tax Act"). Such amendment would introduce a 10% withholding tax on interest paid on foreign loans (other than true bank loans and traded debt). This new legislation will take effect from January 1, 2013. The South African operations' funding structure through the Netherlands is expected to provide some relief against the new legislation by reducing the withholding tax to 5% under the South Africa-Netherlands double tax treaty.

- The 3:1 debt-to-equity safe harbour ratio for funding is to be removed and replaced with an arm's length capital structure test potentially making use of interest cover ratios. The South African Revenue Service (the "SARS") has yet to publish guidance relating to this issue, but a proposed amendment to the existing debt-to-equity safe harbour ratio is to be effective for interest received or accrued on or after April 1, 2012.
- In line with South Africa's voluntary commitment to reduce domestic greenhouse gas emissions by 34% by 2020 (compared to 2009 levels), the government of South Africa has proposed a tax on carbon emissions. In response, Xstrata convened the Industry Task Team on Climate Change (the "ITTCC"), which represents industrial interests in South Africa, in order to formulate a response to the government proposal by detailing feasible alternatives to a carbon tax. The ITTCC's aim is to present to the President's cabinet an initial draft of an alternative to the carbon tax policy by December 2011.

The above-listed changes or intended changes (as applicable) could impact the profits, income and gains of the Xstrata Group's South African operations, which could adversely affect the results of operations or financial condition of the Group.

In September 2011, the Australian federal government released the second exposure draft legislation for the proposed Minerals Resource Rent Tax (the "MRRT"), which is to become effective from July 1, 2012 and will only apply to coal and iron ore. The MRRT was initially agreed between the government, on the one hand, and BHP Billiton, Rio Tinto and Xstrata, on the other hand, on July 2, 2010. The MRRT is to be levied on 30% of MRRT assessable profit, less a 25% allowance for the value added to minerals relating to any given miner's extraction activities, which has the effect of reducing the effective rate of the MRRT to 22.5%. The MRRT is to be deductible for income tax purposes, and, as a result, the Xstrata Group's income tax rate will be reduced to 29%. Furthermore, the market value of an affected mine existing as at May 1, 2010 will be deductible for MRRT purposes over the lesser of the life of such mine or 25 years, whereas new capital expenditure will be deductible for MRRT purposes immediately. If assessable profit is insufficient in a given year, excess capital expenditure deductions will be uplifted at the risk free rate plus 7%. State royalties are to remain payable and will not be refunded if the MRRT liability in a given year falls below the royalty level. If state royalties in excess of the MRRT liability in a given year are paid, such royalties will be credited against future mine MRRT liabilities and uplifted at the risk free rate plus 7%. Although the risk to the value of Xstrata Copper's assets has been lessened due to the exclusion of base metals from the scope of the MRRT and current modeling of the MRRT's effects on the Ernest Henry magnetite project has shown that such effects will be limited due to state royalty payments, there can be no assurance that the version of the MRRT that becomes effective from July 1, 2012 will not adversely impact the Xstrata Group's results of operations and financial position.

In addition, in October 2011, Australia's lower house of parliament passed the Clean Energy Bill 2011, which contains a tax on carbon emissions. If passed by the Senate and enacted into law, this carbon tax would become effective on July 1, 2012, and companies producing more than 25,000 tonnes of carbon dioxide per year would be taxed at a rate of AUD23 for each tonne above the 25,000 tonne threshold until 2015, at which time a market-based trading scheme is to be introduced. Certain industries (e.g., agriculture and forestry) are to be excluded from the tax. Although the coal industry will receive assistance by means of the Coal Sector Jobs Package and the Coal Mining Abatement Technology Support Package, there can be no assurance that the proposed tax on carbon emissions, if enacted, would not adversely affect the Xstrata Group's results of operations and financial condition.

In September 2011, the new president of Peru, Ollanta Humala, signed into law three bills that effect increases in the taxes applicable to mining companies, including mining companies with existing fiscal stability agreements (such as Barrick Gold, BHP Billiton and Xstrata). Under the new legislation, all mining companies without fiscal stability agreements will pay royalties of 1% to 12% of operating profit, whereas they previously paid royalties of 1% to 3% of net sales. In addition, mining companies that do not have existing fiscal stability agreements will be subject to a "windfall profits" tax (to be paid quarterly) of 2% to 8.4% of net profit. Mining companies with existing fiscal stability agreements (noting that Xstrata has fiscal stability agreements for Las Bambas and Antapaccay) will continue to pay the royalty rate agreed with the Peruvian government in their respective fiscal stability agreements and will also be subject

to a special contribution tax of 4% to 13.2% of operating income, with the exact tax rate dependent upon the company's operating margin. Although mining companies have been in consultation with the Peruvian government to provide a detailed analysis of the existing Peruvian tax burden and the consequences of higher taxes for the Peruvian mining industry, there can be no assurance that the above-described changes will not adversely affect the results of operations and financial condition of the Xstrata Group.

A number of arrangements entered into by companies in the Group have been structured in a tax efficient manner. Although it is anticipated that these arrangements are likely to achieve their desired effect, if any of them were successfully challenged by the relevant tax authorities, Group companies may incur additional tax liabilities which could adversely affect the results of operations or the financial condition of the Group. In addition, in the future, Group companies may incur additional tax liabilities as a result of changes in tax laws or the imposition of new taxes, export retentions or duties.

Labour

The majority of the workforce of the Group is unionised. Xstrata believes that all of the Group's operations have, in general, good relations with their employees and unions, but from time to time the Group's operations in South America, South Africa, Australia, Canada and Chile have experienced limited work stoppages and other forms of industrial action. There can be no assurance that the Group's operations will not be affected by such problems in the future. In addition, the Group has been subject to union demands for pay rises and increased benefits. Strike action at other industry participants' operations may encourage work stoppages in connection with any labour-related demands of employees or unions at the Group's operations. The Group could be adversely affected by labour disruptions involving third parties who provide the Group with goods or services at its operations. Strikes and other labour disruptions at any of the Group's operations, or lengthy work interruptions at its existing and future development projects, could materially adversely affect the timing, completion and cost of any such project, as well as the Group's results of operations or financial condition. In addition, as described in "– Input supply and prices", the Group has been subject to extensive labour cost inflation in a variety of its operating geographies as the global economic recovery has increased demand for commodities. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in countries where the Group operates) will not adversely affect the results of operations or financial condition of the Group.

The majority of the workforce of the Group is engaged pursuant to collective employment agreements. These collective agreements are negotiated with unions and other employee representative organisations from time to time. The collective agreements establish and set the terms and conditions of employment of the employees covered by the collective agreements. The Group's collective agreements have differing terms and expiry dates. Prior to the expiry of a collective agreement, negotiation of conditions for renewal occurs between the relevant employing entities within the Group and the relevant unions or other employee representative organisations. There can be no assurance that collective agreements will be renewed when due without work stoppages or other forms of industrial action, or without additional or unforeseen costs being incurred by the Group.

Whilst HIV/AIDS infection remains a serious problem within the Group's South African workforce, it is believed that mitigation measures such as aggressive wellness programmes, the availability of free antiretroviral treatment to its workers and their families, community clinics and related interventions underway at the Group's South African operations, the current rate of infection has stabilized and been contained. Notwithstanding, there is a risk that the costs associated with HIV/AIDS (including, in particular, the cost of lost workers' time) may adversely affect the Group's South African results of operations or financial condition. See "Business – Health and safety".

Key employees

The management of the Group's operations depends on a relatively small number of key employees. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on the results of operations or financial condition of the Group.

In addition, as the Group's business develops and expands, Xstrata believes that the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed, especially in the current competitive labour market for industry experienced senior personnel.

Market for sulphide concentrate by-products

The economics of many smelting operations, including those operated by the Group, are reliant in part on the prices achievable for the marketable by-products of smelting. For example, a significant by-product of copper concentrate smelting (and that of zinc, nickel and lead sulphides) is sulphuric acid, the price of which in recent years has fluctuated significantly as stricter environmental standards require capture of sulphur emissions resulting in an increase in the supply of sulphuric acid available for sale. Lack of demand for sulphuric acid and a lack of sufficient storage capacity for significant quantities of sulphuric acid may cause production curtailment. Furthermore, lack of demand for sulphuric acid and the resultant decrease in price for sulphuric acid may prompt smelters to increase treatment and refining charges. Higher treatment and refining charges would result in higher costs to the Group where it does not smelt its own sulphide concentrates. By contrast, if the Group's smelters are unable to increase treatment and refining charges to reflect reduced revenues from sulphuric acid sales (or other by-products), the contribution of these operations to the profitability of the Group would be adversely affected. Either eventuality could materially adversely affect the Group's results of operations or financial condition.

Joint ventures

Members of the Group hold, and expect to hold in the future, undivided interests in joint ventures. Special risks associated with joint ventures include the possibility that the joint venture partners, which in certain cases include competitors of Xstrata, may:

- (i) have economic or business interests or goals that are inconsistent with those of the Group; or
- (ii) take action contrary to the Group's policies or objectives with respect to its investments, for instance by vetoing proposals in respect of the joint venture operations; or
- (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; or
- (iv) experience financial or other difficulties.

Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Group. In addition, the termination of certain of these joint venture agreements, if not replaced on similar terms, could have a material adverse effect on the results of operations or financial condition of the Group.

Borrowings

The Group has a significant amount of indebtedness, which may impair its operating and financial flexibility and could adversely affect the business and financial position of the Group and its ability to pay dividends.

As at June 30, 2011, the Group had unaudited gross outstanding indebtedness of US\$9,795 million. For further information on the Group's unaudited gross outstanding indebtedness, see "Description of Other Indebtedness".

The Group's significant indebtedness has important consequences for Noteholders. For example, it could potentially:

- (i) cause the Group to dedicate a substantial portion of cash flow from operations to payments to service debt, depending on the level of borrowings, prevailing interest rates and, to a lesser extent, exchange rate fluctuations, which reduces the funds available for working capital (over the longer term), capital expenditure, acquisitions and other general corporate purposes;

- (ii) curtail the Issuer's and the Guarantor's ability to pay, in the case of the Guarantors, pursuant to the Guarantees, principal or interest on the Notes;
- (iii) limit the Group's ability to borrow additional funds for working capital (over the longer term), capital expenditure, acquisitions and other general corporate purposes;
- (iv) limit the Group's flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industries in which it operates;
- (v) place the Group at a competitive disadvantage compared to those of its competitors that are less leveraged than it is; and
- (vi) increase the Group's vulnerability to both general and industry specific adverse economic conditions.

Reduction in credit rating

The Group's borrowing costs and access to the debt capital markets, and thus its liquidity, depend significantly on its public credit ratings. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place Xstrata on "credit watch", actions that would have negative implications for Xstrata. A deterioration of Xstrata's credit ratings could increase its borrowing costs and limit Xstrata's access to the capital markets, which, in turn, could reduce Xstrata's earnings and adversely affect Xstrata's liquidity.

Xstrata's counterparties, including its customers, suppliers and financial institutions, are also sensitive to the risk of a ratings downgrade and, if Xstrata's ratings were downgraded to below investment grade, may be less likely to engage in transactions with Xstrata, or may only engage with Xstrata at a substantially higher cost or on increased credit enhancement terms (e.g. letters of credit, additional guarantees or other credit support), which carry increased costs. While Xstrata does not anticipate its ratings to be downgraded below investment grade, if such an event were to occur, it could have a material adverse effect on Xstrata's business, results of operations, financial condition or prospects.

Interest rate exposure and hedging and derivative counterparty risk

The Group's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage its liquidity and capital requirements. The Group has entered and may in the future enter into interest rate swap agreements to manage the interest rate risk associated with a portion of its debt. The interest rate swap changes the Group's exposure to interest risk by effectively converting a portion of the Group's fixed-rate debt to a floating-rate. The Group may elect in the future to enter into interest rate swaps to effectively convert floating-rate debt to fixed rate debt or to enter into additional fixed rate to floating-rate swaps. There can be no assurance that the Group will not be materially adversely affected by interest rate changes in the future, notwithstanding its use of interest rate swaps.

In addition, the Group's interest rate swaps, metals hedging and foreign currency and energy risk management activities expose the Group to the risk of default by the counterparties to such arrangements. Any such default could have a material adverse effect on the Group's business, financial condition and results of operations.

Holding company structure and dependence on subsidiaries

Xstrata's results of operations and financial condition are entirely dependent on the trading performance of members of the Group. Xstrata's ability to pay dividends will depend upon the level of distributions, if any, received from Xstrata's operating subsidiaries and interests, any amounts received on capital raisings and asset disposals and the level of cash balances. Certain of Xstrata's operating subsidiaries and interests may, from time to time, be subject to restrictions on their ability to make distributions to Xstrata, including as a result of restrictive covenants contained in loan agreements, foreign exchange limitations and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated companies. Any such restrictions may have a material adverse effect on Xstrata's results of operations or financial condition.

Legislative risk factors relating to the Group

Environmental, health and safety

The operations of the Group are extensively regulated. National, state and local authorities in the countries in which the Group has operations regulate the industries in which the Group operates with respect to matters including, but not limited to, employee health and safety, royalties, permitting and licensing requirements, planning and development and environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, emissions and discharge requirements, plant and wildlife protection, reclamation and rehabilitation of mining properties before, during and after mining is complete, surface subsidence from underground mining and the effects that mining has on surface and/or groundwater quality and availability).

Governmental authorities and the courts have the power to enforce compliance (and in some jurisdictions, third parties and members of the public can initiate private procedures to enforce compliance) with applicable laws and regulations, violations of which may result in civil or criminal penalties, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations.

Numerous governmental permissions, approvals and leases are required for each of the Group's operations. These permissions, approvals and leases are subject, in certain circumstances or on the occurrence of certain events, to modification, renewal or revocation. The Group is required to prepare and present to national, state or local authorities data pertaining to the anticipated effect or impact that any proposed exploration, mining or production activities may have upon the environment. For example, in Australia the National Greenhouse and Energy Reporting Act 2007 was passed on September 29, 2007, establishing a mandatory reporting system for corporate greenhouse gas emissions and energy production and consumption. The costs, liabilities and other obligations associated with complying with such requirements or arising from the manner in which the obligations are met or, as may be necessary, the cost of rehabilitation of sites which have been closed down, may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities. There can be no assurance that compliance costs, including the costs of rehabilitation of operations which have been closed down, and dealing with environmental and health and safety issues associated with legacy closed sites will not adversely affect the results of operations or financial condition of the Group.

In certain jurisdictions, third parties or members of the public can challenge or otherwise initiate proceedings against the award of a permission, approval or lease. For example, in December 2008 an Australian federal appeal court ruled that the Federal Environment Minister had not followed due process in approving the development of an open pit mine at the Group's McArthur River operations. Although the court noted that the Group was not in error, the Group was required to suspend mining operations at McArthur River as a result of the decision. Although the Group initially continued processing stockpiled ore, as result of the consultation period that was required between the minister deciding to recommend that approval be granted and approval actually being granted it was necessary to place the mine on care and maintenance in the interim. In addition, the Group's project development approval for its Ulan West mine and the proposed grant of mining leases, and the associated environmental authority for the Wandoan Project are currently the subject of court challenges by environmental interest groups. The proceedings relating to the Ulan West challenge were held in June 2011, and the Group is awaiting judgment. The proceedings relating to the Wandoan Project challenge were held in August 2011, and the Group is awaiting judgment. There can be no assurance that these types of actions will not continue to occur or that they will not have a material adverse effect on the results of operations or financial condition of the Group.

The Group's Mount Isa operations in Queensland, Australia are subject to specific legislation of the Queensland Parliament, namely the Mount Isa Mines Limited Agreement Act 1985. The Mount Isa Mines Limited Agreement Act 1985, among other things, specifies the particular environmental conditions applicable to the site and exempts the Mount Isa operations from compliance with the otherwise applicable Environmental Protection Act 1994. However, in May 2008 the Queensland Parliament passed the Environmental Protection and Other Legislation Amendment Act 2008, which provides for a transition of environmental regulatory functions

relating to Mount Isa (including those covered by the Mount Isa Mines Limited Agreement Act 1985) to the Environmental Protection Act 1994. As a result, at the end of a three year transition period, in May 2011 Xstrata applied to the state environmental regulator, under the Environmental Protection Act 1994, for an amended environmental authority for its operations. The state environmental regulator has issued a new draft environmental authority which remains subject to negotiation and consideration. If the conditions of this environmental authority end up requiring substantial changes to the Mount Isa operations, then significant cost consequences, relating to investing in new environmental technologies and practices, could be required to maintain current production levels, which would have an adverse effect on the results of operations or financial condition of the Group. See "Business – Regulatory and environmental matters".

In addition, a violation of environmental or health and safety laws relating to a mine or production facility or a failure to comply with the instructions of the relevant environmental or health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of the mine or production facility, a loss of the right to mine or to continue with production or the imposition of costly compliance procedures, fines and penalties, liability for clean-up costs or damages. If environmental or health and safety authorities require the Group to shut down all or a portion of a mine or production facility or to implement costly compliance measures, or impose fines and penalties, liability for clean-up costs or damages on the Group, whether pursuant to existing or new environmental or health and safety laws and regulations, such measures could have a material adverse effect on the Group's results of operations and financial condition.

There is a country wide issue in South Africa effecting many industries concerning compliance with the National Water Act, 1998 ("NWA"), which regulates the use of water in South Africa and stipulates mandatory requirements as to the registration and licencing of water uses. This has a long history and dates back to the previous Water Act, 1956 ("Old Act"). The Old Act was introduced in an attempt to regulate the use of water in various commercial operations (including mining). The requirements of the Old Act were complex and often led to a significant number of different water licences being required for one operation. The NWA was introduced to more efficiently and effectively regulate water use and licencing. One of the key changes was to introduce the concept of an Integrated Water Use Licence Application ("IWULA") whereby an operation would have one integrated licence dealing with all its water uses. At the same time, there was a provision whereby "existing lawful uses" under the Old Act would be allowed to continue pending the granting of a licence under the NWA. Xstrata Coal South Africa ("XCSA") and Xstrata Alloys have applied for integrated licences for all of their respective operations, with the IWULA's having been lodged as far back as 2003. Due to administrative constraints within the Department of Water Affairs ("DWA"), there is a backlog of IWULA's throughout the country which have not yet been processed and granted. The end result is that there are water uses which are technically unlawful – i.e., they are not existing lawful uses under the Old Act and have not been validated by way of a new integrated licence under the NWA. This could result in the DWA exercising its powers under the NWA and requiring operations to cease unlawful water use until a new integrated licence is granted under the NWA. Unlawful water use is also an offence under the NWA which could lead to prosecution of the offending water user. This could result in fines which may vary depending on the severity of the breach (but are typically in the vicinity of R500,000) and, in extreme cases, could result in jail sentences for directors of corporate water users. This is a difficult political issue because the DWA is reluctant to shut down successful operations which employ large numbers of people and generate royalty revenue for the Government. XCSA is continuing to work actively with the DWA to have all of its remaining IWULA's processed and approved. This strategy has proven to be successful; as of the second quarter of 2011, all of the IWULA's for XCSA's operations had been approved, although a number of IWULA's for Xstrata Alloys remain outstanding. In addition, the DWA is still processing two applications pertaining to amendments of previously approved IWULA's for XCSA.

In addition, the National Environment Management Waste Act no 58 of 2008 has recently introduced new waste site management and permitting procedures as a result of which most Alloys operations had to apply for waste permits to operate certain parts of their operations. Certain of these licences have been received; however, the requirements of the Act have and will continue to impose costly compliance and licencing procedures.

The possibility exists that new environmental and/or health and/or safety legislation or regulations may come into force and/or new information may emerge on existing environmental and/or health and/or safety conditions and/or other events (including legal proceedings brought based upon such conditions or an inability to obtain necessary permits), that may materially adversely affect the Group's operations, its cost structure, its customers' ability to use the commodities produced by the Group, demand for its products, the quality of its products and/or its methods of production and distribution. For example, in June 2007, a new European Union regulation for the Regulation, Evaluation and Authorisation of Chemicals ("REACH") came into force across the EU. REACH is intended to place the burden of ensuring the safety of all substances in terms of both human health and environmental exposures onto the shoulders of the industry instead of authorities. Many of the commodities produced by the Group and the chemicals used by it for production or other purposes fall within the scope of REACH. REACH requires EU and EEA-based legal entities to pre-register and subsequently register (and, in certain cases, to seek authorisation for the use or placing on the market of) materials that they import into or manufacture within the EU and EEA by certain deadlines as a pre-condition to market access. Although to-date Xstrata has completed all pre-registrations and registrations required to ensure that its Group members and customers may continue to manufacture and/or import affected commodities or other product materials by the relevant deadlines, the Group may be denied market access for some or all of these materials in the future if full registrations and, where applicable, authorisations are not obtained. REACH's impact on the global supply chain for materials, including those used by the Group for production or other purposes, is also unpredictable. A further example is European Union regulatory reform in the context of classifications of nickel substances under the Dangerous Substances Directive and the import of those classifications into the REACH framework through new regulations. These regulations, in particular the European Union 30th Adaptation to Technical Progress ("ATP") and 31st ATP to the Dangerous Substances Directive (which were adopted in August 2008 and January 2009, respectively) and the 1st ATP to the Classification, Labelling and Packaging Regulation adopted in August 2009, introduce new classifications for nickel containing substances which would result in additional labelling and packaging requirements for reclassified substances within the EU. These reforms for future may require Xstrata to change packaging and other transport and logistical arrangements associated with the affected substances which may result in significant increased costs and which could have an adverse effect on the results of operations or financial condition of the Group.

In 2010, two glacier protection acts were passed in Argentina. The first such act was passed by the San Juan province, the province in which the El Pachón project is located. This act stipulates that any possible impact to a glacier will be subject to the prior approval of an environmental impact statement ("EIS") to be filed by the company that is to consider the relevance of such glacier to the corresponding water basin. Shortly after this act was passed, the National Congress passed a National Glaciers Protection Act ("NGPA"), which, by prohibiting mining activities (and other activities) not only in glacial but also in peri-glacier areas, is more restrictive than the San Juan law. Since the NGPA was passed, two separate legal cases seeking to have the NGPA declared as unconstitutional have been initiated. In both cases the claimants sought and were granted by the presiding federal judge in San Juan an injunction suspending the applicability of the NGPA. Following the grant of these injunctions, the San Juan province became a party to both cases, supporting and sustaining the claimants' stance that the NGPA is unconstitutional. Under Argentine law any dispute between a province and the National State must be heard by the National Supreme Court. Accordingly, both cases have now been transferred from the federal judge in San Juan to the National Supreme Court. No decision has yet been issued by the National Supreme Court on either case. Xstrata has initiated an alternative proceeding in San Juan seeking a specific injunction for the benefit of the El Pachón project. This injunction was granted by the federal judge.

Xstrata expects that further environmental laws and/or regulations will likely be implemented to protect the environment and quality of life, given sustainable development and other similar goals which governmental and supragovernmental organisations and other bodies have been pursuing. For example, state and territory governments in Australia are considering a range of effective policy responses to ensure a flexible way of achieving greenhouse gas abatement in the transition to a carbon constrained future. In particular, in October 2011, Australia's lower house of parliament passed the Clean Energy Bill 2011, which contains a tax on carbon emissions (see "– Risk factors relating to the business of the Group – Taxation"). Some of the issues which

are relevant to the Group that are currently under review by environmental regulatory agencies include reducing or stabilising various emissions, including sulphur dioxide and greenhouse gas emissions, geochemical and geotechnical stability of mine works, mine reclamation and rehabilitation, water, air and soil quality and absolute liability for spills or for exceeding prescribed limits. Such matters may, amongst other things, require the Group, or its customers, to change operations significantly or incur increased costs (including compliance expenditures) or could require the Group to increase financial reserves, which could have an adverse effect on the results of operations or financial condition of the Group.

In view of the uncertainties concerning future removal, stabilisation, reclamation and site rehabilitation costs on certain of the Group's properties, the costs actually incurred by the Group could differ from the amounts estimated. Estimates for such future costs are subject to change based on amendments to applicable laws and regulations, the nature of ongoing operations and technological innovations. Future changes, if any, due to their nature and unpredictability, could have a significant impact and would be reflected prospectively as a change in an accounting estimate. In addition, regulatory authorities in various jurisdictions around the world may require the Group to provide financial security to secure, in whole or in part, future removal, stabilisation, reclamation and site rehabilitation obligations in such jurisdictions. In some instances, the Group has already provided such security. In other instances, such security may be required to be provided upon the occurrence of certain events, including in certain cases if Xstrata or the relevant member of the Group ceases to maintain a minimum investment grade credit rating, if the regulatory authority ceases to accept alternative forms of comfort to secure the obligation, or as the relevant property nears the end of its operation. Although the provision of such security does not increase the future removal, stabilisation, reclamation and site rehabilitation costs (other than costs associated with the provision of such security), a portion of the Group's financial resources may be required to support these commitments, which could adversely affect the financial resources available to the Group.

Risks related to climate change legislation

In December 1997, in Kyoto, Japan, the signatories to the United Nations Convention on Climate Change established individual, legally binding targets to limit or reduce greenhouse gas emissions by developed nations. This international agreement, known as the Kyoto Protocol, came into force on February 16, 2005. As of October 2010, 191 states and one regional economic integration organisation (the European Economic Community) had deposited instruments of ratifications, accessions, approvals or acceptances in respect of the Kyoto Protocol.

The Group has operations in various jurisdictions that may be subject to national, regional or local laws, regulations, taxes and policies aimed at limiting or reducing greenhouse gas emissions. While the impact of the Kyoto Protocol and related legislation and regulation cannot be quantified at this time, the likely effect will be to increase costs for fossil fuels, electricity and transport, restrict industrial emission levels, impose added costs for emissions in excess of permitted levels and increase costs for monitoring, reporting and financial accounting, including for example, reporting requirements under Australia's National Greenhouse and Energy Reporting Act. As the operation of the Group's business involves incurring certain of these costs, increases in such costs could have a material adverse effect on the results of operations or financial condition or increase tax payments of the Group. Further, the Group may be required to change operations, reduce production capacity or make additional investments to adapt to new or amended environmental laws and regulations, which could have a material adverse effect on the results of operations or financial condition of the Group.

The coal industry, governments and other organisations are actively investing in research projects to reduce greenhouse gas emissions from the use of coal in power generation. There can be no assurance that the introduction of laws, regulations, taxes and practices to limit greenhouse gas emissions will not in the future adversely affect the price of, and demand for, coal. A significant decrease in the demand for coal, with current users turning increasingly to alternative forms of energy, may adversely affect the results of operations or financial condition of the Group.

Given the uncertainty surrounding the impact of climate change, the manner of implementation of the Kyoto Protocol in those jurisdictions where it has yet to be implemented, the various mechanisms available for countries to achieve their emission reduction targets (whether under

the Kyoto Protocol or otherwise), including the levying of taxes against greenhouse gas emissions or greenhouse gas emitting products or the imposition of “cap-and-trade” schemes (as has been proposed in Australia (see “– Risk factors relating to the business of the Group – Taxation”)), and difficulties in identifying and assessing the financial implications of such impacts and measures, it is not possible to determine with certainty at this time what the ultimate effects of climate change and the Kyoto Protocol or other similar initiatives to limit or control greenhouse gas emissions may be for the Group.

Australian native title, South African and Canadian land claims and Peruvian consultation rights

In Australia, the Native Title Act 1993 (Cth) (the “Native Title Act”) recognises native title and establishes processes relating to mining and exploration rights. Native title represents the traditional rights and interests that the Aboriginal people have in relation to land. If native title was not extinguished prior to 1994, the Native Title Act provides procedural rights for registered native title claimants, including the right to negotiate with respect to the grant of mining rights, which include exploration titles and the compulsory acquisition of land. For further information, see “Business – Native title, land claims and consultation rights”. Native title claims have been made over some areas where the Group has mining operations and there can be no assurance that such claims or any future claims will not have a material adverse effect on the Group’s results of operations or financial condition or that additional claims will not be lodged in the future.

In South Africa, the government’s Restitution of Land Rights Act 1994 provides remedies for persons who have been dispossessed of rights in land as a result of past racially discriminatory laws or practices. The Land Claims Court is empowered to make orders concerning the restoration of a right in land or any portion of land, compelling the payment of compensation, thereby compelling the South African government to include a claimant as a beneficiary in a state support programme for housing or granting the claimant an appropriate right in alternatively designated state land or with any alternative and appropriate relief. For further information, see “Business – Native title, land claims and consultation rights”. Xstrata is aware that a number of land claims have been lodged in relation to the surface rights of the Group’s various South African properties, but has limited information about these claims, and due to the lengthy administrative process under the Restitution of Land Rights Act 1994, there is uncertainty as to their status and prospects of success.

In Canada, the Group’s properties may, in the future, be the subject of Native American land claims which are generally addressed by the courts in Canada. The legal basis of such a land claim is a matter of considerable legal complexity and the impact of the assertion of a land claim, or the possible effect of a settlement of such claim upon the property interest in question, cannot be predicted with any degree of certainty at this time. In addition, no assurance can be given that any recognition of Native American rights whether by way of a negotiated settlement or by judicial pronouncement (or through the grant of an injunction prohibiting mining activity pending resolution of any such claim) would not delay or even prevent the Group’s resource development or mining activities in Canada.

Accordingly, although unlikely, no assurance can be given that these land claims, or any other land claims of which the Group is not aware, will not have an adverse effect on the Group’s rights to the properties that are subject to the land claims or a material adverse effect on the Group’s results of operations or financial condition.

In September 2011, the Peruvian Government approved the Previous Consultation Law to the Indigenous and Tribal Peoples, which will take effect in December 2011. This law establishes principles and a general procedure for consulting with the indigenous and tribal peoples that could be directly affected by a particular piece of legislation or administrative action (such as the grant of a concession or the approval of an EIS). The purpose of requiring such consultation is to obtain an agreement between the State and the affected indigenous and tribal peoples regarding the offending legislation or administrative action. The Previous Consultation Law to the Indigenous and Tribal Peoples does not define “indigenous and tribal peoples”, but regulations relating to this law are to be approved in January 2012. Although the final decision regarding a piece of legislation or administrative action is made by the State, there can be no assurance that such consultations will not impede a piece of legislation or an administrative action, the absence of which could have a material adverse effect on the Group’s results of operations and financial condition.

South African Mineral and Petroleum Resources Development Act, Mining Charter and Royalty Act

The Mineral and Petroleum Resources Development Act 28 of 2002 (the “MPRDA”) came into operation on May 1, 2004. The Empowerment Charter (now called the Mining Charter), together with the “scorecard” for measuring black empowerment in the mining industry, which monitors and assesses compliance with the Mining Charter, was promulgated in 2004 by the Minister of the Department of Minerals and Energy (now called the Department of Mineral Resources (“DMR”)) in terms of the MPRDA and was subsequently amended in 2010. The Mineral and Petroleum Resources Royalty Act 28 of 2008 (the “Royalty Act”) pertaining to royalties, which became effective on March 1, 2010, provides for a variable royalty determined by a set formula calculated in part according to the ratio of EBIT to gross sales with a minimum royalty rate of 0.5% and a maximum of 5% (for refined material) and 7% (for unrefined material) of gross sales in respect of the transfer of mineral resources.

A key objective of the MPRDA legislation is to ensure that 26% of the South African mining industry is controlled by historically disadvantaged South Africans (“HDSAs”) by April 30, 2014. In addition, mining companies need to achieve certain goals aimed at the advancement of HDSAs both in the workplace and the communities in which they operate.

The Group has proactively developed and implemented a strategy to address the requirements of the above legislation, and has complied with the requirements of this legislation well within the stipulated timeframes both in its Alloys and Coal businesses. On the basis of the aforementioned empowerment credentials, Xstrata Alloys have been granted conversion of all of their old order mining rights and has been granted all of its initial applications for new order mining and prospecting rights. Certain more recent applications for new order mining and prospecting rights, however, remain outstanding at Xstrata Alloys and are in the ordinary administrative process at the relevant provincial departments. Xstrata Coal has been granted conversions of almost all of its old order mining rights and almost all of its new applications for mining and prospecting rights by the DMR in South Africa. Some of these grants are, however, subject to administrative appeals by land owners and environmental interest groups.

Although the Group has complied with these legislative developments in South Africa to date, there remains a risk to security of tenure in respect of new order mining and prospecting rights more recently applied for but still yet to be granted which may affect the Group’s mining rights in South Africa and/or the results of operations or financial condition of the Group.

Competing oil and gas claims

In various countries in which the Group operates (including Australia, Canada and Colombia), there are legislative regimes in place whereby permits can potentially be granted over the same area, thereby allowing the holder to explore for or extract coal as well as oil and gas. There is a possibility there may be competing claims by different parties with one party holding the coal rights and the other holding the oil and gas rights. Although there will generally be a process of a negotiated settlement between the competing parties on how any competing rights are to be dealt with, or ultimately a Government enforced resolution, there can be no assurance that such competing claims will not adversely impact the Xstrata Group’s results of operations and financial position.

Country-by-country reporting

In October 2010, the European Commission issued a consultation paper on country-by-country reporting by multinational corporations. Country-by-country reporting could require a multinational company to disclose in its annual financial statements (i) the name of each country in which it operates and the names of the companies that operate in those countries, (ii) its financial performance in every country in which it operates, identifying both third party and intra-group transactions as well as financing costs and labour related information, and (iii) the tax charge (current and deferred), including tax (and other benefits) that it pays to the governments of the countries in which it operates. In April 2011 the European Commission published its Summary Report of the responses received to the consultation paper, which shows a range of responses, with preparers, accountants and auditors generally opposed to requirements to report on a country-by-country basis and users and other respondents generally in favour of such requirements.

It is likely that the European Commission will introduce a proposal for legislation governing the mandatory disclosures of financial information regarding activities in non-EU member states by EU-listed (and possibly unlisted) extractive companies in the fourth quarter of 2011. There is a considerable risk that this proposal will also call for some form of project-by-project reporting of government payments, in addition to country-by-country reporting. Although the likelihood that this proposal will require audited simplified financial statements by country is low, the impact of this proposal (in terms of costs, workload, reporting systems, and audit burden) would be very considerable. Despite current lobbying efforts, there can be no assurance that this proposal will not be enacted.

The Xstrata Group currently reports payments to governments (representing taxes and royalties aggregated into one number) by country (or groups of countries where the payments are very small) in its annual Sustainability Report. At a minimum, the Xstrata Group is likely to need to revise its approach such that it is able to report payments to governments by type (e.g., taxes, royalties, other disaggregated) for each individual country in the Sustainability Report, which could result in increased costs.

Risk factors related to jurisdictions in which the Group operates

Political, economic, security and other risks

Certain of the Group's activities and related assets are located in countries which may be, or become, politically or economically unstable. Exploration or development activities in such countries may require protracted negotiations with host governments, international organisations and other third parties, including non-governmental organisations, and are frequently subject to unpredictable economic and political considerations, such as taxation, nationalisation, inflation, currency fluctuations and governmental regulation and approval requirements, which could adversely affect the economics of projects. These projects and investments could be adversely affected by war, civil disturbances and activities of governments which limit or disrupt markets, restrict the movement of funds or supplies or result in the restriction or rescission of contractual rights or the taking of property without fair compensation. The security risks in certain of the countries in which the Group operates can often be high. These risks include, amongst others, the destruction of property, injury to personnel and the cessation or curtailment of operations, any of which could have an adverse effect on the Group's operations.

The Group performs a thorough risk assessment on a country-by-country basis when considering its investment activities, and attempts to conduct its business and financial affairs so as to protect (to the extent possible) against political, legal, regulatory and economic risks applicable to operations in the countries where the Group operates. However, there can be no assurance that the Group will be successful in so protecting itself against all or any of these risks. These projects and investments could also be adversely affected by changes in laws and regulations relating to foreign trade, investment and taxation.

The Group has significant operations in South Africa. As a result, important political, economic and other risks relating to South Africa could affect an investment in Xstrata. Large parts of the population of South Africa do not have access to adequate education, healthcare, housing and other services, including water and electricity. South Africa has also experienced high levels of crime and unemployment in comparison with more developed countries, as well as community instability in areas near mining and smelting operations. These problems have been among the factors that have impeded inward investment into South Africa, prompted the emigration of skilled workers and negatively affected South Africa's growth rate. While the South African government has committed itself to creating a stable free market economy, it is difficult to predict the future political, social and economic direction of South Africa or how the government will try to address South Africa's challenges. It is also difficult to predict the effect on the Group's business of these problems or of the government's efforts to solve them.

Further, there has been political and economic instability in South Africa's neighbouring countries. If this instability were to extend into or cause similar instability in South Africa, it could have a negative impact on the Group's ability to manage and operate its South African operations and therefore on its results of operations or financial condition.

There are political and economic risks relating to the Group's operations at Alumbrera, Argentina. Argentina suffered a period of deep social and economic deterioration and political and economic instability during 2001 and a devaluation of its currency in 2002.

The Argentine Government has imposed export retention taxes on products produced from the Group's operations in Alumbrera, which has fundamentally altered the tax stabilisation regime conferred by Mining Investment Law No 24, 196 of May 1993 of which Alumbrera is a beneficiary. The Group's operations in Argentina may be adversely affected by the imposition of export retention taxes or by changes in the nature of the Argentinean government, its policies, including taxation, or the political, economic or social dynamics affecting Argentina, any or all of which may not be within the control of the Group.

The new Peruvian president, Ollanta Humala, signed into law three bills that effect increases in the taxes applicable to mining companies, including mining companies with existing fiscal stability agreements (such as Barrick Gold, BHP Billiton and Xstrata) (see "– Risk factors relating to the business of the Group – Taxation"). The Group's operations in Peru (which include Antamina (33.75% owned by Xstrata), and the Antapaccay and Las Bambas projects) may be adversely affected by the imposition of a new tax regime, or by the political, economic or social dynamics affecting Peru in general, any or all of which may not be within the control of the Group.

Cerrejón operates in Colombia. As a result, political and other risks relating to Colombia could affect an investment in Xstrata. Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerrilla groups and drug cartels. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces by creating specialised units. Despite these efforts, drug-related crime and guerrilla activity continue to exist in Colombia. If this violence affects the operations of the Cerrejón Business, it could have an adverse effect on the Group's results of operations. Historically, Colombia has also experienced other political and economic instability. The Cerrejón Business may be adversely affected by any deterioration in the political, economic or security situation in Colombia, including where such factors have a direct impact on the operations of Cerrejón's and Prodeco's mines, and their rights to carry on their operations. There can be no assurance that such deterioration will not have a material adverse effect on the results of operations or financial condition of the Cerrejón Business and/or the Group as a whole.

The Group has operations, including development projects, in Peru, Chile, the Republic of Congo, the Dominican Republic, Mauritania, Tanzania, New Caledonia, the Philippines and Papua New Guinea. These operations may be adversely affected by changes in government policies and regulatory oversight, including taxation and land and environmental permitting policies, changes in the ruling government or the matrix of political, economic and social factors affecting any of such countries, or by risks relating to the security situation in such countries, none of which would be within the control of the Group.

Exchange controls

South African exchange control regulations provide for a common monetary area consisting of South Africa, Lesotho, Namibia and Swaziland (the "CMA"). Transactions between CMA residents and non-CMA residents are subject to South African exchange control regulations. The present exchange control system in South Africa is used principally to control capital movements. South African residents, including companies, are generally not permitted (except within certain monetary limits and within other parameters) to export capital from South Africa or to hold foreign currency or foreign investments without the approval of the exchange control authorities. Further modifications to these restrictions may be made by the South African government. The expansion of existing, or imposition of new, exchange controls could adversely affect the Group's results of operations or financial condition.

The Argentine Government issued Decree 1722/2011 on October 25, 2011, published in the Official Gazette on October 26, 2011, reinstating the obligation of hydrocarbon companies (producers of crude oil and its derivatives, natural gas and liquid petroleum gas) and mining companies to sell in the local market all the foreign currency proceeds of their exports.

Market access

Global and regional demand for metals is influenced by regulatory and voluntary initiatives to restrict or eliminate the use of certain metals in particular products or applications. The impact of such measures can be global, creating non-tariff barriers to international trade and affecting product design and specifications on a global basis. Such measures could also affect the balance between supply and demand and depress metal prices and treatment/refining charges. Metals with a limited number of major applications are most susceptible to changes in demand and price in response to such measures. Such changes in demand and price could have a material adverse effect on the Group's results of operations or financial condition.

Production technology

Xstrata believes that the technology it uses to produce and process metals is advanced and, in part due to high investment costs, subject only to slow technological change. However, there can be no assurance that more economical production or processing technology will not be developed or that the economic conditions in which current technology is applied will not change.

Raw material procurement risks

Procurement of raw materials involves risks typically connected with commercial transactions, which can include trade barriers, political instability and problems due to local production conditions. In addition, the Group's supply contracts provide that suppliers of concentrate may be released from their delivery obligations if certain "force majeure" events occur. The Group's business operations could be adversely affected, at least temporarily, if supplies of raw materials are interrupted as a result of the imposition of trade barriers or other "force majeure" events and if the Group is unable, on short notice, to shift to alternative sources of supply.

Legal and regulatory proceedings

The nature of the Group's business subjects it to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these proceedings cannot be predicted with certainty. There can be no assurance that they will not have a material adverse effect on the Group's results of operations in any future period and a substantial judgment against it could have a material adverse impact on the Group's business, financial condition, liquidity and results of operations.

It may not be possible to effect service of process upon the Issuer, the Guarantors, Xstrata or the Directors or enforce court judgments against such persons

The Group's assets are located in various jurisdictions and the majority of the Group's assets are located in jurisdictions outside the United States. The Directors are citizens or residents of various countries and most of the Directors are not citizens or residents of the United States. It may not be possible for investors in Xstrata's securities to effect service of process outside England, Wales or Switzerland against Xstrata or the Directors or to enforce the judgment of a court outside England, Wales or Switzerland against Xstrata or the Directors. It may be difficult for investors in Xstrata's securities to enforce, in original actions or in actions for enforcement brought in jurisdictions located outside the US, judgments of US courts or civil liabilities predicated upon US federal securities laws. Further, it may be difficult for investors in Xstrata's securities to enforce judgments of this nature in many of the other jurisdictions in which the Group operates and in which its assets are situated and in the countries of which most of the Directors are citizens or residents.

Risks related to the Notes and the Guarantees

The Notes may not be a suitable investment for all investors

Each prospective Noteholder must determine the suitability of that investment in light of its own circumstances. In particular, each prospective Noteholder should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in, or incorporated by reference into, this Offering Memorandum or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the prospective Noteholder's local currency;
- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Limitations relating to the optional redemption of the Notes

The optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on such Notes. At those times, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Prospective Noteholders should consider reinvestment risk in light of other investments available at that time.

Modification and waivers

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

European Savings Directive

Under EC Council Directive 2003/48/EC (the "Savings Directive") on the taxation of savings income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to, or for, an individual or certain other persons resident in that other member state. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. Belgium was also required to operate such a withholding system during the transitional period but elected to introduce automatic exchange of information on January 1, 2010, and as a result Belgium no longer applies the withholding tax. The transitional period is to terminate at the end of the first full fiscal year following an agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

On November 13, 2008 the European Commission published a proposal to amend the Savings Directive. The proposal has been considered by the European Parliament and is under discussion by the European Council. If adopted, the proposal may amend or broaden the scope of the requirements described above.

Further details in relation to the Savings Directive are provided in "Taxation – European Savings Directive". If a payment were to be made or collected through a member state which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent pursuant to the

Savings Directive, any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000, the Issuer will be required to maintain a Paying Agent in a specified member state that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

Change of law

The conditions of the Notes are based on New York law in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice after the date of this Offering Memorandum.

Notes are structurally subordinated to the indebtedness of non-Guarantor subsidiaries

In the event of a bankruptcy, liquidation or reorganization of a subsidiary of a Guarantor (including, in particular, Xstrata Canada Corporation and Xstrata Queensland Limited), holders of the subsidiary's indebtedness or preferred stock and the subsidiary's trade creditors will generally be entitled to payment of their claims from the assets of that subsidiary before any assets are made available for distribution to such Guarantor (as a direct or indirect holding company of that subsidiary).

As at June 30, 2011, the Xstrata Group's total gross indebtedness was US\$9,795 million, including capital market notes of US\$7,787 million (see "Operating and Financial Review" for further information on such notes).

Notes are effectively subordinated to all secured indebtedness

As at June 30, 2011, the Xstrata Group had secured indebtedness of US\$220 million. The Notes will be effectively subordinated to all of the Xstrata Group's existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness. In addition, the Xstrata Group may incur additional indebtedness in the future, subject to limitations contained in the instruments governing its existing indebtedness. This additional indebtedness may also be secured.

Limitation in respect of Xstrata Schweiz's liability with respect to any obligations of Xstrata and Xstrata Dubai under any Guarantee or the Notes

Any liability of Xstrata Schweiz with respect to any obligations of Xstrata and Xstrata Dubai under any Guarantee or the Notes as set forth in the Indenture is (to the extent that there still is a limitation requirement of the applicable law in force at the relevant time) limited to a sum equal to the maximum amount of Xstrata Schweiz's profits available for distribution as dividend (being the balance sheet profits and any reserves made for this purpose, in each case in accordance with art. 675(2) and art. 671(1) and (2) no. 3, of the Swiss Code of Obligations), provided that such limitations shall not free Xstrata Schweiz from payment obligations under the Indenture in excess of its distributable profits, but merely postpone the payment date of those obligations until such times as payment is permitted notwithstanding such limitations. Any payment made by Xstrata Schweiz with respect to any obligations of Xstrata and Xstrata Dubai under any Guarantee or the Notes may (i) require certain corporate formalities to be completed prior to payment including but not limited to obtaining an audit report, shareholders' resolutions and board resolutions approving payment, and (ii) be subject to Swiss withholding taxes on dividends (the present rate of which is 35%).

A Noteholder may have difficulty enforcing US bankruptcy laws and its rights as a creditor may be limited under the bankruptcy laws of certain jurisdictions

Under bankruptcy laws in the United States, courts have jurisdiction over a debtor's property wherever it is located, including property situated in other countries. However, courts outside the United States may not recognize the US bankruptcy court's jurisdiction. Accordingly, there may be difficulty administering a US bankruptcy case involving the Issuer or a Guarantor, because property is located outside of the United States. Any orders or judgments of a bankruptcy court in the United States may not be enforceable against the Issuer or a Guarantor with respect to property located outside the United States. Similar difficulties may arise in administering bankruptcy cases in foreign jurisdictions.

Under the relevant Indenture governing the Notes, the rights of the trustee to enforce remedies may be significantly impaired if the Issuer or a Guarantor seeks the benefit of the restructuring provisions of applicable bankruptcy, insolvency and other restructuring legislation. For example, legislation may contain provisions enabling an “insolvent person” to obtain a stay of proceedings against its creditors and others, allowing it to retain possession and administration of its property and to prepare and file a proposal or plan of compromise or arrangement for consideration by all or some of its creditors to be voted on by the various classes of its creditors. The restructuring plan or proposal, if accepted by the requisite majorities of creditors and if approved by the court, would likely result in the compromise or extinguishment of a Noteholder’s rights under the Notes and may result in the debtor retaining possession and administration of its property notwithstanding that an event of default occurred under the Notes.

The powers of the courts in the United States have been exercised broadly to protect a restructuring entity from actions taken by creditors and other parties. Accordingly, it cannot be predicted whether payments under the Notes would be made following commencement of or during such a proceeding, whether or when the trustee could exercise its rights under the Indenture, whether a Noteholder claims could be compromised or extinguished under such a proceeding or whether and to what extent holders of the Notes would be compensated for delays in payment, if any, or principal and interest.

Liquidity of the Notes

The Notes will be new securities for which there currently is no established trading market. No assurance can be given that a liquid market will develop for the Notes, that the Notes can be sold at a particular time or that the price received on the sale of the Notes will be favorable.

The Notes are subject to restrictions on transfer, which are described under “Transfer Restrictions”. The liquidity of any market for the Notes will depend on a number of factors, including:

- the number of Noteholders;
- the Xstrata Group’s operating performance and financial condition;
- the market for similar securities;
- the interest of securities dealers in making a market for the Notes; and
- prevailing interest rates.

An active market for the Notes may not develop and, if it develops, it may not continue. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes, and the Guarantors will make any payments under the Guarantees, in US dollars. This presents certain risks relating to currency conversions if a Noteholder’s financial activities are denominated principally in a currency or currency unit (the “Noteholder’s Currency”) other than US dollars. These include a risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Noteholder’s Currency) and a risk that authorities with jurisdiction over the Noteholder’s Currency may impose or modify exchange controls. An appreciation in the value of the Noteholder’s Currency relative to the US dollar would decrease:

- the Noteholder’s Currency-equivalent yield on the Notes;
- the Noteholder’s Currency-equivalent value of the principal payable on the Notes; and
- the Noteholder’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain Noteholders are subject to legal investment laws and regulations or review or regulation by certain authorities. Each prospective Noteholder should consult its legal advisers to determine whether and to what extent:

- Notes are legal investments for it;
- Notes can be used as collateral for various types of borrowing; and
- other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The total net proceeds of the Notes Issue, after the Xstrata Group's estimated aggregate costs and expenses, are expected to be approximately US\$2,977 million.

The Xstrata Group will use the net proceeds of the Notes Issue to repay part of the amounts outstanding under maturing indebtedness and for general corporate purposes. Some of the Initial Purchasers and/or their affiliates are lenders under such indebtedness and will receive a portion of the proceeds from the Notes Issue.

For further information on the Xstrata Group's loan facilities, see "Operating and Financial Review – Liquidity reserves – Interest-bearing loans and borrowings", "Operating and Financial Review – Current trading and prospects" and "Description of Other indebtedness – Principal indebtedness".

CAPITALISATION

The following unaudited capitalisation items as at June 30, 2011 are prepared to illustrate the effect of certain transactions and the Notes Issue as if such transactions and the Notes Issue had taken place on June 30, 2011. Due to its nature, the as adjusted financial data address a hypothetical situation and, therefore, do not represent the Xstrata Group's actual financial position.

	Xstrata Group as at June 30, 2011	Adjustments		As adjusted Xstrata Group as at June 30, 2011
		Certain transactions⁽¹⁾ <i>(in US\$ millions)</i>	Notes Issue⁽²⁾	
Cash and cash equivalents	1,354	600	2,991	4,945
Total current debt	2,280	–	–	2,280
Non current debt				
Syndicated bank loans – unsecured ..	1,300	600 ⁽¹⁾	–	1,900
Bank loans – other unsecured	172	–	–	172
Capital market notes	5,654	–	–	5,654
Non-controlling interest loans	192	–	–	192
Obligations under financial leases and hire purchase contracts	182	–	–	182
Other loans	15	–	–	15
Notes offered hereby	–	–	3,000 ⁽²⁾	3,000
Total non current debt	7,515	600	3,000	11,115
Total net debt excluding hedges	8,441	–	–	8,450
Hedges	(310)	–	–	(310)
Total net debt including hedges	8,131	–	–	8,140
Total equity	45,533	–	–	45,533
Total capitalization	53,664	–	–	53,673

Notes

(1) Between June and September 2011, Xstrata Schweiz drew down US\$700 million under the Group's Existing Facilities (as defined in "Operating and Financial Review – Liquidity reserves – Interest-bearing loans and borrowings". On October 14, 2011, Xstrata Schweiz repaid US\$100 million of the Group's Existing Facilities. On October 24, 2011, Xstrata Schweiz entered into a US\$6,000 million multi-currency revolving loan facility with a number of banks as arrangers and bookrunners, Barclays Bank plc as facility agent and various other banks as original lenders. On October 28, 2011, the Group borrowed US\$1,900 million under this facility to repay the US\$1,900 million outstanding under the Group's Existing Facilities. As of November 3, 2011, US\$1,900 million was outstanding under the new facility. For more information, see "Operating and Financial Review – Liquidity reserves – Interest-bearing loans and borrowings".

(2) This reflects gross proceeds of the Notes Issue before deduction of fees and expenses for the Notes Issue.

SELECTED FINANCIAL INFORMATION

The information presented herein is extracted without material amendment from the consolidated financial statements contained in the Xstrata plc Annual Reports and Accounts for the years ended December 31, 2009 and 2010 and the Interim Financial Results for the six months ended June 30, 2011. You should read the information below in conjunction with the unaudited interim consolidated financial statements and the audited consolidated financial statements and the auditors' reports contained in the Annual Reports and Accounts and also the detailed information included in this Offering Memorandum and the other information incorporated by reference into this Offering Memorandum and you should not rely solely on key and summarised information. Ernst & Young LLP of 1 More London Place, London SE1 2AF, have issued unqualified audit opinions in respect of the financial statements for Xstrata for each of the financial years ended December 31, 2009 and December 31, 2010.

Selected financial information on the Xstrata Group

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	<i>(in US\$ millions, except as otherwise stated)</i>				
Revenue ⁽¹⁾	27,952	22,732	30,499	13,608	16,777
EBITDA (before exceptional items)*	9,657	6,732	10,401	4,492	5,828
EBITDA ⁽²⁾	9,424	6,843	10,402	4,488	5,885
EBIT (before exceptional items)*	7,261	4,313	7,669	3,234	4,254
EBIT ⁽³⁾	6,054	1,871	7,111	3,230	4,311
Operating profit	6,076	2,204	7,102	3,236	4,303
Profit before taxation ⁽⁴⁾	5,168	1,530	6,608	3,213	4,099
Profit for the year/period (as applicable)	3,864	861	4,955	2,415	3,049
Profit attributable to equity holders of parent ⁽⁵⁾	3,595	661	4,688	2,288	2,916
Earning per share (US\$) (before exceptional items)* ⁽⁶⁾	2.77	1.05	1.77	0.79	0.98
Earning per share (US\$) ⁽⁶⁾	2.12	0.25	1.61	0.79	1.00
Dividends per share – declared and paid (US¢) ⁽⁷⁾	29.4	–	13.0	8.0	20.0
Dividends per share – proposed (US¢) ⁽⁸⁾	–	8.0	20.0	5.0	13.0
Net debt ⁽⁹⁾	16,026	12,290	7,638	8,377	8,131
Net assets ⁽¹⁰⁾	24,399	34,919	42,021	35,223	45,533
Net debt to equity ⁽¹¹⁾	65.7%	35.2%	18.2%	23.8%	17.9%
Net cash flow from operating activities	6,585	4,131	8,213	3,672	3,887
Net cash flow from / (used in) investing activities	(10,393)	(5,752)	(3,196)	656	(3,634)
Net cash flow from / (used in) financing activities	3,915	1,600	(4,521)	(4,122)	(630)
Net increase / (decrease) in cash and cash equivalents	107	(21)	496	206	(377)

Notes

* Exceptional items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to Shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include, but are not limited to, impairment charges, liability fair value adjustments, profits and losses on the sale of investments, profits and losses from the sale of operations, restructuring and closure costs, inventory write-downs, foreign currency gains and losses on borrowings, loan issue costs written-off on facility refinancing and the related tax impacts of these items.

(1) Sales recognised within the consolidated Xstrata Group including joint venture turnover.

(2) Earnings before interest, tax, depreciation and amortisation. IFRS does not define the measure EBITDA. For a description of how these amounts are derived, see the section of this Offering Memorandum headed "Presentation of Information – Presentation of financial information".

(3) Earnings before interest and tax. IFRS does not define the measure EBIT. For a description of how these amounts are derived, see the section of this Offering Memorandum headed "Presentation of Information – Presentation of financial information".

- (4) Earnings after interest but before tax and minority interests.
(5) Profit from operating activities after minority equity interests.
(6) Attributable profit divided by the weighted average number of Ordinary Shares in issue during the period. The 2008 comparative earnings per share has been restated after applying a rights issue bonus factor of 0.57.
(7) Dividends declared and paid during the period per Ordinary Share. The 2008 comparative dividends per share have been restated after applying a rights issue bonus factor of 0.57.
(8) Dividends proposed, but unpaid, during the period per Ordinary Share.
(9) The level of external indebtedness of the Xstrata Group including loans, the liability component of the convertible borrowings and finance leases net of cash (including 100% of Minera Alumbrera Limited cash), cash equivalents and arrangement fees, including hedges.
(10) Total assets less total liabilities.
(11) Net debt as a percentage of equity (including minority interests).

Consolidated Income Statement

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	<i>(in US\$ millions, except as otherwise stated)</i>				
Revenue	27,952	22,732	30,499	13,608	16,777
Operating costs	(18,307)	(15,944)	(20,113)	(9,114)	(10,957)
Other exceptional items	(199)	388	7	-	57
<i>Inventory write-downs</i>	(93)	-	-	-	-
<i>Acquisition costs</i>	-	-	(7)	-	(1)
<i>Liability fair value adjustment</i>	(194)	350	19	-	-
<i>Profit on loss of control of joint venture</i>	-	194	-	-	-
<i>Profit on restructure of joint venture</i>	213	-	-	-	-
<i>Profit on sale of operations</i>	-	-	-	-	58
<i>Restructuring and closure costs</i>	(125)	(156)	(5)	-	-
Operating profit before interest, taxation, depreciation and amortization	9,446	7,176	10,393	4,494	5,877
Depreciation and amortization	(2,396)	(2,419)	(2,732)	(1,258)	(1,574)
Impairment of assets	(974)	(2,553)	(559)	-	-
Operating profit	6,076	2,204	7,102	3,236	4,303
Share of results from associates	(22)	(333)	9	(6)	8
<i>Before exceptional items</i>	12	(56)	15	(2)	8
<i>Exceptional items</i>	(34)	(277)	(6)	(4)	-
Profit before interest and taxation	6,054	1,871	7,111	3,230	4,311
Finance income	261	454	152	232	61
<i>Before exceptional items</i>	192	407	152	232	61
<i>Exceptional items</i>	69	47	-	-	-
Finance cost	(1,147)	(795)	(655)	(249)	(273)
<i>Before exceptional items</i>	(852)	(754)	(620)	(240)	(273)
<i>Exceptional items</i>	(295)	(41)	(35)	(9)	-
Profit before taxation	5,168	1,530	6,608	3,213	4,099
Income tax (charge)/credit	(1,304)	(669)	(1,653)	(798)	(1,050)
Profit for the year/period (as applicable)	3,864	861	4,955	2,415	3,049
<i>Attributable to:</i>					
Equity holders of the parent	3,595	661	4,688	2,288	2,916
Minority interests	269	200	267	127	133
Earnings per share (US\$):					
- basic*	2.12	0.25	1.61	0.79	1.00
- diluted*	2.09	0.25	1.58	0.78	0.98
Dividends (US\$m):					
- declared and paid	499	-	379	232	586
- proposed	-	233	586	147	381
Dividend per share (US¢):					
- declared and paid*	29.4	-	13.0	8.0	20.0
- proposed*	-	8.0	20.0	5.0	13.0

Notes

† Before depreciation, amortisation and impairment charges.

* The 2008 comparatives have been restated after applying a rights issue bonus factor of 0.57.

Consolidated Balance Sheet

	As at December 31,			As at June 30,	
	2008	2009	2010	2010	2011
	<i>(in US\$ millions, except as otherwise stated)</i>				
Assets					
Non-current assets					
Intangible assets	8,898	8,422	8,403	8,258	8,446
Property, plant and equipment	36,141	39,397	45,884	39,492	49,361
Biological assets	11	20	23	19	23
Inventories	39	44	45	31	4
Trade and other receivables	77	81	168	85	197
Investments in associates	1,963	1,790	1,786	1,609	1,926
Available for sale financial assets	161	364	347	319	311
Derivative financial assets	774	698	570	622	474
Other financial assets	235	348	514	338	625
Pension asset	3	1	1	4	2
Prepayments	22	29	32	14	14
Deferred tax assets	3	213	299	235	213
	48,327	51,407	58,072	51,026	61,596
Current assets					
Inventories	3,573	4,570	4,763	4,227	5,562
Trade and other receivables	1,941	3,306	4,463	2,691	4,135
Derivative financial assets	29	159	236	69	168
Other financial assets	–	2,424	–	238	–
Prepayments	288	232	270	114	231
Cash and cash equivalents	1,156	1,177	1,722	1,369	1,354
Assets classified as held for sale	–	549	183	118	285
	6,987	12,417	11,637	8,826	11,735
Total assets	55,314	63,824	69,709	59,852	73,331
Equity and liabilities					
Capital and reserves – attributable to equity holders of Xstrata					
Issued capital	488	1,469	1,482	1,469	1,482
Share premium	10,308	15,096	15,478	15,096	15,458
Own shares	(1,332)	(1,306)	(1,181)	(1,198)	(1,143)
Convertible Borrowings – equity component	56	56	–	56	–
Other reserves	1,454	5,606	8,039	3,964	8,876
Retained earnings	11,789	12,361	16,458	14,212	18,824
	22,763	33,282	40,276	33,599	43,497
Minority interests	1,636	1,637	1,745	1,624	2,036
Total equity	24,399	34,919	42,021	35,223	45,533
Non-current liabilities					
Trade and other payables	29	32	88	55	80
Interest-bearing loans and borrowings	16,337	13,252	7,154	7,732	7,515
Convertible borrowings	331	335	–	337	–
Derivative financial liabilities	569	505	366	582	264
Derivative financial liabilities	683	538	656	568	689
Provisions	2,237	2,844	3,368	2,786	3,467
Pension deficit	320	412	625	583	626
Deferred tax liabilities	5,244	5,775	6,368	5,635	6,676
Other liabilities	105	9	9	8	9
	25,855	23,702	18,634	18,286	19,326
Current liabilities					
Trade and other payables	3,233	3,697	4,802	3,259	4,536
Interest-bearing loans and borrowings	794	206	2,318	1,507	2,280
Derivative financial liabilities	202	52	383	523	25
Provisions	497	623	711	611	736
Income taxes payable	299	526	654	337	592
Other liabilities	35	39	30	25	40
Liabilities classified as held for sale	–	60	156	81	263
	5,060	5,203	9,054	6,343	8,472
Total liabilities	30,915	28,905	27,688	24,629	27,798
Total equity and liabilities	55,314	63,824	69,709	59,852	73,331

Consolidated Cash Flow

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
	<i>(in US\$ millions, except as otherwise stated)</i>				
Net cash flow from operating activities	6,585	4,131	8,213	3,672	3,887
Net cash flow from / (used in) investing activities	(10,393)	(5,752)	(3,196)	656	(3,634)
Net cash flow from / (used in) financing activities	3,915	1,600	(4,521)	(4,122)	(630)
Net increase / (decrease) in cash and cash equivalents	107	(21)	496	206	(377)

OPERATING AND FINANCIAL REVIEW

This operating and financial review contains forward-looking statements that involve risks and uncertainties. See the section of this Offering Memorandum headed "Presentation of Information – Forward-looking statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with the historical consolidated financial information and the notes related thereto and the other financial information relating to the Xstrata Group that is included in or incorporated by reference into this Offering Memorandum as described in the section of this Offering Memorandum headed "Information Incorporated by Reference", as well as the sections headed "Capitalisation" and "Summary – Summary financial information". The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and the Group's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors including, but not limited to, those listed under the section of this Offering Memorandum headed "Risk Factors" and included elsewhere in this Offering Memorandum. Certain characteristics of the mining industry also affect Xstrata's results of operations and are described in "Business – Industry overview". Please refer to the section of this Offering Memorandum headed "Presentation of Information – Presentation of financial information" for information on the financial information and statements that form the basis of this discussion.

Investors and potential investors should read the whole of this Offering Memorandum and the information incorporated by reference herein and not just rely on summarised or key information.

Overview

The Group is the fifth largest diversified mining group in the world, with top five industry positions in copper, export thermal coal, export coking coal, ferrochrome, zinc and nickel, meaningful positions in vanadium and additional exposure to gold, cobalt, lead and silver. The Group also includes a growing platinum group metals business, iron ore projects, recycling facilities and a suite of global technology products, many of which are industry leaders. The Group's operations and projects span more than 20 countries.

The Group had revenue of US\$16.8 billion and EBITDA of US\$5.9 billion for the six months ended June 30, 2011 and revenue of US\$30.5 billion and EBITDA of US\$10.4 billion for the year ended December 31, 2010. As at June 30, 2011, the Group had total equity of US\$45.5 billion. The Group's Ordinary Shares are traded on the London Stock Exchange and the SIX Swiss Exchange. As at market close at November 3, 2011, the market capitalisation of Xstrata was approximately £31 billion (approximately US\$49 billion).

The Group's business is organised in the following five principal business units:

Xstrata Copper: The Group is an integrated producer of copper metal and is the world's fourth largest global copper producer, with mining and processing operations in Australia, Chile, Peru, Argentina and Canada. Xstrata Copper has a world-class portfolio of seven copper development projects, located in Peru, the Philippines, Chile, Argentina and Papua New Guinea.

Xstrata Coal: On a managed basis, the Group is the world's largest exporter of bituminous thermal coal and a significant producer of premium quality hard coking coal and semi-soft coking coal. Xstrata Coal has interests in over 30 operating coal mines in Australia, South Africa and Colombia and exploration projects in Nova Scotia and British Columbia, Canada. Xstrata Coal has world-class coal development projects in Australia and also manages the Group's growing iron ore business.

Xstrata Nickel: The Group is the fifth largest global nickel producer and one of the world's largest producers of cobalt, Xstrata Nickel's operations include mines and processing facilities in Canada, the Dominican Republic and Australia, and a refinery in Norway. Xstrata Nickel has world-class development projects in Canada, Tanzania and New Caledonia.

Xstrata Zinc: The Group is one of the world's largest miners and producers of zinc. Operations span Spain, Germany, Australia, the UK and Canada, with an interest in the Antamina copper-zinc mine in Peru.

Xstrata Alloys: The Group is one of the world's largest and amongst the world's lowest cost integrated ferrochrome producers (through the Xstrata-Merafe Chrome Venture), one of the largest producers of primary vanadium and a growing producer of platinum group metals. Xstrata Alloys also owns carbon operations which supply key raw materials to its ferrochrome production operations. All of Xstrata Alloys operations are based in South Africa.

In addition to its five principal businesses, the Group also operates Xstrata Process Support and Xstrata Technology, mining and processing technology businesses with operations in Australia, Canada, Chile and South Africa.

Principal factors affecting the Xstrata Group's business

Principal factors affecting the Xstrata Group's results of operations during the periods under review (and those which are expected to affect the Xstrata Group's results of operations in the future) are discussed below:

Commodity Prices

Commodity prices are significantly affected by changes in global economic conditions and related industry cycles. Prices of commodity products, such as copper, thermal and coking coal, nickel, zinc, platinum, lead, ferrochrome and vanadium, which are the primary commodities produced by the Xstrata Group, can vary significantly when worldwide supply and demand fluctuate. Prices are influenced by other related factors, such as speculative activities by market participants, political and economic conditions, as well as production costs in major producing regions. The realised price for metals is also influenced by regional supply and demand factors, the availability and price of secondary or metal containing scrap materials, and the availability and price of other substitute commodity products. While producers are unable to set market commodity prices directly, events such as the introduction or withdrawal of commodity production capacity may have an effect on market prices. In addition, the prices realised by producers on sales of their products can, to some extent, be affected by contractual arrangements, production levels and hedging strategies. Price variations and market cycles have historically influenced the financial performance of the Xstrata Group and are expected to continue to do so.

Because a substantial portion of the Group's sales (particularly coal) are subject to term contracts with prices fixed for a period of time, the effect on the Group's financial results of falling (or rising) commodities prices can be delayed. Additionally, the Group's copper and zinc earnings were impacted by the provisional pricing of copper and zinc sales, whereby the sales price is calculated at the average price for the metal in the month of the "quotational period" (ranging from 30 to 180 days). In times of rising prices, the Group's sales will tend to outperform the average London Metal Exchange (the "LME") price whilst the opposite applies in times of falling prices. Due to the volatile nature of commodity prices and the historical relationship between prices and the currencies of most of the countries where the Xstrata Group operates, hedging may be entered into only in limited circumstances and is subject to strict limits laid down by the Board. However, for coal the Group's practice is to hedge indexed sales once the terms of a given sales contract have been agreed.

During the periods covered by the Annual Reports and Accounts, the prices of many commodities exhibited significant volatility: increasing in 2007 and 2008 to record levels, driven principally by a corresponding period of consistent economic growth in OECD countries and rapid industrialisation and urbanisation in China, Russia, Brazil, India and Southeast Asia; and rapidly declining as the global downturn and subsequent rapid global destocking to hold in late 2008 and the first quarter of 2009. Signs of recovery emerged in the second quarter of 2009 and gained momentum through 2010 into 2011. As shown in the table below, a number of commodity prices rose significantly during this period, as fiscal stimulus packages were introduced in most major economies in 2011, but there can be no assurance that such levels will be maintained over time.

The following table sets out indicative average market prices in US dollars by the indicated source for the Xstrata Group's principal commodities over the periods indicated:

	Unit	Average commodity prices for the				
		year ended December 31,			nine months ended September 30,	
		2008	2009	2010	2010	2011
Australian FOB export coking	US\$/t	233	145	204	203	269
Australian FOB export semi soft coking	US\$/t	158	123	137	132	200
Australian FOB export thermal coal	US\$/t	96	80	86	83	107
Americas FOB export thermal coal	US\$/t	81	74	73	71	102
South African export thermal coal	US\$/t	78	68	74	74	99
Copper (LME)	US\$/t	6,956	5,150	7,536	7,169	9,270
Lead (LME)	US\$/t	2,084	1,726	2,148	2,066	2,538
Zinc (LME)	US\$/t	1,870	1,659	2,159	2,106	2,289
Nickel (LME)	US\$/t	21,104	14,712	21,809	21,203	24,348
Ferrochrome (Metal Bulletin)	US¢/1b	176	85	124	122	127
Ferrovandium (Metal Bulletin)	US\$/kg	61	25	30	30	30
Platinum (average LPPM price)	US\$/oz	1,578	1,205	1,611	1,582	1,783

Source: Average realised prices by the Group, excluding Prodeco (for coals), otherwise as indicated

During August, September and October 2011, commodity prices, and particularly exchange-traded metals, declined as investors reduced positions in commodities and equities and sought asset classes perceived as safer. For example, the price of copper for three month delivery on the London Metals Exchange declined from US\$9,847 per tonne on August 1 to US\$7,325 per tonne on October 19, 2011. Notwithstanding the declines in prices driven by flows of investment funds, physical demand for commodities remains strong, particularly from China, which is supporting prices above historical norms. It is notable that the spot price for Australian thermal coal has remained strong at approximately US\$120 per tonne throughout the market turmoil which has impacted the exchange-traded metals. Although market fundamentals appear robust across the commodities which the Xstrata Group produces, the Xstrata Group's earnings are sensitive to movements in realised prices. There can be no assurance that current price levels will be maintained over time and that declines from current levels will not adversely affect the financial condition of the Xstrata Group.

For a discussion of the market and outlook for each of the Xstrata Group's principal commodities, see "Business – Industry overview".

Currency exchange rates

The Xstrata Group's financial results are impacted by both translation and transaction currency effects resulting from changes in currency exchange rates. Translation currency effects occur when the financial results of the Group's subsidiaries with functional currencies other than the US dollar are translated into US dollars using the exchange rates prevailing during the relevant period. Changes over time in the exchange rate used for this translation will affect the Group's reported US dollar-denominated results even if the underlying non-dollar results are unchanged.

Transaction currency effects occur when the Group incurs costs or earns revenues in a currency different from its functional currency. Most of the Group's products are priced and sold in US dollars, while a significant share of the Group's production costs are incurred in local currencies. As a result, the Group's margins are significantly affected by changes in the value of the US dollar relative to the currencies in which the Group incurs costs.

The following tables reflect the historical average and closing exchange rates of the Argentine peso, the Australian dollar, the Canadian dollar, the Chilean Peso, the Euro, the pound sterling, the South African Rand and the Swiss Franc against the US dollar, where relevant to the Xstrata Group, for the periods and dates indicated:

<u>Average</u>	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
USD:ARS	3.16	3.73	3.91	3.87	4.05
AUD:USD	0.85	0.79	0.92	0.89	1.03
USD:CAD	1.07	1.14	1.03	1.03	0.98
USD:CHF	1.08	1.09	1.04	1.08	0.90
USD:CLP	524	559	510	525	475
USD:COP	1,968	2,153	1,898	1,947	1,837
USD:PEN	2.92	3.01	2.82	2.85	2.78
EUR:USD	1.47	1.39	1.33	1.33	1.40
GBP:USD	1.85	1.57	1.55	1.53	1.62
USD:ZAR	8.27	8.41	7.32	7.53	6.89

<u>Period end</u>	<u>As at December 31,</u>			<u>As at June 30,</u>	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
USD:ARS	3.45	3.80	3.98	3.93	4.11
AUD:USD	0.70	0.90	1.02	0.84	1.07
USD:CAD	1.22	1.05	1.00	1.06	0.96
USD:CHF	1.07	1.04	0.93	1.08	0.84
USD:CLP	637	507	468	546	469
USD:COP	2,249	2,043	1,920	1,917	1,770
USD:PEN	3.13	2.89	2.81	2.83	2.75
EUR:USD	1.40	1.43	1.34	1.22	1.45
GBP:USD	1.46	1.62	1.56	1.49	1.61
USD:ZAR	9.32	7.39	6.63	7.67	6.76

Source: Bloomberg

As noted above, during the periods covered by the Annual Reports and Accounts, the Xstrata Group's results were significantly affected by the significant volatility of foreign exchange rates. Most of the Group's costs are denominated in local currencies while most of the Group's sales are made at US dollar prices. As a result, a strengthening of local currencies against the US dollar (as occurred from 2007 to the third quarter of 2008 and more recently in 2010 and 2011) serves to depress the Group's reported margins by increasing the Group's costs in US dollar terms. By contrast a strengthening of the US dollar, as occurred from late 2008 to mid 2009 and in the third quarter of 2011, improves the Group's margins (and in the period from late 2008 to 2009, partially offset the negative impact of the contemporaneous decrease in commodities prices on the Group's financial results for the second half of 2008). A decline in the US dollar, in addition to the cost impact noted above, will also serve to increase foreign exchange losses arising from the revaluation of local currency denominated working capital balances.

The Xstrata Group has historically used currency cash flow hedging to reduce its short-term exposure to fluctuations in local currency exchange rates against the US dollar, the pound sterling and the Euro. The hedging gains reflected in Xstrata's consolidated income statement for the period under review were immaterial.

Production costs and efficiency

The Xstrata Group, in common with its competitors, is unable to set market commodity prices directly and its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain efficient operations. Costs associated with mining and metal production can be broadly categorised into labour costs and other on-site expenses, including power and equipment costs, port handling costs and freight costs. Production costs are largely influenced by ore grades, mine planning, processing technology, energy and supply costs and the impact of exchange rate fluctuations on costs of operations. All of Xstrata's businesses are affected by increases in costs for labour, fuel and explosives.

During the periods covered by the Annual Reports and Accounts, the positive effects of rising commodity prices were partially offset by the rising cost of inputs, particularly in respect of power, fuels, labour, transport, equipment and consumables. During the global downturn, the prices of and supply constraints on certain of the Group's inputs eased (other than in respect of energy and rail costs in South Africa), the effect of which was to limit the adverse impact of mining sector and CPI inflation on the Group's cost base. Mining sector and CPI inflation resumed growing with the recovery from the global economic downturn.

The Group has also historically acted to optimise the Group's unit cost base. In addition to ongoing efforts to improve productivity and minimise corporate centre costs, the Group also acted quickly during the global downturn to forgo or defer a substantial proportion of its discretionary sustaining and/or expansionary capital expenditure, reduce uneconomic production, close mines or facilities or put mines or facilities on care and maintenance. For example, in December 2008 and January 2009 the Xstrata-Merafe chrome venture announced the temporary suspension of seventeen ferrochrome furnaces, representing 1.37 million tonnes or 80% of annual operating capacity. As prices recovered in late 2009, the Group resumed approximately 85% of the facility's capacity. In December 2008, Xstrata Nickel placed its Falcondo ferronickel operation in the Dominican Republic under care and maintenance (resumed at 50% capacity in 2011), and announced an early, accelerated closure of the Thayer Lindsley and Craig nickel mines in Sudbury, Canada. In December 2009, Xstrata also announced the temporary suspension of longwall operations at Oaky No. 1 underground coking coal mine (since lifted). The Group also undertook a strategic review in relation to the Australian Zinc and Lead operations, including McArthur River mine and the entire Mount Isa complex (including the George Fisher-Hilton, Handlebar Hill (which was placed on care and maintenance from January to August of 2009) and Black Star mines.

The Group's unit costs have also been enhanced during the periods covered by the Annual Reports and Accounts. In addition to ongoing incremental cost saving initiatives, the Group's cost structure has been fundamentally improved through strategic structural changes, including the restructuring of Xstrata Nickel and the expansions and reorganisations at Xstrata Zinc during the downturn. Together with the successive commissioning of new, lower cost operations and expansions that will continue to benefit costs as Xstrata brings major projects to production, Xstrata is now positioned amongst the industry leaders for cost competitiveness in each of its major commodities.

Xstrata Zinc has been transformed into one of the world's largest, low-cost integrated producer of zinc, from its third quartile position three years ago and a fourth quartile position in 2006. Xstrata Nickel has moved from the third quartile in 2008 to the lower end of the second quartile in 2011, benefiting from the commissioning of the polymetallic Nickel Rim South operation and the restructuring of the Sudbury operations in 2009. The restart of the higher cost Falcondo ferronickel operation this year to 50% of its capacity has benefited from increased margins during favourable market conditions. Xstrata Copper has successfully combated to a large extent the deterioration in costs that is difficult to avoid at ageing operations by shifting its operations down the industry cost curve. Xstrata Alloys remains the lowest cost ferrochrome producer in South Africa, having improved energy efficiency at its smelters by around 25%, reduced reliance on high-price coke and initiated a series of actions to increase its ability to source and agglomerate platinum UG2 tailings as a low-cost feed.

Restructuring and impairment costs

Under IFRS, impairments are assessed on a cash generating unit basis, charges for which are principally recorded in cost of sales as exceptional items. The macroeconomic and commodity price environment during the periods covered by the Annual Reports and Accounts resulted in a variety of impairments, particularly in 2009 (relating principally to the Group's Australian, Norwegian and Canadian Nickel assets).

In addition, during the periods covered by the Annual reports and Accounts, the Group recorded restructuring charges relating to the closure of various assets.

Acquisitions and disposals

During the period under review, the Xstrata Group has made numerous acquisitions and disposals which affect the comparability of the results of operations of the Xstrata Group as a whole. These principal acquisitions and disposals include:

Copper

El Morro

In October 2009, the Group entered into an irrevocable sale agreement to dispose of the Group's 70% interest in the El Morro copper-gold project in Chile, and associated rights and assets, for a total cash consideration of US\$463 million. The Group recognised a gain of US\$194 million before tax (US\$144 million after tax) in respect of the sale. The sale proceeds were received on February 17, 2010.

Indophil

During September 2008, Xstrata Copper purchased a 17.83% stake in Indophil Resources from Lion Selection for AUD82 million (US\$68 million) or AUD1.17 a share. The acquisition followed the expiry of Xstrata's offer for Indophil at AUD1.28 per share on August 29, 2008 and brought Xstrata's total shareholding in Indophil to 19.99%. Indophil's flagship asset is its 37.5% interest in the Tampakan copper project in the southern Philippines. Xstrata Copper has management control and holds 62.5% of the issued common shares in Sagittarius Mines Inc, the holder of the project.

In November 2008, Indophil Resources' shareholders approved a resolution to provide the Indophil board with an open-ended mandate to sell up to all of its then 34.23% interest in the Tampakan copper project. Although bids have been made, none have completed.

The Tampakan mining project feasibility study was completed and submitted to the Philippine government on schedule in April 2010. The study indicates a potential large scale, low-cash cost, open pit mining operation with an average annual production of 375,000 tonnes of copper and 360,000 ounces of gold over an initial 17-year mine life.

During July 2011, Indophil Resources completed an equity raising and share placement that together raised AUD183.3 million. Xstrata Copper took up its full entitlement in the equity raising of AUD78.6 million shares for AUD27.5 million. As at the date of this Offering Memorandum, as a result of dilution from the Indophil Resources share placement, Xstrata Copper's interest in Indophil Resources is 15.79%.

E1 and Monakoff

On June 30, 2011, the Group completed its acquisition of the E1 and Monakoff copper tenements in north west Queensland, Australia from Exco Resources Ltd for a cash purchase price of AUD175 million.

Agua Rica

In August 2011, Xstrata Copper, Goldcorp Inc. ("Goldcorp") and Yamana Gold Inc. ("Yamana") entered into a definitive agreement providing Minera Alumbrera Limited Sucursal Argentina ("Minera Alumbrera") the exclusive option to acquire Yamana's 100% interest in the Agua Rica project. Agua Rica is a feasibility stage project in the province of Catamarca, Argentina, located approximately 35 kilometres from the currently operating Alumbrera mine.

Minera Alumbrera is a joint venture operation between Xstrata Copper (manager and 50% owner), Goldcorp (37.5% owner) and Yamana (12.5% owner) that currently operates the Alumbrera mine. Under the terms of the definitive agreement, Minera Alumbrera holds an exclusive four-year option to acquire Yamana's interest in the Agua Rica project for cumulative payments made by Goldcorp and Xstrata Copper of US\$110 million. During the option period Minera Alumbrera will manage the Agua Rica project and fund a feasibility study and all development costs. The respective ownership interests in Minera Alumbrera would remain unchanged and apply to the Agua Rica project.

Goldcorp and Xstrata Copper made a payment of US\$20 million to Yamana on execution of the definitive agreements, in addition to the US\$10 million paid previously.

Minera Alumbreira can elect to exercise the option at any time during the four-year period. Upon approval to proceed, Yamana would receive US\$150 million and a further US\$50 million on commencement of commercial production in addition to the remaining option payments of US\$80 million. Yamana would also retain the right to a deferred payment related to 65% of the payable gold production from Agua Rica to a maximum of 2.3 million ounces.

Coal

Resource Pacific

On April 23, 2008, Xstrata Coal completed its acquisition of Resource Pacific a coal mining group in Australia for a total cash consideration of US\$910 million. Subsequent to the acquisition, 12% of the shares were sold in October 2008 for US\$122 million.

Prodeco

On March 3, 2009, Group acquired 100% of the Prodeco Colombian coal operations from Glencore International for a net consideration, after the cost of granting the call option, of US\$2 billion with an effective date of January 1, 2009. Glencore had a call option to repurchase Prodeco up to March 4, 2010 for US\$2.25 billion, plus all profits of Prodeco accrued but not distributed and the net amount of cash paid into Prodeco by the Group. In the Groups financial statements, Prodeco was included as a financial asset during the call option period with the net earnings and pro-rata Glencore call option premium included in finance income during this period. Glencore exercised the call option in March 2010, and the exercise of this option completed on April 14, 2010.

Sphere Minerals Limited

On August 24, 2010, the Group announced a cash offer for Sphere of AUD2.50 per share and, on November 3, 2010, the offer price was increased to AUD3.00 cash per share, valuing Sphere at approximately US\$513 million. The Group gained control of Sphere and declared the offer unconditional on November 16 and had acquired 75.5% of Sphere at December 31, 2010. The cash offer of AUD3.00 for each Sphere share remained open until May 13, 2011 and a further 12% was acquired for a total consideration of US\$59 million. At June 30, 2011, the Group held 87% of Sphere at a total consideration of US\$450 million, excluding net cash acquired with the subsidiary. Sphere is a West African focused iron ore company with interests in three iron ore projects in Mauritania.

During July 2011, Sphere completed an equity raising of approximately AUD121.4 million. The Group took up its full entitlement in the equity raising.

Zanaga

On February 8, 2011, the Group announced it had elected to exercise the option to acquire 50% plus one share in Jumelles, the owner of the Zanaga iron ore project in the Republic of Congo. Under the agreement, the Group will fund a feasibility study for a minimum of US\$100 million. The Group's acquisition of its controlling interest in Jumelles was completed on February 11, 2011.

First Coal

In August 2011, the Group acquired 100% of First Coal shares, options and warrants for CDN\$1.75 per share. The purchase of First Coal, for an all-cash consideration of CDN\$147 million (US\$153 million) provides Xstrata Coal with access to coking coal exploration leases in British Columbia, Canada.

Lossan

In October 2011, Xstrata Coal agreed to acquire 100% of the Lossan metallurgical coal deposit ("Lossan") from Cline Mining Corporation for C\$43 million, subject to customary conditions. Lossan is located in the Peace River Coalfield of northeastern British Columbia and is surrounded by a group of licenses recently acquired by the Group through the acquisition of First Coal. The acquisition of Lossan was completed on October 13, 2011.

Platinum

Eland

On November 14, 2007, the Group acquired 100% of Eland Platinum Holdings Limited. Eland was previously listed on the Johannesburg stock exchange and holds a 65% interest in Eland Platinum Mines (Pty) Limited which owns the Elandsfontein platinum project, increasing the Group's interest in the project to 74%. The total cost of the acquisition was US\$1,113 million.

Lonmin

In August 2008, the Group acquired 16,706,481 shares in Lonmin for US\$1,084 million. In October 2008, the Group acquired an additional 22,232,940 shares for US\$794 million, resulting in a total acquisition price of US\$1,878 million. Following the October 2008 transaction, the Group held 24.9% of Lonmin and determined it was an associate of the Group. Lonmin which is listed on the London Stock Exchange and Johannesburg Stock Exchange is one of the world's largest platinum producers with operations principally in South Africa. In June 2009, the Group acquired 8,653,204 shares in Lonmin for US\$112 million as part of a 2 for 9 Rights Issue of 35.1 million new ordinary shares at GBP9.00 per new share for shareholders on the London Stock Exchange and at ZAR113.04 per new share for shareholders on the Johannesburg Stock Exchange. In May 2010, the Group acquired 2,233,600 shares in Lonmin for US\$58 million as part of a Placement Issue of 9.1 million new ordinary shares at GBP17.65 per new share for shareholders on the London Stock Exchange and the Johannesburg Stock Exchange. The Group's current shareholding as at November 3, 2011 as a result of the dilution from the share placing is 24.6%.

The share price of Lonmin as listed on the London stock exchange at November 3, 2011 was 1,076p per share. As at November 3, 2011, being the latest practicable date prior to the date of this Offering Memorandum, the market value of Xstrata's stake in Lonmin was approximately £536 million (approximately US\$856 million), based on the Closing Price of a Lonmin share. The Xstrata Group's Lonmin ordinary shares are held by Xstrata Zinc BV and the acquisitions were funded entirely through the Xstrata Group's debt facilities.

Nickel

Jubilee

On January 31, 2008, Xstrata Nickel acquired Jubilee, an Australian nickel mining operation for US\$2,875 million. Xstrata Nickel assumed management control of Jubilee on February 4, 2008, establishing Xstrata Nickel Australasia as a new operating division. On February 22, 2008, Xstrata Nickel declared an interest of 97% in Jubilee and proceeded to compulsorily acquire the remainder of the shares.

Zinc

Hackett River

On October 4, 2011, the Group closed the acquisition of the Hackett River and Wishbone Properties in Nunavut, Canada from Sabina Gold and Silver Corp. ("Sabina") for cash consideration of C\$50 million. Under the terms of the agreement, the Group will commit a further C\$50 million towards exploration on the properties within four years of the transaction's completion and will pay Sabina a royalty on silver produced from the properties.

Pallas Green

In July 2011, the Group entered into a conditional agreement to purchase for US\$19.4 million the remaining 23.6% interest it did not already own in the Pallas Green Project located in County Limerick, Ireland. This transaction closed on October 28, 2011.

Current trading and prospects

A substantially stronger financial performance in the first half of 2011 reflected growing demand for the Group's products from emerging Asian economies and recovering Western markets, together with a pleasing recovery of operational performance in the second quarter following one-off events which hampered first quarter production.

Operating profit before exceptional items of US\$4.2 billion in the first half of 2011 rose by 31% above the first half of 2010, EBITDA before exceptional items was 30% higher at US\$5.8 billion and earnings per share rose by 24% to 98 cents.

Average prices for most of Xstrata's commodities for the nine months ended September 30, 2011 rose above the nine months ended September 30, 2010, despite a pullback in positive sentiment on the global economy in March following global events including the earthquake, tsunami and Fukushima disaster in Japan, civil unrest in North Africa and the Middle East and concerns over European sovereign debt and Chinese inflation. Safety performance continued to improve with a 21% reduction in total recordable injuries per million hours worked, compared to the Group's 2010 performance.

In the period from July 1, 2011, Xstrata's operating and financial performance continues to be strong and its financial position remains robust, and, in August 2011, the Board proposed an interim dividend of 13 cents per share, a 160% increase over the interim dividend in 2010. Xstrata recently refinanced its corporate debt facilities and retains significant headroom thereunder; as at November 3, 2011, US\$4.1 billion was undrawn. The modest debt maturities within the next two years, together with a good spread of maturities over subsequent years, continue to underpin the Group's financial position.

Xstrata believes the Group is operating with good momentum, benefiting from good cost performance and the restructurings undertaken during the downturn, moving the Group's businesses progressively down their respective industry cost curves.

Xstrata Copper

Total mined copper production in the third quarter of 2011 was in line with the second quarter of 2011 but decreased by 4% compared to the corresponding period in 2010. Production at Collahuasi was impacted by planned lower grades, blizzard conditions in July and 18 days of repairs to the conveyor belt in September, which reduced feed to the concentrator. Planned lower grades at Mount Isa, Kidd and Tintaya mines also contributed to decreased production compared to the third quarter of 2010.

Partially offsetting lower production volumes in the third quarter of 2011 was increased production at Alumbra due to higher grades and improvements to the grinding and pebbles circuit, which improved throughput. At Antamina, the processing of a larger proportion of copper-only ores resulted in higher copper grades, while debottlenecking initiatives and improvements in blast fragmentation led to improved throughput and recoveries.

Total refined copper production, including third party material, decreased by 5% in the third quarter of 2011 compared to the corresponding period in 2010 due to timing issues related to the supply of mined anodes to the Townsville refinery and lower third party anode supply to CCR refinery, together with reduced copper cathode production at Collahuasi and Tintaya mines as a result of lower grades.

The following table sets forth production data for mined copper, mined gold and copper cathode for Xstrata Copper for the three months ended September 30, 2010 and 2011 and the nine months ended September 30, 2010 and 2011:

Production Data ⁽¹⁾	Three months ended September 30,		Nine months ended September 30,	
	2010	2011	2010	2011
Mined copper (contained metal) (tonnes)	233,647	223,606	667,795	657,652
Mined gold (contained metal) (oz)	129,667	141,411	363,873	416,576
Copper cathode (from mined and third party material)	171,397	163,683	542,570	477,504

Note

(1) See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves.

Xstrata Coal

Total consolidated coal production increased by 1.7 million tonnes to 23.6 million tonnes in the third quarter of 2011 compared to 21.9 million tonnes in the corresponding period in 2010.

Australian thermal production, including semi-soft, increased by 1.6 million tonnes, or 13%, to 13.9 million tonnes in the third quarter of 2011 (a quarterly production record) compared to 12.3 million tonnes in the corresponding period in 2010, primarily due to the successful commencement of operations at the Mangoola open cut mine ahead of schedule in February 2011. The full benefit of the new volumes in New South Wales was partly offset by the temporary suspension of operations at the Blakefield South mine due to an underground fire and interruptions to the Ulan longwall as a result of significant water in the underground operating area during the first quarter of 2011. Development recommenced at Blakefield South during the third quarter of 2011 and planning and approval works are continuing for the restart of longwall operations in 2012. Production at Ulan continued to ramp up during the third quarter of 2011.

Coking coal production increased by 26% in the third quarter of 2011 compared to the corresponding period in 2010. The increase was primarily due to the non-recurrence of industrial action at the Tahmoor underground mine in New South Wales which occurred in the third quarter of 2010 and significantly impacted production during that period. Coking coal production continues to recover from the Queensland floods in early 2011.

South African thermal coal production decreased by 17% in the third quarter of 2011 compared to the corresponding period in 2010, due to industrial action and the continued transition of the underground mines to open cut complexes. Going forward, the Group believes that thermal coal prices remain strong, with October 1 annual contracts settled with long-term Japanese customers at US\$126.50 per tonne FOB, compared to US\$129.85 per tonne for April 1 annual contracts.

Cerrejón volumes increased by 21% in the third quarter of 2011 compared to the corresponding period in 2010, primarily due to the impact of excessive rainfall on production during the third quarter of 2010.

The following table sets forth production data for Xstrata Coal broken down among the Australian, South African and Americas operations for the three months ended September 30, 2010 and 2011 and the nine months ended September 30, 2010 and 2011:

Production Data ⁽¹⁾	Three months ended September 30,		Nine months ended September 30,	
	2010 Mt	2011 Mt	2010 Mt	2011 Mt
Australian coking	1.9	2.4	5.7	5.5
Australian semi-soft coking	1.5	1.2	5.4	4.2
Australian thermal	10.8	12.7	28.2	31.6
South African thermal	5.3	4.4	13.5	12.8
Americas thermal	2.4	2.9	7.7	8.0
Total consolidated production⁽²⁾	21.9	23.6	60.5	62.1

Notes

⁽¹⁾ See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves.

⁽²⁾ Consolidated production excludes production attributable to joint venturers in accordance with their proportionate interests in the relevant mine, but includes 100% of production from subsidiaries that the Group controls, irrespective of the Group's shareholding in such subsidiaries.

Xstrata Nickel

Total nickel production increased by 15% to 26,738 tonnes in the third quarter of 2011 compared to 23,259 tonnes in the corresponding period in 2010. This increase was driven by Falcondo's successful ramp up to exceed the planned annualised run-rate of 14,000 tonnes of nickel in ferronickel, 50% of its installed capacity. Falcondo contributed 3,708 tonnes in the third quarter of 2011, which was 6% above the planned run-rate and represented an annualised run-rate of close to 15,000 tonnes of nickel in ferronickel.

Refined nickel production from the Nikkelverk refinery during the third quarter of 2011 was marginally lower compared to the corresponding period in 2010 due to a planned maintenance shutdown, but continued to run in line with its annual production capacity of 92,000 tonnes.

Total mined nickel production from the Integrated Nickel Operations decreased by 4% to 15,524 tonnes in the third quarter of 2011 compared to 16,174 tonnes in the corresponding period in 2010, as increased mined production from Sudbury and Raglan was offset by lower grades from the Australian operations. Total mined copper production increased by 13% to 12,805 tonnes in the third quarter of 2011 compared to 11,364 tonnes in the corresponding period in 2010, due to the contribution of the copper-rich Nickel Rim South mine and increased ore volumes from Fraser mine's copper zone.

The following table sets forth production data for mined nickel, total nickel, mined copper and mined cobalt for Xstrata Nickel for the three months ended September 30, 2010 and 2011 and the nine months ended September 30, 2010 and 2011:

Production Data ⁽¹⁾	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2011	2010	2011
	<i>Tonnes</i>	<i>Tonnes</i>	<i>Tonnes</i>	<i>Tonnes</i>
Mined nickel ⁽²⁾	16,174	15,524	44,134	46,321
Nickel production ⁽³⁾	23,259	26,738	68,717	78,174
Mined copper ⁽²⁾	11,364	12,805	29,628	39,478
Mined cobalt ⁽²⁾	288	262	808	878

Notes

(1) See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves.

(2) Includes contained metal in concentrates, but excluding nickel in ferronickel from the Falcondo Operation. Including nickel in ferronickel from the Falcondo Operation, mined nickel was 19,232 tonnes for the three months ended September 30, 2011 and 55,941 tonnes for the nine months ended September 30, 2011.

(3) Includes refined nickel production from the Nikkelverk refinery and contained nickel in ferronickel production from the Falcondo Operation.

Xstrata Zinc

Production of zinc in concentrate decreased by 2% in the third quarter of 2011, compared to the corresponding period in 2010. Improved production volumes at Brunswick mine in Canada and the Australian operations were more than offset by lower output at Antamina mine in Peru due to the processing of a larger proportion of copper-only ores.

Total zinc metal production increased by 4% in the third quarter of 2011, compared to the corresponding period in 2010, as a result of increased volumes from San Juan de Nieva smelter.

Lead in concentrate production increased by 5% in the third quarter of 2011, compared to the corresponding period in 2010, primarily as a result of increased production at McArthur River mine. Lead metal production decreased by 32% in the third quarter of 2011, compared to the corresponding period in 2010, as a result of a delayed lead bullion shipment to Britannia Refined Metals in the United Kingdom.

The following table sets forth production data for Xstrata Zinc for the three months ended September 30, 2010 and 2011 and the nine months ended September 30, 2010 and 2011:

Production Data ⁽¹⁾	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2011	2010	2011
	<i>Tonnes</i>	<i>Tonnes</i>	<i>Tonnes</i>	<i>Tonnes</i>
Total zinc in concentrate production	238,464	232,315	760,023	732,452
Total zinc metal production	176,521	184,220	581,392	550,559
Total lead in concentrate production	50,963	53,519	172,032	169,393
Total lead metal production	54,806	37,396	178,012	145,394

Note

(1) See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves.

Xstrata Alloys

In response to weaker market conditions, scheduled maintenance programmes at the furnaces during the high electricity tariff South African winter were extended resulting in a 52% reduction in operating capacity utilisation. Consequently, ferrochrome production decreased by 18% in the third quarter of 2011, compared to the corresponding period in 2010.

Ferrochrome producers settled the third quarter benchmark price at \$1.20 per pound, 11% lower than the \$1.35 per pound settled in the second quarter of 2011, due to weak demand. The fourth quarter benchmark price was maintained at \$1.20 per pound.

Ferrovandium production volumes decreased by 8% in the third quarter of 2011, compared to the corresponding period in 2010, primarily as a result of the reduced availability of vanadium pentoxide for ferrovandium conversion due to an increase in direct vanadium pentoxide sales to take advantage of more favourable market conditions.

The following table sets forth production data for ferrochrome and vanadium for the three months ended September 30, 2010 and 2011 and the nine months ended September 30, 2010 and 2011:

Production Data ⁽¹⁾	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2011	2010	2011
Ferrochrome (thousand tonnes) ⁽²⁾	228	186	835	767
Vanadium ⁽³⁾				
Ferrovanadium (thousand tonnes)	1,126	1,034	3,312	3,011
V ₂ O ₅	5,805	5,824	16,512	15,917

Notes

(1) Production of Ferrchrome and Vanadium is in South Africa. See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves. Production figures have been extracted without material amendment from Xstrata's management records.

(2) Including Xstrata's 79.5% share of Xstrata-Merafe Chrome Venture.

(3) 100% consolidated.

Platinum Group Metals ("PGM") production decreased by 16% in the third quarter of 2011, compared to the corresponding period in 2010, as a result of reduced head grades from mining the remaining opencast zone at Eland. As a result of the lower grades and prevailing economic conditions, the Eland open pit operations were suspended from August 2011. Development of the underground operations at Eland continues. The Mototolo joint venture maintained nameplate ROM production of around 200,000 tonnes per month throughout the third quarter of 2011, producing 53,208 ounces in total of PGMs.

The following table sets forth production data for Platinum Group Metals for the three months ended September 30, 2010 and 2011 and the nine months ended September 30, 2010 and 2011:

Production Data ⁽¹⁾	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2011	2010	2011
	OZ	OZ	OZ	OZ
Total production ⁽²⁾				
Platinum	29,520	24,794	93,457	75,471
Palladium	14,743	12,450	47,625	37,686
Rhodium	4,883	4,026	15,642	12,204

Notes

(1) Production is in South Africa. See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of production amounts and of the production amounts themselves. Production figures have been extracted without material amendment from Xstrata's management records.

(2) Consolidated 100% of Eland and 50% of Mototolo.

Results of operations

Profit and loss account items

Revenue

The following tables show the Xstrata Group's revenues by business segment for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	<i>(in US\$ millions, except as otherwise stated)</i>				
Coal	7,944	6,749	7,788	3,579	4,381
Copper	11,464	9,223	14,004	5,879	7,705
Zinc	3,202	3,450	3,922	1,868	1,937
Alloys	2,002	1,305	1,894	920	992
Nickel	3,105	1,891	2,738	1,297	1,667
Technology	235	114	153	65	95
Xstrata Group	27,952	22,732	30,499	13,608	16,777

Coal. The Xstrata Group's coal revenues are generated from the sale of thermal, coking and semi-soft coal from the Xstrata Group's mining and production facilities in South Africa, Colombia and Australia. Sales of coal may be made on the spot market, on the basis of supply contracts with negotiated volumes and prices, as well as under annually renewable long-term supply arrangements. The majority of the Xstrata Group's coal sales are to export markets in transactions denominated in US dollars. As a result, the Xstrata Group's revenue is affected by changes in the international spot markets. In addition, because a substantial portion of coal sales are made under annual contracts at prices set at the time of such contracts, changes in the market price of coal during the course of a year may not be reflected fully in revenues during that year. Xstrata Coal currently manages the Group's iron ore businesses. To date, these business have not produced material revenues.

Copper. The Xstrata Group's copper revenues are made up of sales of copper concentrates, copper anode/blister, copper cathode, tankhouse slimes, copper-gold concentrates and gold doré from the Xstrata Group's mines, mineral processing plants and projects in Australia, North America, Peru, Chile and Argentina. Approximately 85-95% of the concentrates are sold under smelter frame contracts. The remainder is sold in the spot market to export markets in transactions denominated in US dollars.

Nickel. The Xstrata Group's nickel revenues are made up of sales of nickel metal, ferronickel metal and co-products, such as copper metal, copper concentrates, refined cobalt, gold, silver, palladium, platinum and rhodium from the Xstrata Group's operations in Canada, Norway and

the Dominican Republic, which include mining and processing facilities. The majority of the Xstrata Group's nickel sales are to export markets in transactions denominated in US dollars. All of the sales of nickel metal, ferronickel metal and refined cobalt are to Glencore pursuant to sole distribution agreements signed in March 2007. See "Business – Relationship with Glencore". The export markets of these metals primarily include Western Europe, the United States and Asia/Pacific.

Zinc. The Xstrata Group's zinc revenues are made up of sales of zinc metal, zinc concentrates, refined lead and silver and their by-products such as germanium, cadmium, sulphuric acid and sulphur dioxide, from the Xstrata Group's operations in Spain, Germany, Australia, North America and the United Kingdom, which include mines, smelters, plants and a refinery. Zinc metal is primarily sold in Canada, the USA and EU countries in the form of SHG ingots or alloys. Zinc concentrates are sold primarily in Australia, Japan, South Korea, China, Europe and Canada.

Alloys. The Xstrata Group's alloys revenues are made up of sales of chrome, platinum and vanadium. The majority of the Xstrata Group's chrome products are exported to stainless steel manufacturers in North America, Europe and the Pacific Rim. Vanadium pentoxide is produced in South Africa by the Xstrata Group, which then upgrades nearly all of it to ferrovanadium. The Xstrata Group's ferrovanadium is exported mainly to Europe.

Costs

Costs reflected in profit before interest, taxation, depreciation and amortisation include cost of sales (of which raw material costs, mining costs and power costs are the most significant components), distribution costs (of which rail transport and freight costs are the most significant components), administrative expenses and other income and expense items.

Exceptional items

Exceptional items represent significant items of income and expense which, due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement, to provide a better understanding of the elements of financial performance in a particular period, to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include, but are not limited to, goodwill impairments, acquisition and integration costs which have not been capitalised, profits and losses on the sale of investments, profits and losses from the sale of operations and restructuring and closure costs.

EBITDA

The following tables show the Xstrata Group's profit before interest, taxation, depreciation and amortisation by major categories of products and services for the periods indicated:

	Year ended				
	2008	2009	2010	Six months ended June 30, 2010	2011
	<i>(in US\$ millions)</i>				
Profit before interest, taxation, depreciation and amortization (EBITDA)					
<i>Before exceptional items</i>					
Coal	4,170	2,755	3,061	1,401	1,584
Copper	3,160	2,922	4,693	1,789	2,550
Zinc	435	860	1,327	600	750
Alloys	1,094	70	477	287	182
Nickel	816	427	973	436	743
Technology	38	28	32	12	14
Iron ore	–	–	(1)	–	(4)
Unallocated	(68)	(274)	(176)	(31)	1
Operating EBITDA before exceptional items	9,645	6,788	10,386	4,494	5,820
<i>Share of results from associates (net of tax, continuing operations)</i>					
Coal	3	3	4	2	1
Alloys	–	(58)	5	(4)	7
Zinc	9	(1)	6	–	–
Total EBITDA before exceptional items	9,657	6,732	10,401	4,492	5,828
<i>Exceptional items</i>					
Coal	11	350	16	–	–
Copper	–	154	–	–	–
Zinc	(53)	(65)	(5)	–	–
Alloys	8	(11)	–	–	58
Nickel	(165)	(40)	–	–	–
Technology	–	–	–	–	–
Iron ore	–	–	(4)	–	(1)
Unallocated	–	–	–	–	–
Total operating exceptional items	(199)	388	7	–	57
Operating EBITDA	9,446	7,176	10,393	4,494	5,877
<i>Share of results from associates (net of tax, continuing operations)</i>					
Coal	–	–	–	–	–
Alloys	(34)	(277)	(6)	(4)	–
Zinc	–	–	–	–	–
Total exceptional items	(233)	111	1	(4)	57
Total EBITDA	9,424	6,843	10,402	4,488	5,885

Six months ended June 30, 2011 compared with six months ended June 30, 2010

In this operating and financial review, the Group discusses and analyses its financial condition and results of operations as at, and for the six months ended, June 30, 2011 compared to the financial information of the Xstrata Group as at, and for the six months ended, June 30, 2010.

Revenue

The Xstrata Group's revenue was US\$16,777 million in the six months ended June 30, 2011, an increase of US\$3,169 million or 23% from revenue of US\$13,608 million in the six months ended June 30, 2010. This increase was primarily due to higher commodity prices. Average prices for nickel, copper, Australian coking coal, Australian semi-soft coking coal, Australian thermal coal, Americas thermal coal and South African thermal coal increased by 21%, 32%, 34%, 52%, 30%, 48% and 37%, respectively, in the first six months of 2011 compared to the first six months of 2010.

Copper. Xstrata Copper revenue was US\$7,705 million in the six months ended June 30, 2011, an increase of US\$1,826 million or 31% from revenue of US\$5,879 million in the six months ended June 30, 2010. This increase was attributable to significantly higher average pricing in the first six months of 2011 compared to the first six months of 2010, reflecting anticipation of a shortfall in copper supply and growing investor appetite for commodities. Although mined copper production volumes increased marginally in the first six months of 2011 compared to the first six months of 2010, with increases at the Ernest Henry and Lomas Bayas mines offsetting challenging operating conditions at other South American operations, sales volumes declined by 5% in the first six months of 2011 compared to the first six months of 2010 as a result of the closure of the Kidd Metallurgical facility in May 2010 and the temporary shutdown of the Townsville refinery on account of adverse weather conditions.

Coal. Xstrata Coal revenue was US\$4,381 million in the six months ended June 30, 2011, an increase of US\$802 million or 22% from revenue of US\$3,579 million in the six months ended June 30, 2010. This increase was largely attributable to improved pricing in thermal coal, as a result of the impact of the Japanese earthquake and tsunami and significant rainfall in Australia and Indonesia, and improved pricing in coking coal, as a result of extensive flooding in Queensland, Australia. Sales volumes decreased by 7% in the first six months of 2011 compared to the first six months of 2010 due to the year-on-year variance in stock movements and production constraints. Damaged rail infrastructure prevented domestic and export sales from the Rolleston operation for a period of two months. Sales volumes for semi-soft coking coal decreased in the first six months of 2011 compared to the first six months of 2010 as a result of the planned closure of United Colliery in New South Wales, Australia in February 2010 and reduced market demand, which was due to the Japanese earthquake. In addition, sales volumes were impacted in the first six months of 2011 compared to the first six months of 2010 as a result of longwall moves at the Oaky No. 1 and North mines in Queensland, Australia. Production losses were also incurred as a result of an underground fire at the Blakefield Mine and flooding at the Ulan Mine, both in New South Wales, Australia.

Nickel. Xstrata Nickel revenue was US\$1,667 million in the six months ended June 30, 2011, an increase of US\$370 million or 29% from revenue of US\$1,297 million in the six months ended June 30, 2010. This increase resulted from higher nickel prices, which were attributable to the continuing growth in China, supply constraints and delays at a number of new projects, along with increased production arising principally from the 50% capacity restart of the Falcondo ferronickel operation and the successful ramp-up of the Nickel Rim South mine in Sudbury.

Zinc. Xstrata Zinc revenue was US\$1,937 million in the six months ended June 30, 2011, an increase of US\$69 million or 4% from revenue of US\$1,868 million in the six months ended June 30, 2010. This increase was primarily attributable to increases in the average prices of zinc and lead, which were driven by increased vehicle production in the first quarter of 2011, growth in demand from the Chinese infrastructure and construction sectors and increased demand for lead. In addition, zinc and lead production volumes decreased in the first six months of 2011 compared to the first six months of 2010. Total zinc in concentrate production decreased in the first six months of 2011 compared to the first six months of 2010 as a result of planned lower zinc production at Antamina. Zinc metal production decreased in the first six months of 2011 compared to the first six months of 2010 as a result of the closure of the Kidd Creek Metallurgical site in May 2010. Although the volume of ore treated at the Mount Isa operations and 5% at McArthur River increased by 16%, total lead in concentrate production decreased by 4% in the first six months of 2011 compared to the first six months of 2010 due to a fall in lead grades at all mines.

Alloys. Xstrata Alloys revenue was US\$992 million in the six months ended June 30, 2011, an increase of US\$72 million or 8% from revenue of US\$920 million in the six months ended June 30, 2010. This increase was attributable to increases in the average prices for ferrochrome, platinum and palladium, which were due to growth in the stainless steel market (for ferrochrome) and strong speculative activity (for platinum and palladium).

Technology. Xstrata Technology revenue was US\$95 million in the six months ended June 30, 2011, a increase of US\$30 million or 46% from revenue of US\$65 million in the six months ended June 30, 2010. This increase was primarily due to the increased implementation of its technology by external customers.

Profit before interest, taxation, depreciation and amortisation ("EBITDA")

Xstrata Group. The Xstrata Group's EBITDA increased by US\$1,397 million or 31% to US\$5,885 million in the six months ended June 30, 2011, from US\$4,488 million in the six months ended June 30, 2010. This increase was primarily due to higher sales prices across the range of the Group's commodities. The Group also achieved cost savings during the period on a real unit basis as a result of its operational efficiency efforts during the course of the period. Partially offsetting the effects of these effects were weather-related and one-off impacts to coal and copper production in the first quarter of 2011, a weakening of the US dollar against the Group's operating currencies and ongoing CPI and mining industry inflation.

Copper. Xstrata Copper's Operating EBITDA increased by US\$761 million or 43% to US\$2,550 million in the six months ended June 30, 2011, from US\$1,789 million in the six months ended June 30, 2010. This increase reflected higher average prices, as described above, and real unit cost savings that were primarily attributable to operating efficiencies at the Lomas Bayas mine, a positive impact from deferred stripping in line with the mine plan at Antamina and improved grades at Ernest Henry. Partially offsetting these effects were the weakening of the US dollar against the Australian and Canadian dollars, CPI and mining industry inflation and lower sales volumes.

Coal. Xstrata Coal's Operating EBITDA increased by US\$183 million or 13% to US\$1,584 million in the six months ended June 30, 2011, from US\$1,401 million in the six months ended June 30, 2010. This increase reflected higher average prices, as described above, and real unit cost savings that were primarily attributable to the commencement of the low cost Mangoola operation in February 2011. Partially offsetting these effects were lower sales volumes, a weakening of the US dollar and CPI and mining industry inflation, which contributed to increased fuel prices, increased wages across all geographies and increased rail prices in South Africa.

Nickel. Xstrata Nickel's Operating EBITDA was US\$743 million in the six months ended June 30, 2011, an increase of US\$307 million or 70%, from US\$436 million in the six months ended June 30, 2010. This increase reflected higher average prices and increased volumes, as described above, as well as decreased cash costs, which were primarily attributable to the successful delivery and ramp-up of the Nickel Rim South mine. Partially offsetting these effects were a weakening of the US dollar, CPI and mining industry inflation and lower grades at Raglan and Xstrata Nickel Australasia, which negatively impacted costs.

Zinc. Xstrata Zinc's Operating EBITDA increased by US\$150 million or 25% to US\$750 million in the six months ended June 30, 2011, from US\$600 million in the six months ended June 30, 2010. This increase reflected higher average prices for zinc and lead, as discussed above, and improved cash costs. Partially offsetting these effects were a weakening of the US dollar against the Australian and Canadian dollars, CPI and mining industry inflation and lower sales volumes.

Alloys. Xstrata Alloys' Operating EBITDA decreased by US\$105 million, or 37% to US\$182 million in the six months ended June 30, 2011, from US\$287 million in the six months ended June 30, 2010. This increase reflected higher average prices for ferrochrome, platinum and palladium, as discussed above. Partially offsetting this effect were a weakening of the US dollar against the South African rand and CPI and mining industry inflation, which resulted in higher energy costs.

Technology. Xstrata Technology's Operating EBITDA increased 17% to US\$14 million in the six months ended June 30, 2011 from US\$12 million in the six months ended June 30, 2010, principally as a result of the increased implementation of its technology by external customers.

Exceptional items

The Group recognised a profit of US\$58 million in connection with the disposal of a 26% interest in its Rhovan vanadium operations in South Africa in February 2011. The Group also recognised exceptional acquisition costs of US\$1 million in relation to offers made to acquire companies.

In addition, the Group realized an exceptional tax charge of US\$6 million as a result of the above described exceptional profit.

Other pre-tax items

The Xstrata Group's depreciation and amortisation increased to US\$1,574 million in the six months ended June 30, 2011 from US\$1,258 million in the six months ended June 30, 2010, principally as a result of a significant increase in property plant and equipment, which was primarily due to business combinations, asset additions, project development and a weakening of the US dollar.

The Xstrata Group recognised net finance costs of US\$212 million for the six months ended June 30, 2011 compared to US\$17 million for the six months ended June 30, 2010. This increase primarily reflected the decline in finance income from US\$232 million for the six months ended June 30, 2010 to US\$61 million for the six months ended June 30, 2011, which was primarily due to the non-recurrence of profits attributable to the Prodeco Business (recognised as finance income in the period earned) as a result of Glencore's exercise of the Prodeco Business call option in March 2010.

Income tax charge

Income tax charges increased to US\$1,050 million in the six months ended June 30, 2011 from US\$798 million in the six months ended June 30, 2010 (in each case after exceptional income tax charges of US\$6 million and an exceptional income tax credit of US\$2 million, respectively). This increase was primarily due to increased earnings.

Profit for the period

In the six months ended June 30, 2011, the Xstrata Group recorded profit for the year of US\$3,049 million, an increase of US\$634 million or 26% as compared to US\$2,415 million in the six months ended June 30, 2010. Profit for the period attributable to equity holdings of the Xstrata Group increased to US\$2,916 million for the six months ended June 30, 2011, an increase of US\$628 million or 27% from US\$2,288 million in the six months ended June 30, 2010. Non-controlling interests' share of the profit for the period for the six months ended June 30, 2010 increased to US\$133 million, compared with US\$127 million in the six months ended June 30, 2010.

Year ended December 31, 2010 compared with year ended December 31, 2009

In this operating and financial review, the Group discusses and analyses its financial condition and results of operations as at, and for the year ended, December 31, 2010 compared to the financial information of the Xstrata Group as at, and for the year ended, December 31, 2009.

Revenue

The Xstrata Group's revenue was US\$30,499 million in the year ended December 31, 2010, an increase of US\$7,767 million or 34% from revenue of US\$22,732 million in the year ended December 31, 2009. This increase was driven by robust demand growth in developing economies and a tentative recovery in the OECD economies, which supported a strong recovery in commodity prices during the course of 2010. Average nickel, copper, Australian coking coal and zinc prices in 2010 were 48%, 46%, 41% and 30%, respectively, higher than in 2009. Realised ferrochrome and thermal coal prices rose over the first half and while contract prices were slightly lower in the second half, spot prices showed strength into the fourth quarter and remained significantly higher than 2009.

In addition, revenues benefited from increased production across most of the Group's commodity businesses, with improved coking and semi-soft coal volumes accounting for more

than half of the total increase in volumes. Coking coal volumes rose by over 20% due to the restart of Oaky No. 1 mine in the second half of 2009 and productivity improvements which outweighed the impact of industrial action at Tahmoor. Ferrochrome production increased by almost 50%, as previously idled furnaces were restarted to respond to improved market conditions. Mined copper volumes increased slightly. Nickel volumes benefited from production ramping up at Nickel Rim South and Fraser mines in Canada.

Copper. Xstrata Copper revenue was US\$14,004 million in the year ended December 31, 2010, an increase of US\$4,781 million or 52% from revenue of US\$9,223 million in the year ended December 31, 2009. This increase was attributable to significantly higher average pricing in 2010 compared to 2009, reflecting increased demand for copper during 2010 particularly in China but increasingly in OECD economies in the second half of the year. Although mined copper production volumes were slightly higher in 2010 compared to 2009, with increases at the Kidd and Ernest Henry mines offsetting challenging operating conditions at some South American operations, sales volumes declined slightly in 2010 compared to 2009 as some shipments were postponed into 2011.

Coal. Xstrata Coal revenue was US\$7,788 million in the year ended December 31, 2010, an increase of US\$1,039 million or 15% from revenue of US\$6,749 million in the year ended December 31, 2009. This increase was largely attributable to improved pricing in semi-soft coking coal and coking coal which increased by 12% and 41%, respectively due to the recovery in the global steel market. Thermal coal pricing was mixed, with a decline in Colombian thermal coal pricing reflecting the overall weakness in the Atlantic-traded coal market. Sales volumes were in line with the previous year, with higher volumes from Australia, particularly for coking coal (for which production was prioritized over thermal coal to take advantage of higher pricing) and increased sales from Cerrejón offsetting lower South African volumes. The recovery in global demand for steel during the year and the inclusion of a full year of longwall operations at Oaky No. 1 mine contributed to a 20% increase in coking coal sales compared to 2009.

Nickel. Xstrata Nickel revenue was US\$2,738 million in the year ended December 31, 2010, an increase of US\$847 million or 45% from revenue of US\$1,891 million in the year ended December 31, 2009. This increase was attributable to significantly higher average pricing in 2010 compared to 2009 due to continuing growth in China (reflected by increased intensity of nickel usage) and economic recovery in OECD economies, together with restocking by stainless steel processors and consumers during the year and global supply constraints resulting from industrial action, delays and start up issues arising at a number of producers. In addition, the Group saw increased sales volumes as a result of record mine production from the Integrated Nickel Operations ("INO") as well as record output from the Sudbury smelter and Nikkelverk refinery.

Zinc. Xstrata Zinc revenue was US\$3,922 million in the year ended December 31, 2010, an increase of US\$472 million or 14% from revenue of US\$3,450 million in the year ended December 31, 2009. This increase was primarily due to the increase global zinc prices driven by recovering vehicle production, growth in demand from the Chinese infrastructure and construction sectors and increased demand for lead. Production volumes also increased due to expansions and productivity enhancements at the Group's Mount Isa and McArthur River operations, offset by declines in production at Brunswick and the effect of the closure of the Kidd Creek zinc smelter.

Alloys. Xstrata Alloys revenue was US\$1,894 million in the year ended December 31, 2010, an increase of US\$589 million or 45% from revenue of US\$1,305 million in the year ended December 31, 2009. This increase was attributable to significantly higher prices arising from strong growth in the stainless steel market (for ferrochrome) and recovering vehicle production and investment activity (for platinum and palladium). In addition the Group also increased production of ferrochrome by 48% in 2010 compared to 2009.

Technology. Xstrata Technology revenue was US\$153 million in the year ended December 31, 2010, an increase of US\$39 million or 34% from revenue of US\$114 million in the year ended December 31, 2009. This increase was the result of work completed in 2010 on larger projects for existing customers in Kazakhstan, South Africa and India.

Profit before interest, taxation, depreciation and amortisation ("EBITDA")

Xstrata Group. The Xstrata Group's EBITDA increased by US\$3,559 million or 52% to US\$10,402 million in the year ended 31 December 2010, from US\$6,843 million in the year ended 31 December 2009, largely due to higher sales prices across the range of the Group's commodities and increased sales volumes in most of the Group's operations. The Group also achieved significant costs savings during the year on a real unit basis as a result of its operational efficiency efforts during the course of the year. These trends were partially offset by a weakening US dollar and ongoing CPI and mining inflation.

Copper. Xstrata Copper's Operating EBITDA increased by US\$1,771 million or 61% to US\$4,693 million in the year ended December 31, 2010, from US\$2,922 million in the year ended December 31, 2009. This increase reflected significantly higher average prices as described above, improved real unit costs arising from operating efficiencies and the favourable impact of by-product credits, partially offset by the impact of the weaker US dollar, CPI and mining inflation and somewhat lower sales volumes.

Coal. Xstrata Coal's Operating EBITDA increased by US\$306 million or 11% to US\$3,061 million in the year ended December 31, 2010, from US\$2,755 million in the year ended December 31, 2009. The overall increase was attributable to the impact of higher received prices (particularly for coking coal), improvements in real unit costs primarily as a result of optimization efforts at the Oaky Creek complex, strip ratio improvements at Cerrejón and the ramp up of Goedgevonden, partially offset by the impact of the weaker US dollar, CPI and mining inflation, and one-off costs relating to the impact of severe wet weather in all operating geographies, industrial action at Tahmoor and demurrage costs at Port Waratah Coal Services.

Nickel. Xstrata Nickel's Operating EBITDA was US\$973 million in the year ended December 31, 2010, an increase of US\$546 million or 128%, from US\$427 million in the year ended December 31, 2009. This increase was driven by higher prices and increased volumes as discussed above and substantially lower unit costs. The reduction in unit costs was primarily due to the successful delivery and ramp up of the negative cash cost Nickel Rim South mine and low cost efficiency improvements throughout the portfolio. These trends were partially offset by the impact of the weaker US dollar and CPI and mining inflation.

Zinc. Xstrata Zinc's Operating EBITDA increased by US\$467 million or 54% to US\$1,327 million in the year ended December 31, 2010, from US\$860 million in the year ended December 31, 2009. This increase was primarily due to higher prices and volumes and cost savings resulting from the continued restructuring of operations, offset by the weaker US dollar and CPI and mining inflation.

Alloys. Xstrata Alloys' Operating EBITDA increased by US\$407 million to US\$477 million in the year ended December 31, 2010, from US\$70 million in the year ended December 31, 2009. Ferrochrome and Vanadium operations EBITDA increased by US\$386 million to US\$401 million in the year ended December 31, 2010, from US\$15 million in the year ended December 31, 2009. Platinum Group Metals operations EBITDA increased by US\$21 million to US\$76 million in the year ended December 31, 2010. These increases are attributable to a significantly stronger pricing environment for all of the Xstrata Alloys' commodities, costs savings arising from improvements in energy efficiency, the non-recurrence of 2009 production curtailment expenses, partially offset by the weaker US dollar and CPI and mining inflation.

Technology. Xstrata Technology's Operating EBITDA increased 14% to US\$32 million in the year ended December 31, 2010 from US\$28 million in the year ended December 31, 2009 as a result of improved demand for Xstrata Technology products and services as the global economy began to recover and certain delayed projects were restarted.

Exceptional items

During the course of 2010, Xstrata announced a number of exceptional non-cash impairments to the carrying value of assets. Under IFRS, impairments are assessed on a "cash generating unit" basis, with no ability to allocate surpluses between assets. Consequently, while the value of Xstrata's assets exceeded book value by US\$39 billion at a Group level as at December 31, 2010, an increase of US\$4 billion over 2009, this surplus cannot be reallocated to assets, giving rise to impairments. The following exceptional items were recorded during 2010:

- Xstrata Nickel undertook a full assessment of the fair value of its assets as part of its annual business planning process. As a result, nickel assets in Brazil were impaired by US\$559 million (US\$437 million after tax), including goodwill of US\$201 million, following a review of the Araguaia nickel project in Brazil.

The Group also recognised an exceptional acquisition cost of US\$7 million in relation to offers made to acquire companies, a liability fair value adjustment of US\$19 million in connection with revised dividend liabilities to African Rainbow Minerals Limited's interest in Xstrata's South African coal operations, and restructuring and closure costs of US\$5 million relating to the closure of the Kidd metallurgical plants.

In addition, the Group recognised US\$6 million in share of results from associates in relation to the Group's share of restructuring and closing costs, impairments and the loss on forward exchange contracts in respect of a rights issue recognised by Lonmin and realized an exceptional tax credit of US\$129 million as the result of the above exceptional items.

Other pre-tax items

The Xstrata Group's depreciation and amortisation increased to US\$2,732 million in the year ended December 31, 2010 from US\$2,419 million in the year ended December 31, 2009, largely as a result of increased volumes across the majority of the Group's commodity businesses.

The Xstrata Group recognised net finance costs of US\$503 million for the year ended December 31, 2010 compared to US\$341 million in the year ended December 31, 2009. The increase reflected the decline in finance income from US\$454 million in the year ended December 31, 2009 to US\$152 million in the year ended December 31, 2010, which arose principally as a result of the timing of Glencore's exercise of the Prodeco Business call option, which concentrated the Group's earnings from the Prodeco Business (comprising the call option premium and the Group's share of Prodeco's operating results) in 2009 rather than 2010.

Income tax charge

Income tax charges increased to US\$1,653 million in the year ended December 31, 2010 from US\$669 million in the year ended December 31, 2009 (in each case after exceptional income tax credits of US\$129 million and US\$324 million, respectively). This increase was primarily due to increased earnings.

Profit for the year

In the year ended December 31, 2010, the Xstrata Group recorded profit for the year of US\$4,955 million, an increase of US\$4,094 million or 475% as compared to US\$861 million in the year ended December 31, 2009. Profit for the period attributable to equity holdings of the Xstrata Group increased to US\$4,688 million for the year ended December 31, 2010, an increase of US\$4,027 million or 609% from US\$661 million in the year ended December 31, 2009. Minority interests' share of the profits for the year ended December 31, 2010 increased to US\$267 million, compared with US\$200 million in the year ended December 31, 2009.

Year ended December 31, 2009 compared with year ended December 31, 2008

In this operating and financial review, the Group discusses and analyses its financial condition and results of operation as at, and for the year ended, December 31, 2008 compared to the financial information of the Xstrata Group as at, and for the year ended, December 31, 2009.

Revenue

The Xstrata Group's revenue was US\$22,732 million in the year ended December 31, 2009, a decrease of US\$5,220 million or 19% from revenue of US\$27,952 million in the year ended December 31, 2008. This decrease was primarily due to lower commodity prices, which despite some recovery, remained significantly lower than average 2008 levels. Average nickel, copper and zinc prices were 30%, 26% and 11%, respectively, lower than 2008. In addition, overall production levels were lower as the Group placed certain of its assets on care and maintenance as part of its efforts to mitigate the effects of the global downturn.

Copper. Xstrata Copper revenue was US\$9,223 million in the year ended December 31, 2009, a decrease of US\$2,241 million or 20% from revenue of US\$11,464 million in the year ended December 31, 2008. This decrease was attributable to weakened demand for copper, as the construction and transportation sectors suffered from the global financial crisis.

Coal. Xstrata Coal revenue was US\$6,749 million in the year ended December 31, 2009, a decrease of US\$1,195 million or 15% from revenue of US\$7,944 million in the year ended December 31, 2008. An increase in total sales volumes supported revenue, although the impact of an overall difficult pricing environment outweighed this impact.

Nickel. Xstrata Nickel revenue was US\$1,891 million in the year ended December 31, 2009, a decrease of US\$1,214 million or 39% from revenue of US\$3,105 million in the year ended December 31, 2008. This decrease resulted from weaker nickel prices, particularly in the first five months of the year, along with decreased production.

Zinc. Xstrata Zinc revenue was US\$3,450 million in the year ended December 31, 2009, an increase of US\$248 million or 8% from revenue of US\$3,202 million in the year ended December 31, 2008. This increase was primarily due to the increase in production and sales.

Alloys. Xstrata Alloys revenue was US\$1,305 million in the year ended December 31, 2009, a decrease of US\$697 million or 35% from revenue of US\$2,002 million in the year ended December 31, 2008. This decrease was attributable to significantly weakened demand for stainless steel and continued destocking, which impacted ferrochrome prices and production. Lower global crude steel production impacted vanadium prices, and reduced demand from the automobile sector put downward pressure on platinum prices for part of 2009, although platinum prices recovered by year end.

Technology. Xstrata Technology revenue was US\$114 million in the year ended December 31, 2009, a decrease of US\$121 million or 51% from revenue of US\$235 million in the year ended December 31, 2008, as restated in the Xstrata Annual Report and Accounts 2008. This decrease was due to weak demand for Xstrata Technology products and delayed or cancelled projects resulting from the global downturn.

Profit before interest, taxation, depreciation and amortisation ("EBITDA")

Xstrata Group. The Xstrata Group's EBITDA decreased by US\$2,581 million or 27% to US\$6,843 million in the year ended December 31, 2009, from US\$9,424 million in the year ended December 31, 2008.

Copper. Xstrata Copper's Operating EBITDA decreased by US\$238 million or 8% to US\$2,922 million in the year ended December 31, 2009, from US\$3,160 million in the year ended December 31, 2008. This decrease was due to lower average copper prices and reduced volumes of by-product sales, although it was partially offset by real unit costs savings and US dollar exchange rate benefits.

Coal. Xstrata Coal's Operating EBITDA decreased by US\$1,415 million or 34% to US\$2,755 million in the year ended December 31, 2009, from US\$4,170 million in the year ended December 31, 2008. The overall decrease was attributable to the impact of lower received prices, mining and CPI inflationary pressures and higher input costs, including an extraordinary increase in rail freight and port charges.

Nickel. Xstrata Nickel's Operating EBITDA was US\$427 million in the year ended December 31, 2009, a decrease of US\$389 million or 48%, from US\$816 million in the year ended December 31, 2008. This decrease was attributable a substantial fall in average nickel prices, 30% lower than for 2008, combined with lower prices for by-products. The decrease was mitigated to some extent by real unit cost savings of US\$134 million and a favourable exchange rate impact on unit cost as the US dollar strengthened against Xstrata Nickel's local currencies.

Zinc. Xstrata Zinc's Operatng EBITDA increased by US\$425 million or 98% to US\$860 million in the year ended December 31, 2009, from US\$435 million in the year ended December 31, 2008. This increase was primarily due to cost savings resulting from the restructuring of operations, strong mined zinc and zinc metal volumes and a positive impact from provisional pricing as zinc prices rose throughout the year.

Alloys. Xstrata Alloys' Operating EBITDA decreased by US\$1,024 million to US\$70 million in the year ended December 31, 2009, from US\$1,094 million in the year ended December 31, 2008. The Ferrochrome and Vanadium operations' Operating EBITDA decreased by US\$944 million or 98% to US\$15 million in the year ended December 31, 2009, from US\$959 million in the year ended December 31, 2008. The Platinum Group Metals operations' Operating EBITDA fell by US\$80 million to US\$55 million. These decreases are attributable to a significantly weaker pricing environment for all of the Xstrata Alloys' commodities and lower steel and automobile production.

Technology. Xstrata Technology's Operating EBITDA decreased by US\$10 million to US\$28 million in the year ended December 31, 2009 from US\$38 million in the year ended December 31, 2008 of weak demand for Xstrata Technology products and delayed or cancelled projects resulting from the global downturn.

Exceptional items

During the course of 2009, Xstrata announced a number of exceptional non-cash impairments to the carrying value of assets. Under IFRS, impairments are assessed on a "cash generating unit" basis, with no ability to allocate surpluses between assets. Consequently, while the value of Xstrata's assets continues to exceed book value by US\$35 billion at a Group level, an increase of US\$10 billion over last year, this surplus cannot be reallocated to assets, giving rise to impairments. The following exceptional items were recorded during 2009:

- Xstrata Nickel undertook a full assessment of the fair value of its assets following the substantial restructuring of its business in 2009 and as part of the annual business planning process. As a result, a total impairment charge of US\$2.1 billion before tax (US\$1.9 billion after tax) has been incurred in respect of the Group's Australian, Norwegian and Canadian nickel assets;
- As a result of the impairment analysis, copper and zinc assets in Canada were impaired by US\$273 million (US\$194 million after tax), following the announcement on December 8, 2009 that the Kidd Metallurgical site will permanently cease operations of its copper and zinc metallurgical plants in Timmins on May 1, 2010, as part of a plan to restructure the Canadian metallurgical operations;
- An impairment charge of US\$241 million was recorded in respect of the Group's investment in Lonmin following changes in foreign exchange rates, operating costs, production and commodity price outlook that have occurred since the acquisition date. An amount of US\$36 million was also recognised in relation to the Group's share of the restructuring and closure costs, impairments and the loss on forward exchange contracts in respect of a rights issue recognised by Lonmin;
- The Altonorte copper operations in Chile incurred impairment charges of US\$170 million before tax (US\$141million after tax) against the carrying value of property, plant and equipment assets due to the ongoing challenging market conditions for custom smelting operations.

- The investment by African Rainbow Minerals Limited (ARM) in Xstrata's South African coal business is accounted for as a debt instrument, carried at fair value under IFRS. Non-cash movements in the fair value of this investment gave rise to a gain of US\$350 million in 2009;
- In October 2009, the Group entered into an irrevocable sale agreement to dispose of the Group's 70% interest in the El Morro copper-gold project in Chile, and associated rights and assets, for a total cash consideration of US\$463 million. The Group recognised a gain of US\$194 million before tax (US\$144 million after tax) in respect of the sale.
- Restructuring and closure costs of US\$156 million before tax (US\$116 million after tax) were recognised during 2009, including a charge of US\$40 million in respect of the closure of Xstrata Nickel operations at Sudbury. Restructuring and closure costs of US\$105 million were incurred in relation to the planned closure of the Kidd metallurgical plant on May 1, 2010. Xstrata Alloys also incurred restructuring costs of US\$11 million related to the sale of the Maloma anthracite mine.

The Group also recognised an exceptional foreign currency hedging gain of US\$47 million in respect to Xstrata's rights issue and a charge of US\$41 million in relation to the write-off of capitalised borrowings costs from the early repayment of syndicated loans. In total the Group recognised an exceptional tax benefit of US\$324 million, as a result of the impairment of assets and restructuring and closure costs, partly offset on the gain of the sale of El Morro.

Other pre-tax items

The Xstrata Group's depreciation and amortisation increased to US\$2,419 million in the year ended December 31, 2009 from US\$2,396 million in the year ended December 31, 2008.

The Xstrata Group recognised net finance costs of US\$341 million for the year ended December 31, 2009, from US\$886 million in the year ended December 31, 2008.

Income tax expense

Income tax expense decreased to US\$669 million in the year ended December 31, 2009 from US\$1,304 million presented in the year ended December 31, 2008 after exceptional tax credits. This decrease was primarily due to decreased earnings.

Profit for the year

In the year ended December 31, 2009, the Xstrata Group recorded profit for the year of US\$861 million, a decrease of US\$3,003 million or 78% as compared to US\$3,864 million in the year ended December 31, 2008. Profit for the period attributable to equity holdings of the Xstrata Group decreased to US\$661 million for the year ended December 31, 2009, a decrease of US\$2,934 million or 82% from US\$3,595 million in the year ended December 31, 2008. Minority interests' share of the profits for the year ended December 31, 2009 decreased to US\$200 million, compared with US\$269 million in the year ended December 31, 2008.

Liquidity and capital resources

Cash flow

The following table sets forth the Xstrata Group's net cash inflow from operating activities and its cash flows for the periods indicated:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
	<i>(in US\$ millions)</i>				
Net cash flow from operating activities	6,585	4,131	8,213	3,672	3,887
Net cash flow from / (used in) investing activities	(10,393)	(5,752)	(3,196)	656	(3,634)
Net cash flow from / (used in) financing activities	3,915	1,600	(4,521)	(4,122)	(630)
Net increase / (decrease) in cash and cash equivalents	107	(21)	496	206	(377)

Net cash flow from operating activities

The Group's net cash inflow from operating activities increased by US\$215 million from US\$3,672 million for the six months ended June 30, 2010 to US\$3,887 million for the six months ended June 30, 2011, primarily as a result of increased earnings, reflecting an EBITDA cash conversion rate of 67%.

In 2010, the Group's net cash inflow from operating activities increased by US\$4,082 million from US\$4,131 million for the year ended December 31, 2009 to US\$8,213 million, primarily as a result of increased earnings, reflecting an EBITDA cash conversion rate of 79%. Despite increased commodity prices and the resulting increased receivables balances and purchased inventories, the Group's working capital only increased by US\$283 million in 2010 compared to 2009, reflecting the effectiveness of the Group's working capital management.

In 2009, the Group's net cash inflow from operating activities decreased by US\$2,454 million from US\$6,585 million for the year ended December 31, 2008 to US\$4,131 million for the year ended December 31, 2009, due mainly to reduced earnings during the period, reflecting an EBITDA cash conversion rate of 61%.

Net cash flow from/(used in) investing activities

The Group's net cash flow from/(used in) investing activities changed by US\$4,290 million from a cash inflow of US\$656 million for the six months ended June 30, 2010 to a cash outflow of US\$3,634 million for the six months ended June 30, 2011. This change was primarily due to an increase in both sustaining and expansionary capital expenditure in the six months ended June 30, 2011 and Glencore's exercise of its call option in 2010, which did not recur in 2011.

In 2010, the Group's cash outflow used in investing activities decreased by US\$2,556 million, from a net outflow of US\$5,752 million for the year ended December 31, 2009 to a net cash outflow of US\$3,196 million primarily as a result of the timing of the Prodeco Acquisition in 2009 and Glencore's exercise of its call option in 2010, partially offset by a resumption in expansionary and maintenance capital expenditures in 2010.

In 2009, the Group's cash outflow used in investing activities decreased by US\$4,641 million, from a net outflow of US\$10,393 million for the year ended December 31, 2008 to a net cash outflow of US\$5,752 million for the year ended December 31, 2009, since the 2008 figure included a cash outlay of US\$3.7 billion for the acquisitions Jubilee Mines and Resources Pacific and US\$1.9 billion investment in Lonmin as compared to an outlay of US\$2 billion for the Prodeco Acquisition in 2009. Sustaining and expansionary capital expenditure were also scaled back in 2009.

Net cash flow from/(used in) financing activities

The Group's net cash outflow used in financing activities decreased by US\$3,492 million from US\$4,122 million for the six months ended June 30, 2010 to US\$630 million for the six months ended June 30, 2011, primarily as a result of a US\$2,244 million decrease in the repayment of interest-bearing loans and borrowings and a US\$1,618 million increase in proceeds from interest-bearing loans and borrowings, primarily reflecting an increase attributable to unsecured syndicated bank loans.

In 2010, the Group's cash inflow from financing activities reduced by US\$6,121 million from and inflow of US\$1,600 million for the year ended December 31, 2009 to a net cash outflow of US\$4,521 million for the year ended December 31, 2010, due mainly to the timing of the 2009 rights issue and the repayment of the Group's outstanding borrowings under a multi-currency revolving facilities agreement in connection with its entry into the Syndicated Facility Agreement (as described below) in 2010.

The Group's cash inflow from financing activities reduced by US\$2,315 million from US\$3,915 million for the year ended December 31, 2008 to a net cash inflow of US\$1,600 million for the year ended December 31, 2009, due mainly to the proceeds from a rights issue which was used to repay debt and acquire the Prodeco business.

Liquidity reserves

Interest-bearing loans and borrowings

As at June 30, 2011, the Xstrata Group had total interest-bearing loans and borrowings (calculated in accordance with IFRS) of US\$9,575 million. The Xstrata Group's interest-bearing loans and borrowings as at June 30, 2011 are set forth below:

	<u>Current</u>	<u>Non-current</u>	<u>Total⁽¹⁾</u>
	<i>(in US\$ millions)</i>		
Syndicated bank loans – unsecured	–	1,300 ⁽²⁾	1,300
Bank loans – other unsecured	20	172	192
Bank overdrafts	8	–	8
Capital market notes	2,133	5,654	7,787
Non-controlling interests loans	81	192	273
Other loans	–	15	15
Total	<u>2,242</u>	<u>7,333</u>	<u>9,575</u>

Notes

(1) Excluding obligations under finance leases and hire purchase contracts of US\$220 million as at June 30, 2011.

(2) On November 3, 2011, Xstrata's syndicated bank loans – unsecured totaled US\$1,900 million.

Syndicated bank loans – unsecured

As of the date of this Offering Memorandum, the Xstrata Group had entered into the following unsecured syndicated bank loans:

- On October 24, 2011, Xstrata Schweiz entered into a US\$6,000 million multi-currency revolving loan facility with a number of banks as arrangers and bookrunners, Barclays Bank plc as facility agent and various other banks as original lenders (the "Syndicated Facility"). The Syndicated Facility matures five years after the date of the Syndicated Facility, subject to a one or two year extension option exercisable within one or two years, respectively, of entry into the facility (subject to the agreement of some or all of the lenders thereunder). Interest is payable on outstanding loans under the Syndicated Facility at a rate that is the aggregate of LIBOR or, in relation to any loan in Euro, EURIBOR and a margin at present of 85.0 basis points per annum, which itself is subject to the long-term credit rating assigned to Xstrata plc by Moody's Investors Services, Inc. and Standard & Poor's Corporation. On October 28, 2011, the Group borrowed US\$1,900 million under the Syndicated Facility to repay amounts then outstanding under the Group's US\$4,000 million multi-currency revolving facility entered into on September 17, 2010 and the Group's US\$4,680 million multi-currency revolving facility entered into on July 25, 2007 (together, the "Existing Facilities"). As of November 3, 2011, US\$1,900 million was outstanding under the Syndicated Facility.

The Syndicated Facility contains certain mandatory prepayment events including: (i) illegality and (ii) a change of control of Xstrata plc.

The Syndicated Facility contains representations, warranties and undertakings and contains a guarantee from the Company and certain other members of the Xstrata Group in favour of the lenders of the Syndicated Facility, which are typical for these type of credit agreements. It also contains customary events of default upon occurrence of which the lenders may terminate and demand repayment of the Syndicated Facility.

Bank loans – other unsecured

The Xstrata Group was party to unsecured bank loans as at June 30, 2011 of US\$192 million. As at December 31, 2010, these comprised:

- Debts of proportionally consolidated joint ventures of US\$139 million which bear interest at a rate based on LIBOR plus 175 basis points, repayable in August 2012, US\$34 million which bear interest at a rate based on LIBOR plus 187 basis points, repayable in April 2015, and US\$40 million which bear interest at a rate based on LIBOR plus 31 basis points, repayable by December 2011.

Bank overdrafts

The Xstrata Group has bank overdrafts that are subject to local currency and US dollar prime rate floating interest rates in which they have been drawn down. The majority of the bank overdrafts are denominated in Canadian and US dollars.

Non-controlling interests loans

The Xstrata Group was party to non-controlling interests loans as at June 30, 2011 of US\$273 million. As at December 31, 2010, these comprised:

- US\$81 million advanced to Minera Alumbrera Limited to fund operations that are subject to a fixed rate of 7.2% per annum, repayable by May 2012.
- AUD denominated loans of US\$162 million payable to Indophil Resources Limited for the Tampakan copper project. The loan is subject to a fixed rate of interest of 4%, payable quarterly with no fixed repayment date, and is not payable within 12 months.

Capital Market Notes

The Xstrata Group had US\$7,787 million outstanding of unsecured private placements as at June 30, 2011. As at December 31, 2010, these comprised:

Facility	Denomination	At Dec 31, 10 US\$m	Fixed or floating interest rate	Effective interest rate % in 2010	Maturity	At Dec 31, 09 US\$m	Effective interest rate % in 2009
Series B senior unsecured notes ^(a)	US\$	13	Fixed	6.75	Jun 11	26	6.75
Series B senior unsecured notes ^(a)	US\$	52	Fixed	7.00	Jun 11	52	7.00
Unsecured notes ^(b)	US\$	751	Fixed	5.50	Nov 11	770	5.50
Unsecured notes ^(b)	US\$	1,144	Fixed	5.80	Nov 16	1,096	5.80
Unsecured notes ^(c)	EUR	722	Fixed	4.88	Jun 12	782	4.88
Unsecured notes ^(c)	EUR	774	Fixed	5.25	Jun 17	810	5.25
Unsecured notes ^(d)	US\$	494	Fixed	6.90	Nov 37	494	6.90
Unsecured notes ^(e)	US\$	1,039	Fixed	5.88	May 11	1,133	5.88
Unsecured notes ^(e)	EUR	874	Fixed	6.25	May 15	919	6.25
Unsecured notes ^(e)	GBP	842	Fixed	7.38	May 20	845	7.38
Senior debentures ^(f)	US\$	308	Fixed	6.03	Feb 11	327	6.03
Senior debentures ^(f)	US\$	265	Fixed	5.88	Jun 12	271	5.88
Senior debentures ^(f)	US\$	305	Fixed	6.06	Jul 12	308	6.06
Senior debentures ^(f)	US\$	391	Fixed	6.34	Oct 15	377	6.34
Senior debentures ^(f)	US\$	264	Fixed	6.16	Jun 15	257	6.16
Senior debentures ^(f)	US\$	240	Fixed	6.39	Jun 17	238	6.39
Senior debentures ^(f)	US\$	234	Fixed	6.77	Jun 35	234	6.77
Commercial paper ^(g)	US\$	30	Floating	0.42	Feb 10	82	0.92
Total		8,742				9,021	

Notes

- (a) An Australian subsidiary has designated the series B senior unsecured notes as a fair value hedge of an investment in South America (refer to note 37). The hedge is being used to reduce exposure to foreign currency risk.
- (b) In November 2006, the Group issued guaranteed capital market notes to refinance existing debt facilities of a US\$1,000 million 10-year note at a fixed interest rate of 5.8% and a US\$750 million five-year note at a fixed interest rate of 5.5%.
- (c) In June 2007 the Group issued a two-tranche EUR1,000 million guaranteed bond offering, comprising EUR500 million 4.875% fixed guaranteed notes due 2012 and EUR500 million 5.25% fixed guaranteed notes due 2017. These bonds have been swapped to US\$. The swaps have been accounted for as cash flow hedges with an unrealised loss of US\$12 million (2009 gain of US\$82 million) at December 31, 2010.
- (d) In November 2007, the Group issued guaranteed 30-year notes of US\$500 million bearing interest at a fixed rate of 6.9%.
- (e) In May 2008 the Group issued a two-tranche EUR1,350 million guaranteed bond offering, comprising EUR750 million 5.875% fixed guaranteed notes due 2011 and EUR600 million 6.25% fixed guaranteed notes due 2015. In May 2008 the

Group issued a guaranteed bond offering of GBP500 million 7.375% fixed guaranteed notes due 2020. These bonds have been swapped to US\$. The swaps have been accounted for as cash flow hedges with an unrealised loss of US\$510 million at December 31, 2010 (2009 US\$356 million).

- (f) The guaranteed senior debentures were assumed by the Group through the acquisition of Falconbridge in 2006. Pursuant to the terms of the note indentures as amended by supplemental indentures, Xstrata plc has fully and unconditionally guaranteed in favour of the holders of the senior debentures the payment, within 15 days of when due, of all financial liabilities and obligations of Xstrata Canada Corporation to such holders under the terms of the senior debentures.
- (g) In February 2008, the Group entered into a US\$1,000 million commercial paper programme facility, with maturities of up to 12 months. Interest is payable on the notes at a rate that is based on LIBOR.

During 2011, the Group redeemed the senior debentures maturing February 2011 for US\$300 million, redeemed the unsecured notes maturing May 2011 for US\$1,174 million, and redeemed all of the series B senior unsecured notes maturing June 2011 for US\$63 million.

Other loans

The Xstrata Group had US\$15 million in other loans outstanding as at June 30, 2011. As at December 31, 2010, these comprised:

- USD-denominated loans of US\$5 million payable to WMC International Resources Pty Limited for the Tampakan copper project. The loan is subject to a fixed rate of interest of 10%, with no fixed repayment date and is not payable within 12 months; and
- A loan of US\$6 million from the Cantabria Government and the Spanish Ministry of Industry & Energy, unsecured and interest free.

Other financial liabilities

The Xstrata Group has US\$689 million in other financial liabilities as at June 30, 2011. As at December 31, 2010, these comprised:

- A ZAR-denominated loan of US\$236 million payable to ARM Coal. The loan is subject to a floating rate of interest based on a dividend calculation with no fixed repayment date and is not callable within 12 months; and
- A USD-denominated loan of US\$420 million is payable to Société Minière du Sud Pacifique associated with the financial consolidation of the Koniambo nickel joint venture. The loan is subject to a floating rate of interest based on a dividend calculation with no fixed repayment date and is not callable within 12 months.

Seasonality

The Directors do not believe there is any significant seasonality in the Xstrata Group's borrowing requirements.

Off-balance sheet arrangements

Save as described in "– Contractual obligations", the Xstrata Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources.

Capital expenditure

In late 2008 and early 2009, Xstrata's businesses adopted a more defensive approach to capital expenditure, to conserve cash in light of a highly uncertain outlook for commodity prices. Spending was deferred or reduced across the business following bottom up reviews of capital projects, while care was taken to preserve the options inherent in the Group's growth pipeline. These deferrals were largely reversed by the end of 2010.

The following table sets forth the Xstrata Group's capital expenditure for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	<i>(in US\$ millions)</i>				
Sustaining	1,674	1,265	1,823	669	905
Expansionary	3,449	2,359	4,296	1,612	2,518
Total	5,123	3,624	6,119	2,281	3,423

Total expansionary capital expenditure increased by 56% to \$2.5 billion for the six months ended June 30, 2011, reflecting a phase of increased investment in Xstrata's growth pipeline. Major items of expansionary capital spending included US\$260 million to progress the major Antapaccay brownfield expansion to the Tintaya copper mine in southern Peru, US\$500 million at the greenfield Koniambo nickel project in New Caledonia, US\$422 million in respect of the greenfield Las Bambas copper project in Peru and US\$517 million on Xstrata Coal's growth pipeline which delivered the Mangoola project to commercial production in the first quarter of 2011 and the ATCOM East project to commissioning and advanced the Ravensworth North and Ulan West projects. The above-listed projects remain on time and on budget. In particular, the projects at Antapaccay, Koniambo and Ravensworth North are on track to start production in 2012, while the Ulan West project is on track to deliver first coal in 2014.

During the six months ended June 30, 2011, Xstrata Copper spent a further US\$263 million on its range of near-term brownfield expansions, including the conversion of Ernest Henry into a major underground mine and associated magnetite plant, which exported its first shipment of iron ore concentrate in June, the expansion of milling capacity at the Antamina copper-zinc project in Peru and an expansion to Collahuasi's capacity to 150,000 tonnes per day. Although the Collahuasi project experienced delays as a result of adverse weather conditions in 2011 and industrial action in 2010, the Antamina and Collahuasi projects are on track to start production in 2012. Xstrata Zinc's range of brownfield expansions at Mount Isa continue to progress well, with the George Fisher mine set to increase production from the underground mine by 28% by 2013 and the commencement of the Black Star Deeps open pit expansion in the first half of 2011. At Xstrata Alloys, capital spending was prioritised in the first half on the commencement of the phase two 360,000 tonnes per annum expansion of the Lion smelter complex, scheduled to be commissioned in the first half of 2013 as well as on the development of the underground Eland PGM mine.

Twenty-two projects were in implementation at June 30, 2011, representing capital expenditure of \$15 billion. The Xstrata Group is on track to deliver a 50% increase in copper-equivalent volumes by the end of 2014 and 80% of this volume growth is already accounted for by approved and completed projects. A total of eight new projects will start production in 2011, including the Mangoola project (which started commercial production in the first quarter of 2011) and the ATCOM East and Raglan Kikialik projects (which have already reached commissioning). In the year to date, the Group has approved five projects to increase thermal coal, nickel and zinc volumes. Another nine projects representing capital expenditure of US\$7 billion are moving towards the approval stage in the near term, including six low risk brownfield coal expansions. Volume growth following the commissioning of projects that are currently approved or are expected to be approved in the near term will be dependent upon the continued replenishment of the Group's growth pipeline.

Total expansionary capital spending increased by 82% to US\$4.3 billion in 2010 compared to 2009 as the Group approached peak spending at a number of major growth projects that will reach production within the next four years. Investment was also accelerated to progress pre-feasibility and feasibility studies into the next tier of growth projects. Capital expenditure at Xstrata Nickel's Koniambo project in New Caledonia rose to US\$1.2 billion in 2010. Three new operations were commissioned in 2010: Nickel Rim South poly-metallic mine in Sudbury, Canada, the Goedgevonden thermal coal mine in South Africa, and Blakefield South underground coal mine in New South Wales.

During the year ended December 31, 2010, construction continued to progress at Xstrata Copper's Lomas Bayas II project, at the underground mine and magnetite facility base plant at the Ernest Henry mine in Queensland and at the Antamina mine in Peru to expand milling capacity to 130,000 tonnes. At Xstrata Coal, construction continued to progress at the ATCOM East coal project in South Africa and the Mangoola greenfield project. At Xstrata Alloys, construction activities began on Project Tswelopele, a 600,000 tonnes per annum pelletizing and sintering plant that is on track to be fully operational in 2013 and the development of the western and eastern declines at Eland continued. In May 2010, development started on Xstrata Zinc's Black Star Deeps project to extend the life of the open cut mine by four years and following the completion of the feasibility study in the second quarter of 2010, work progressed on the Bracemac-McLeod zinc project in Canada.

Contractual obligations

Save for its obligations under finance leases and hire purchase contracts, the Group does not report contractual obligations, commitments or contingencies in its interim financial reporting. Unless otherwise specified, the following section is at December 31, 2008, 2009 or 2010, as indicated.

Obligations under finance leases and hire-purchase contracts

The Group had obligations under finance leases and hire purchase contracts of US\$220 million as at June 30, 2011. Obligations under finance leases and hire purchase contracts were as follows as at the dates indicated:

	As at December 31,					
	2008		2009		2010	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	31	25	65	46	96	74
After one year but not more than five years . . .	65	49	168	109	122	49
More than five years	54	36	46	26	190	128
Total minimum lease payments	150	110	279	181	408	251
Less amounts representing finance lease charges	(40)	–	(98)	–	(157)	–
Present value of minimum lease payments	110	110	181	181	251	251

Operating lease commitments

Members of the Xstrata Group have entered into leases for buildings, motor vehicles and sundry plant and equipment. These leases have an average life of five years with renewal terms at the option of the lessee. Future minimum rentals under non-cancellable operating leases were as follows as at the dates indicated:

	As at December 31,		
	2008	2009	2010
	<i>(in US\$ millions)</i>		
Within one year	46	43	44
After one year but not more than five years	102	91	83
More than five years	28	30	21
Total	176	164	148

Capital commitments

As at December 31, 2010, the Group was party to contracted amounts of US\$2,163 million which were not provided in the Group's financial statements, including:

- US\$140 million for fleet expansion at Mangoola and Liddell;
- US\$244 million for the Ernest Henry underground and magnetite facility
- US\$374 million for the Antapaccay expansion project; and
- US\$523 million for the Koniambo project.

The balance of the other amounts contracted for but not provided relates to various minor commitments around the Group, mainly for the purchase of new property, plant and equipment.

Included in the above is US\$272 million (2009 US\$732 million) representing the Group's share of the capital commitments that have been incurred jointly with other venturers.

Guarantees and Contingent liabilities

As at December 31, 2010, the Xstrata Group was party to the following guarantees and contingent liabilities:

- Xstrata Coal Australia has contracted US\$1,580 million for rail take or pay commitments, US\$2,473 million for port take or pay commitments, US\$114 million for tyres take or pay commitments, US\$30 million for electricity take or pay commitments, US\$266 million for explosives take or pay commitments, US\$126 million for performance guarantees to customers and suppliers under contracts for supply of coal and services and US\$260 million for guarantees to the New South Wales and Queensland Departments for Mineral Resources in respect of various mining leases and the performance thereof.
- Xstrata Coal South Africa has issued guarantees to the Department of Minerals and Energy to obtain certain prospecting permits of US\$81 million and performance guarantees to suppliers of US\$6 million. Xstrata Coal South Africa has tyres take or pay commitments of US\$37 million.
- Xstrata Alloys has issued guarantees to Eskom for power usage and early termination of power usage of US\$16 million and to the Department of Mineral and Energy Mineral Resources, municipalities and governmental boards in respect of various mining leases and the performance thereof for US\$31 million.
- Xstrata Copper and Xstrata Technology Australia have issued performance guarantees to customers for US\$40 million and guarantees to the Queensland Departments for Mineral Resources and other government agencies in respect of various mining leases and the performance thereof, environmental bonds and self insurance licences for US\$212 million.
- Xstrata Nickel has contracted US\$299 million for energy purchase commitments of which US\$10 million has been issued to a supplier as a letter of credit, and issued bank guarantees to the Government of Western Australia for rehabilitation costs of US\$3 million.
- Xstrata Zinc has issued performance guarantees to the Northern Territory government for an electricity supply and pipeline agreement of US\$10 million, and to suppliers of US\$1 million. It has provided bank guarantees to the Northern Territory government for rehabilitation costs of US\$79 million.
- Xstrata Zinc has issued bank guarantees in Spain of US\$60 million. This includes US\$5 million as a guarantee to the local government for the rehabilitation of the closed Reocin mine (Cantabria, Spain) and US\$2 million as guarantee of the rehabilitation of a jarofix pond in San Juan de Nieva.

- A letter of credit of US\$194 million has been given for the pension liabilities of the Group's Canadian operations.
- Letters of credit have been issued to the Canadian government for rehabilitation costs of US\$124 million.

Included in the above is US\$4,697 million representing the Group's share of guarantees or contingent liabilities that have been incurred jointly with other venturers.

Transfer of funds by members of the Xstrata Group to Xstrata

Except to the extent described in the section of this Offering Memorandum headed "Risk Factors – Risk factors related to jurisdictions in which the Group operates – Exchange controls", there are no material legal or economic restrictions (including taxation consequences of transfers) on the ability of members of the Xstrata Group to transfer funds to Xstrata in the form of cash dividends, loans or advances that have had or are expected to have a material adverse effect on the ability of Xstrata to meet its cash obligations.

Treasury policies

The Xstrata Group's Treasury Department has responsibility for strategic planning of the Xstrata Group's treasury activities. Its responsibilities include: management of the Xstrata Group's cash resources and debt funding programmes; funding acquisitions and investments; management of interest rate and foreign exchange exposures; and co-ordinating relationships with banks, rating agencies and other financial institutions.

Xstrata will seek to ensure that the Group maintains a robust financial position, even in the event of an unexpectedly prolonged period of depressed commodity prices, in line with the Xstrata Group's firm commitment to retain an investment grade balance sheet through the economic cycle. The Xstrata Group's Treasury Department is responsible for advising the Board on measures to meet these goals, which may include, amongst other things, raising funds in the equity and debt capital markets.

The Xstrata Group is exposed to US dollars through its revenue stream. The Xstrata Group will seek to source debt capital in US dollars directly or by borrowing in other currencies and swapping them into US dollars, thus matching the negative exposure of its debt service obligations against the positive exposure of its revenue.

The Xstrata Group's primary financial instruments, other than derivatives, comprise bank loans and overdrafts, convertible borrowings, capital market notes, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Xstrata Group's acquisitions and operations. The Xstrata Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The Xstrata Group is exposed to changes in currency exchange rates, commodity prices and interest rates in the normal course of business. Derivative transactions are entered into solely to hedge these risks. Market fluctuations in derivative financial instruments designated as hedges are used to offset the fluctuations in the underlying exposure. No derivatives are held for trading purposes.

The main risks arising from the Xstrata Group's financial instruments are credit risk, interest rate risk, liquidity risk, foreign currency risk and commodity price risk. A treasury committee establishes the policies for managing each of these risks and Xstrata's board of directors reviews and agrees these policies.

Quantitative and qualitative disclosures about market risk

The Xstrata Group is exposed to changes in currency exchange rates, commodity prices and interest rates in the normal course of business. Derivative transactions are entered into solely to hedge these risks. Market fluctuations in derivative financial instruments designated as hedges are used to offset fluctuations in the underlying exposure. For additional detail, please see Note 37 "Financial Instruments" in the Xstrata 2010 Annual Financial Information.

Currency hedging

Currency cash flow hedging may be used to reduce the Xstrata Group's short-term exposure to fluctuations in local currency exchange rates to the US dollar, pound sterling and the Euro. The currency hedging gains reflected in the income statement for the year ended December 31, 2010 and December 31, 2009 amounted to US\$247 million and US\$362 million, respectively, whilst there was a loss of US\$9 million for the year ended December 31, 2008.

Commodity hedging

The Xstrata Group is exposed to fluctuations in commodity prices, with the commodity mix spread relatively evenly between those which are priced by reference to prevailing market prices on terminal markets and those that are set on a contract basis with customers, generally on an annual basis. Commodity price risks arise in all major commodities that the Group produces. Commodity price risk is managed by maintaining a diversified portfolio of commodities and typically does not involve large-scale strategic hedging or price management initiatives.

Due to the volatile nature of commodity prices and the historical relationship between prices and the currencies of most of the countries where the Xstrata Group operates, hedging may be entered into only in limited circumstances and is subject to strict limits laid down by the Board.

The Group's Australian and South African operations have entered into forward contracts for coal to hedge prices of future sales of coal. Hedges relating to sales are classified as cash flow hedges. The fair value of these hedges is deferred within equity on the balance sheet until the sale is recorded.

No new hedging contracts were entered into by the Xstrata Group for base metals, gold or silver during the years ended December 31, 2008, 2009 or 2010. The net unrealised mark-to-market loss on commodity hedges maturing in 2011 as at December 31, 2010 was US\$54 million. The net unrealised mark-to-market loss on commodity hedges maturing in 2010 as at December 31, 2009 was US\$52 million, based on the forward curve at that time compared to US\$66 million as at December 31, 2008.

Carrying values and fair values of financial instruments

Set out below is a comparison by category of carrying values and fair values of the Xstrata Group's financial instruments that are not carried at fair value in the financial statements at December 31, 2010 (the latest practicable date prior to the publication of the Offering Memorandum):

	Carrying value 2010	Fair value 2010
	<i>(in US\$ millions)</i>	
Financial liabilities:		
Capital market notes	8,712	8,714
Convertible borrowings	–	–
Equity minority interest loans	243	248
Finance leases and hire purchase contracts	251	252
Other loans	11	12

Credit risk

The Xstrata Group is exposed to credit risk in respect of trade receivables. Given the geographical and industry spread of the Xstrata Group's customers, however, credit risk is believed to be limited. The Xstrata Group has established credit limits so that dealings are with a wide range of reputable banks and financial institutions on a competitive basis. Where concentrations of credit risk exist, management closely monitors the receivable and focuses on putting appropriate controls in place to ensure recovery. Credit risk is minimal and not concentrated for other financial assets. Credit risk is limited to the carrying amount of financial assets at the balance sheet date.

Interest rate risk of financial assets and liabilities

It is the Xstrata Group's preference to borrow and invest at floating rates of interest, notwithstanding that some borrowings are at fixed rates of interest and it therefore typically swaps fixed rate exposure into floating interest rates. A limited amount of fixed rate hedging can be undertaken during periods where the Xstrata Group's exposure to movements in short term interest rates is more significant.

Ratios

The Xstrata Group's net debt to equity ratio at June 30, 2011 was 17.9% (where net debt is the level of external indebtedness of the Xstrata Group including loans, convertible borrowings, the liability component of the convertible borrowings and finance leases net of cash (including 100% of Minera Alumbrera Limited cash), cash equivalents, related hedges and arrangement fees and equity includes minority interests). This figure has significantly declined during the period under review and was 65.7% as at December 31, 2008.

Critical accounting policies

Since 2005, Xstrata has prepared and will continue to prepare its financial statements under IFRS.

As part of the Xstrata Group's audited financial statements, the Xstrata Directors were required to disclose the accounting policies adopted in respect of items that were judged material in determining the results and financial position of the Xstrata Group used in preparing the financial statements. In addition, the preparation of financial statements requires management to make estimates and judgements that affect the reported amount of certain assets, liabilities, revenues and expenses, as well as the disclosure of certain contingent assets and liabilities. The application of these accounting policies involves the exercise of judgement and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

An explanation of significant accounting estimates and the Group's principal accounting policies are disclosed in Note 4 "Significant accounting estimates" and Note 6 "Principal accounting policies" in the Xstrata 2010 Annual Financial Information.

Litigation

Sulphuric acid class action lawsuits

Class action lawsuits have been filed in various jurisdictions in the United States with respect to alleged sulphuric acid marketing and sales antitrust violations by the Xstrata Group. These lawsuits have been consolidated into the District Court in Chicago, with those filed in state court in California having been consolidated into the San Francisco state court. The Xstrata Group is vigorously defending these actions and has asserted that they are without merit. The plaintiffs claim actual damages in the amount of approximately US\$160 million, before trebling, plus attorney fees and costs. Under the relevant US antitrust law, if the plaintiffs were to be successful then the actual damages assessed by the jury would be automatically trebled. The trial judge has certified the plaintiffs as a class. There are outstanding several motions submitted by the Xstrata Group, which challenge the plaintiffs' action on the merits. Based on the strength of the available defences, the weakness of the plaintiffs' claims, the amount of a previously negotiated settlement with another defendant and legal advice obtained, Xstrata believes that it is unlikely that the plaintiffs will recover the damages sought.

BUSINESS

Overview

The Group is the fifth largest diversified mining group in the world, with top five industry positions in copper, export thermal coal, export coking coal, ferrochrome, zinc and nickel, meaningful positions in vanadium and additional exposure to gold, cobalt, lead and silver. The Group also includes a growing platinum group metals business, iron ore projects, recycling facilities and a suite of global technology products, many of which are industry leaders.

The Group's operations and projects span more than 20 countries: Argentina, Australia, Brazil, Canada, Chile, China, Colombia, the Dominican Republic, Germany, Mauritania, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, the Republic of Congo, Singapore, South Africa, Spain, Tanzania, the United Kingdom and the United States.

The Group had revenue of US\$16.8 billion and EBITDA of US\$5.9 billion for the six months ended June 30, 2011 and revenue of US\$30.5 billion and EBITDA of US\$10.4 billion for the year ended December 31, 2010. As at June 30, 2011, the Group had total equity of US\$45.5 billion. The Group's Ordinary Shares are traded on the London Stock Exchange and the SIX Swiss Exchange. As at market close at November 3, 2011, the market capitalisation of Xstrata was approximately £31 billion (approximately US\$49 billion). Xstrata is a member of the FTSE 100, an index that comprises the 100 most highly capitalised UK-domiciled blue chip companies.

The Xstrata Group's business is organised in the following five principal business units:

Xstrata Copper: The Group is an integrated producer of copper metal and is the world's fourth largest global copper producer, with mining and processing operations in Australia, Chile, Peru, Argentina and Canada. Xstrata Copper has a world-class portfolio of seven copper development projects, located in Peru, the Philippines, Chile, Argentina and Papua New Guinea.

Xstrata Coal: On a managed basis, the Group is the world's largest exporter of bituminous thermal coal and a significant producer of premium quality hard coking coal and semi-soft coking coal. Xstrata Coal has interests in over 30 operating coal mines in Australia, South Africa and Colombia and exploration projects in Nova Scotia and British Columbia, Canada. Xstrata Coal has world-class coal development projects in Australia and also manages the Group's growing iron ore business.

Xstrata Nickel: The Group is the fifth largest global nickel producer and one of the world's largest producers of cobalt, Xstrata Nickel's operations include mines and processing facilities in Canada, the Dominican Republic and Australia, and a refinery in Norway. Xstrata Nickel has world-class development projects in Canada, Tanzania and New Caledonia.

Xstrata Zinc: The Group is one of the world's largest miners and producers of zinc. Operations span Spain, Germany, Australia, the UK and Canada, with an interest in the Antamina copper-zinc mine in Peru.

Xstrata Alloys: The Group is one of the world's largest and amongst the world's lowest cost integrated ferrochrome producers (through the Xstrata-Merafe Chrome Venture), one of the largest producers of primary vanadium and a growing producer of platinum group metals. Xstrata Alloys also owns carbon operations which supply key raw materials to its ferrochrome production operations. All of Xstrata Alloys operations are based in South Africa.

In addition to its five principal businesses, the Group also operates Xstrata Process Support and Xstrata Technology, mining and processing technology businesses with operations in Australia, Canada, Chile and South Africa.

Information on the Group's recent announcements, acquisitions and disposals is set out below in "Operating and Financial Review – Current trading and prospects".

The Xstrata Group's strategy

Xstrata's strategy since its IPO in 2002 has been to grow and manage a distinct, value-focused, globally diversified resources group positioned to compete for and create value, with the single

aim of delivering industry-leading returns for shareholders. Xstrata recognises that this aim can only be achieved through genuine partnerships with employees, customers, shareholders, local communities, lenders and other stakeholders which are based on integrity, co-operation, transparency and mutual value creation.

The strategy leverages the Group's size and momentum and focuses on:

- commitment, capacity and headroom for growth that creates value; and
- constant improvement in the quality of Xstrata's businesses through ongoing efficiency gains, margin improvements, net present value enhancements and cost reductions.

Xstrata's strategy is based on its assessment of key success factors in global mining, including:

- scale and critical mass;
- diversification of commodity, currency and country exposure;
- a wide range of growth options, including via acquisitions and brownfield and greenfield expansions; and
- operating excellence.

Xstrata has an extensive organic growth pipeline with major expansion projects at every stage of the project development cycle to deliver a number of world class projects. The organic pipeline comprises:

- 22 approved major projects in implementation, all of which remain on schedule, comprising capital expenditure of US\$15 billion;
- Nine further projects on track for near-term approval with total capital expenditure of US\$7 billion, including, Bulga Optimisation, Rolleston Open Cut expansion, Oaky Creek Open Cut Expansion, and United Open Cut coal projects and the McArthur River Mine zinc mining and processing expansion; and
- A number of additional significant projects in feasibility, pre-feasibility or concept stage, including the greater Wandoan thermal coal project, Togara North, the Agua Rica, El Pachón, Tampakan, Frieda River and Collahuasi phase 3 expansion copper projects, the Askaf and Guelb el Aouj iron ore projects, and the Pallas Green zinc project.

Substantially all of the projects that are required to achieve the Group's target of a 50% increase in copper-equivalent volumes by the end of 2014 are approved, with 80% of the 50% volume growth accounted for by projects that are currently in construction.

Once commissioned, approved projects are expected to cement the Group's top five market position in major commodities, delivering new, lower cost production that will further reduce costs by around 20% and robust returns, even at conservative long-run commodity prices.

History

Xstrata AG, which was the predecessor of Xstrata plc, was established in Switzerland in 1926 to invest in infrastructure and power projects in Latin America. Beginning in 1990, Xstrata AG built a portfolio of businesses operating in the natural resources sector. On March 25, 2002, Xstrata plc merged with Xstrata AG to become the holding company of the Xstrata Group. At the same time, the Xstrata Group acquired Enx and Duiker and the shares of Xstrata plc were listed on the Official List of the UK Financial Services Authority, admitted to trading on the London Stock Exchange's market for listed securities and admitted to listing on the SIX.

The successful acquisition and integration of the former Enx and Duiker coal assets in 2002, of MIM in 2003 and of Falconbridge in 2006 were key elements in the transformation of Xstrata. In 2009, Xstrata approached Anglo American to propose a transformational merger of the two companies. Following Anglo American's rejection of this proposal, Xstrata announced in October 2009 that it did not intend to make an unsolicited offer.

Information on the Xstrata Group's recent announcements, acquisitions and disposals is set out in "Operating and Financial Review".

Industry overview

The following industry overview should be read in conjunction with, and is subject to, the section of this Offering Memorandum headed "Risk Factors". As described in "Risk Factors," commodities prices have experienced significant volatility during the recent global economic crisis. While the discussion below represents Xstrata's best estimate as to the outlook for each metal or bulk commodity noted, there can be no assurance that commodity prices will not reverse course and resume falling. For a description of Xstrata's own response to current market conditions see "Operating and Financial Review – Current trading and prospects".

Market and outlook for the copper industry

The anticipation of a shortfall in copper supply this year, coupled with growing investor appetite for commodities, lifted copper prices to new highs during the first six months of 2011. LME cash copper averaged US\$4.26 per pound during the first half of the year, compared with an average of US\$3.23 per pound over the same period in 2010. Macro-economic concerns generated considerable market volatility and copper prices ranged from a peak of US\$4.60 per pound in mid-February to a low of US\$3.87 per pound in May. The price at the end of the period was US\$4.22 per pound.

Global exchange stocks rose steadily through the first quarter, reaching a peak of 689,000 tonnes in late March; before improved demand conditions saw stocks decline to 619,000 tonnes by the end of the first half, 51,000 tonnes above levels at the end of 2010.

In China, government measures to limit inflation, combined with high copper prices, encouraged destocking throughout the supply chain, resulting in softer than expected demand for refined copper during the opening months of the year. Chinese refined copper imports fell during the first half of the year to 1.08 million tonnes, 30% lower than in the first half of 2010, although this decline was partly offset by increased domestic refined copper production and greater consumption of secondary copper. End-use demand growth rates remained firm and refined copper consumption began to improve during the second quarter as inventory levels declined.

Western copper demand continued to recover during the opening months of the year. A strong manufacturing sector supported robust domestic consumption in the US and consumption growth in Europe was largely driven by demand for exports. However, growth slowed during the second quarter as sovereign debt concerns, government spending cuts and the Japanese earthquake limited the recovery in copper demand from OECD countries.

On the supply side, although there were few major disruptions to production from operating mines, falling ore grades and adverse weather conditions in Chile limited supply growth during the first half of the year. High copper prices encouraged new investment and the reactivation of some mothballed mines, although lengthy ramp-up periods limited their contribution to supply during the first half of the year.

Disruption to Japanese smelter production following the March earthquake eased tightness in the copper concentrate market, leading spot treatment and refining charges to peak at US\$115 per dry metric tonne and 11.5¢ per pound. Mid-year contract negotiations have concluded with a benchmark settlement of US\$85 per dry metric tonne and 8.5¢ per pound – substantially higher than annual contract terms of US\$56 per dry metric tonne and 5.6¢ per pound.

Outlook

The decrease in inventory levels in China and reduced availability of secondary copper is likely to support increased refined copper demand during the second half of the year, lending support to prices. Urbanisation and industrialisation in developing markets are expected to continue to drive strong global copper demand growth over the medium term.

Following several years of minimal growth in mine supply, high copper prices have encouraged investment and there are now many new green- and brownfield projects under consideration. However, falling output from existing mines and lengthy development timeframes for new projects indicate that supply growth will continue to lag demand. Sovereign risk and access to

infrastructure are increasingly impeding new mine development timelines and, as more new projects enter the construction commitment phase, growing competition for labour and consumables are likely to further constrain mine development and production schedules.

Market and outlook for thermal coal industry

For the first half of 2011, the thermal coal market was dominated by the impact of the Japanese earthquake and significant rainfall in both Australia and Indonesia, restricting supply and influencing the global pricing market.

The initial estimate of the impact of the earthquake in Japan on Japanese thermal coal demand was 15 million tonnes per annum, however, as recovery efforts continue, operating coal fired power stations have increased their capacity utilisation and a reduction in net thermal demand of 8 million tonnes per annum on 2010 levels has now been forecast. Significantly, Indonesian coal suppliers have been most impacted by the reduced demand with Australian supply marginally increasing its share.

The earthquake and subsequent damage to both nuclear and coal fired facilities in Japan resulted in an increased use of LNG based power generation and increased Japanese LNG imports. Improved spot LNG purchases have eroded the LNG surpluses of 2009 and 2010 more rapidly than previously expected and resulted in stronger gas prices in Europe. Gas prices rose from an average US\$6.20 per gigajoule during 2010 to nearly US\$9.0 per gigajoule for the first half of 2011 and supported improved demand for coal. In the first half of 2011, European coal demand rose 8% compared to 2010. Supply disruptions in Colombia due to rainfall were offset by increased thermal exports from the US to take advantage of the higher priced international markets and to meet European demand.

Severe flooding in Queensland, Australia and a prolonged rain season in Indonesia resulted in lower exports from both countries during the first quarter of 2011. Exports from Australia during the first half of the year were at a similar level to the first six months of 2010 due to production recovery and improving weather conditions. In Indonesia, exports grew marginally, increasing by just 7%, or an annualised rate of 9 million tonnes. The supply disruptions reduced availability in line with lower demand from Japan and limited the volumes available for Chinese seaborne imports, underpinning strong prices in the Pacific market. During March, the Japanese fiscal year contracts were settled at US\$129.75 per tonne while more recently in June, the calendar mid year contract price was agreed at US\$127.50.

Supply shortfalls, from Indonesia in particular, reduced availability for Chinese imports and comparable quality Chinese domestic supply increased to meet growing local demand. For the first half of 2011, Chinese electricity generation rose 13% period on period, while in the first half coal production increases are averaging 12%. The domestic supply deficit, together with the lower seaborne availability, resulted in Chinese stock decline and rapidly rising domestic spot prices, which further underpinned the Pacific market and API4 prices. As seaborne supply steadily improved through the first half, Chinese consumers imported significant volumes, maintaining a balanced market.

Indian thermal coal demand remained robust, during the first half of the year and imports were 29% higher than the first six months of 2010, with South Africa and Indonesia being the largest supply sources. During the first half of 2011, 29% of South African exports went to India. Indian seaborne import demand has been further underpinned by weak domestic production, 4% lower than in 2010, and rising thermal electricity generation.

Outlook

The Japanese earthquake and destruction of the nuclear power stations has had a significant impact on the electricity generation landscape, resulting in an increased focus on both coal and gas fired generation capacity to meet growing base load demand. Incremental demand increases for both coal and gas resulting from the shift away from nuclear power is expected to continue to have a positive impact on short and longer term prices for thermal coal. Surging demand in India, together with Chinese price arbitrage, is expected to continue to place a strain on supply chains.

Market and outlook for coking coal industry

During the first half of 2011, coking coal markets were primarily impacted by the extensive flooding in Queensland, the Japanese earthquake and tsunami and increased supply availability from the US.

Coking coal supply from Australia, the market's largest supply source, was severely disrupted as a result of the flooding in Queensland during the first quarter. Towards the end of the first half, signs of recovery were being seen across all operations, although production at a number of sites will continue to be hampered by contained water and flood recovery measures. Coking coal exports from Australia were down 23%, an annualised 35 million tonnes, during the first half of 2011, supporting a strong pricing environment.

Flood damage and disruption in Queensland underpinned a rise in contract hard coking coal prices from US\$225 per tonne in the first quarter to US\$330 per tonne during the second quarter of 2011. The supply shortages and strong hard coking coal price also supported a stronger pricing environment for semi-soft coking coal. Starting the year at US\$182.5 per tonne, the semi-soft coking coal price rose to US\$254.10 in the second quarter and, due to ongoing supply constraints, settled at US\$242.55 per tonne for the third quarter.

The Japanese natural disasters caused only minor damage to steel plants, but significantly impacted the manufacturing sector, including the automobile industry that represents over one quarter of Japan's steel consumption. Despite Japanese imports of coking coal declining by 7%, Japanese stock levels increased. However, the reduced demand from Japan far outweighed the impact on supply from flooding in Queensland.

During the first half of 2011, US coking coal exports increased by 17%, or 4.5 million tonnes due to domestic oversupply, weak domestic prices and high international prices. The increased US seaborne coking coal exports supplemented some of the supply shortages from Australia. The increased tonnage came partly from mines with surplus wash plant capacity, enabling coal to be washed to a lower ash and sold as a coking coal, as well as from new capacity investment. A large proportion of the additional supply is high volatile coking coal, an inferior quality to Australian or Canadian hard coking coal.

Pig iron production in coking coal importing countries, excluding China, reached record levels of over 400 million tonnes per annum up 3% on 2010 levels during the first quarter of 2011, with new capacity in Korea and India ramping up operations and further increases in capacity utilisation in the Americas and Europe. The second quarter saw rates moderate slightly due to the impact of the earthquake in Japan. Chinese pig iron production continued to grow throughout the first half of the year, increasing from an annualised rate of 550 million tonnes at the end of 2010 to over 660 million tonnes per annum at the end of the first half of 2011.

Chinese seaborne coking coal demand was impacted by high international prices and increased levels of landborne coking coal imports from Mongolia. Seaborne imports declined from 33 million tonnes in 2010 to an annualised rate of 23 million tonnes during the first half of 2011.

Outlook

Ongoing supply recovery in Queensland is expected to moderate market supply and enable inventory build during the second half of 2011. The weak macro environment, particularly in Europe, is impacting demand for steel and rising stocks are placing downward pressure on steel prices. Record steel production in China is outpacing domestic coking coal supply capacity and Chinese coking coal imports are expected to support coking coal prices. The development of new supply will continue to lag demand in the medium to longer term.

Market and outlook for nickel industry

Demand for nickel has increased during 2011 largely as a result of continued growth in the developing world, led by China. A reduction in LME stocks reflected this increased demand coupled with the impact of supply disruptions and the delayed ramp-up of a number of new projects, falling by 37% from a peak of 137,766 tonnes in mid-January to 86,820 tonnes in late October.

The nickel price advanced 15% in the first two months of 2011 to a high of US\$29,030 per tonne on February 21, before falling nearly 40% to a twenty-month low of US\$17,925 per tonne on September 23. The average LME cash price for the year to October 28, 2011 was US\$23,821 per tonne, 11% higher than the average price for the same period in 2010.

Global stainless steel output in the first half of 2011 rose to a record level of over 17 million tonnes. China continued to grow stainless steel production and having become a net exporter of stainless steel during the second half of 2010, further increased net stainless steel exports during 2011. In Europe, the second largest producing region after China, stainless steel melt rates increased in the first half of 2011, but subsequently slowed not only due to normal summer seasonality but also as a result of renewed concerns over sovereign debt and the lower nickel price which resulted in slower order intake. Japan's major stainless steel mills were largely undamaged by the earthquake and tsunami in March, and melt rates remained steady for the year. Global consumption of nickel-bearing austenitic stainless steels in the first half of 2011 was higher than for the first half of 2010, supported by strong growth in China. This trend is expected to continue for the remainder of 2011.

Demand for nickel in non-stainless steel applications also increased in during 2011 as a result of higher industrial production and ongoing recovery in key sectors such as aerospace, power generation, and oil and gas.

Global production of refined nickel during 2011 has been impacted by a number of planned and unplanned disruptions, including a matte run-out at one of Vale's furnaces at Sudbury in Canada and interrupted production at the Hachinohe Ferronickel plant in Japan following the tsunami in March. Several new nickel projects, forecast to start or ramp-up production during 2011, continue to encounter delays and produce at lower rates than planned. Chinese output of nickel in nickel pig iron increased considerably during 2011 as producers responded to strong demand from Chinese stainless steel producers and nickel prices which until recently supported their higher cost production.

Outlook

Despite renewed concerns of a slowdown in developed markets and lower production of stainless steel for the second half of 2011, total production in 2011 is projected at 35 million tonnes, almost 7.5% higher than in 2010. Global primary nickel consumption in 2011 is consequently also expected to surpass the record consumption in 2010.

The resumption of full nickel production at facilities impacted by disruptions and continued ramp-up of production from new nickel supply projects are expected to increase nickel supply sufficiently to meet demand through to the end of 2011 and into the following year.

Market and outlook for zinc industry

During the first half of 2011, global refined zinc demand increased by 2% compared to the first six months of 2010. Automobile sales started the year strongly but fell in the second quarter as consumer confidence was dampened by high fuel costs and inflation warnings, and vehicle production was impacted by the Japanese earthquake. Robust construction growth in emerging economies was partly offset by a lacklustre performance in developed countries. Despite government measures to control inflation which impacted consumer confidence and spending, China remained the world's largest consumer of zinc, as the construction of affordable housing and infrastructure projects continued through the period.

Global zinc mine and smelter production expanded in the first half of 2011 by around 3% mainly due to increased Chinese volumes. China continues to be the world's largest producing country, despite reports that some smelters operate below cost. Expectations of higher commodity prices, offset to some extent by the weak US dollar and escalating input costs, especially energy and labour costs, supported production growth. China's smelting industry continued to import concentrates to meet its domestic zinc consumption needs, albeit at a slightly reduced rate compared to 2010, importing 1.4 million tonnes of zinc concentrate during the first six months of 2011, 9% lower than the prior year.

Lower treatment and refining charge settlements resulted from strong competition for concentrates as a result of the continued smelting over-capacity and resultant low capacity

utilisation rates, especially in China. Average benchmark treatment charges for 2011 settled at US\$229 per tonne of concentrate on a US\$2,500 per tonne zinc price basis against US\$272.5 per tonne of concentrate on the same basis in 2010. Spot treatment charges started the year at around US\$120 per tonne of concentrate and reduced to US\$90 per tonne of concentrate by the end of the first half.

A surplus in refined zinc increased zinc stocks at London Metal Exchange and Shanghai Futures Exchange warehouses by 250,000 tonnes to total 1,261,000 tonnes at the end of June. Despite higher stocks, average LME zinc prices rose to US\$2,323 per tonne compared to an average of US\$2,155 per tonne in the same period of 2010. Refined metal premia were relatively steady in most regions, but increased in the US where demand could not be satisfied by local refineries.

Outlook

Demand for zinc is expected to increase in line with continued urbanisation and industrialisation in developing countries and slowly improving economic conditions in mature economies. While supply is expected to stay slightly ahead of demand in the short term, a number of near-term mine closures, the potential for supply disruptions to mined production and the prospect of a more vigorous recovery in the global economy, could support tighter metal supply.

Market and outlook for lead industry

Global lead demand during the first half of 2011 rose by over 5% as a result of strong demand growth in China. Over 80% of lead is used in the production of lead-acid batteries, most of which are installed in vehicles as original or replacement batteries. Global vehicle sales started the year strongly, but then softened as a result of economic uncertainty, the Japanese earthquake, China's fiscal tightening and higher energy and food costs.

In other end-use sectors, growth was solid for mobile power applications, such as forklift machinery, but weaker for standby power applications such as telecommunication networks. Global supply of refined lead increased by just over 5% in response to strong demand growth. China continued to be the largest contributor to lead mine and smelter volumes, despite having insufficient domestic supplies of concentrates to feed its smelters. China's significant import volumes of concentrates continued to maintain downward pressure on spot treatment charges. In the first six months of 2011, imports of lead concentrate into China were 572,000 million tonnes, 18% higher than the same period in 2010.

A small surplus of refined lead in the first half of 2011 resulted in a 43% increase in stocks at London Metal Exchange and Shanghai Futures Exchange warehouses to around 366,000 tonnes at the end of June. Despite higher exchange inventories, average LME lead prices rose on positive expectations of demand, averaging US\$2,581 per tonne during the first half compared to an average of US\$2,084 per tonne in the same period of 2010.

Refined metal premia weakened slightly in most regions except in the US and Mexico, where metal demand remained strong from battery manufacturers. Average benchmark treatment charges in the first half of 2011 were unchanged from the same period of 2010 at a basis of US\$2,000 per tonne lead concentrate, while silver refining charges increased. Spot treatment charges for imports into China varied between US\$80-110 per tonne.

Outlook

Demand for battery powered vehicles and equipment is expected to improve over the medium term, underpinning strong demand for lead. Supply and demand are expected to be balanced by early 2012, leading to a drawdown on exchange inventories and a modest deficit for the entire year.

Market and outlook for the ferrochrome and vanadium industry

Global consumption of ferrochrome reached 4.5 million tonnes in the first half of 2011, due to record stainless steel melt of 17 million tonnes, 10% higher than in the first half of 2010. Growth in global demand for both stainless steel and ferrochrome was driven by strong end-user demand and restocking by stainless steel distribution centres and processing industries. However, stainless steel production growth cooled towards the end of the first half as a result

of renewed concerns over European sovereign debt, a major earthquake and tsunami in Japan and civil unrest in the Middle East impacted confidence in global financial and commodity markets.

China produced more than a third of the world's stainless steel in the first half of the year and China's volumes increased by 10.5% compared to the first half of 2010. Stainless steel production from the Americas also grew strongly and volumes increased 4% from the first half of 2010.

Global ferrochrome production was 4.5 million tonnes in first half 2011, 5.5% higher than the first six months of 2010. Despite rising chrome ore prices, Chinese ferrochrome production continued to expand, reaching 1.1 million tonnes in the first half of the year. Nevertheless, China remains a net ferrochrome importer, with around 45% of its 2 million tonnes requirement for the first half being sourced overseas.

The average European benchmark price for ferrochrome during the first half of 2011 was 130¢ per pound, unchanged from the second half of 2010, after a 5¢ per pound reduction in the first quarter price to 125¢ per pound and a recovery to 135¢ per pound for the second quarter. The third quarter European benchmark price was settled at 120¢ per pound.

Global crude steel production for the first six months of the year totalled 760 million tonnes, 7% higher than the first half of 2010, as a result of increased demand from the construction sector in emerging markets and from the mechanical engineering and automotive industries in European and North American markets. Secondary vanadium supply from steel production moderated demand growth, with the result that demand for primary vanadium units remained relatively stable. Ferrovandium traded at an average of US\$30.35 per kilogramme during the first half of 2011, 1.3% lower than the first half of 2010, and vanadium pentoxide traded at an average of US\$6.81 per kilogramme compared to US\$7.01 per kilogramme in the first half of 2010.

Outlook

During 2011, stainless steel production is anticipated to grow by over 7.5%, supporting an increase of 9% in global consumption of ferrochrome, which includes a 10.4% increase in demand for ferrochrome from China. Stainless steel production is expected to continue to grow at around 5% per annum in the medium term, driven predominantly by demand from China. Secondary vanadium supply is expected to come under pressure as a result of the Chinese summer power rationing programme which will reduce local steel production. Prices are expected to be further supported by the supply issues anticipated in the US arising from a shortage of vanadium pentoxide for conversion into ferrovandium. In the longer-term, global crude steel production is expected to increase by around 6% annually and global vanadium consumption is anticipated to rise by over 8%, mainly as a result of China increasing its share of high value-added micro-steel, and due to various factors which limit the potential for vanadium to be substituted with niobium.

Market and outlook for the PGM industry

Platinum and palladium prices increased by 12% and 66% respectively, while rhodium prices decreased by 12% compared to the same period last year.

During the first half of 2011, global auto catalyst demand continued to grow, but at a slower pace than the same period in 2010. China was the main driver for demand growth, despite its automobile sales growth rate slowing to 6% from 46% compared to last year, mainly due to the end of the government's incentive scheme and, to a lesser extent, measures imposed by some major cities to restrict vehicle numbers. Japan's automotive industry was significantly impacted by the major earthquake which occurred in March, when almost all vehicle manufacturing ceased, before partially recommencing in April. In Europe, despite stronger demand from Germany, automobile sales in the first half of 2011 were lower than those in the same period in 2010, due to weaker demand from the UK, Spain, Portugal and Greece, as consumer confidence was impacted by high fuel costs and inflation warnings.

The European market for diesel vehicles, which use platinum-rich catalysts, has stabilised at around 50% of vehicle sales. Increased demand for platinum auto-catalysts in the first half came from increased orders for heavy duty vehicles.

Jewellery continued to provide a floor for platinum prices, displaying strong increases in purchases on the Shanghai Gold Exchange, the barometer for Chinese jewellery demand, during periods when the price retreated.

Interest in ETF investments increased and at the end of the first half of the year, platinum ETF positions were 1.36 million ounces, 30% higher than at the end of the first six months of 2010. This growth in investments has supported PGM prices during a period of moderate physical demand.

Marginal supply growth is expected in southern Africa, although hampered by industrial action, safety stoppages, lower head grades and continuing concerns over power supply. In addition, measures being taken by the Zimbabwean government to increase indigenous investment in the country's mining industry will add further pressure to production volumes.

Strong speculative activity, driven by macro-economic indicators, exchange rate fluctuations and political tensions rather than physical demand, was the main driver for platinum and palladium price movements during the first six months of 2011. Platinum prices peaked before the Japanese earthquake at US\$1,863 per ounce and palladium reached US\$859 per ounce. Liquidation of speculative positions in mid-March, in response to the natural disaster in Japan and rising oil prices, resulted in prices falling to US\$1,696 per ounce for platinum and US\$700 per ounce for palladium. The platinum price had recovered to some extent, although has struggled to surpass US\$1,800 per ounce and ended the first half of the year at US\$1,723 per ounce.

Outlook

The medium to long-term outlook for platinum and palladium remains favourable. Supply constraints are expected to continue due to operating challenges in southern Africa and Russia and uncertainty over the future availability of Russian palladium stockpiles. Demand is expected to continue to be underpinned by tightening emissions legislation, continued strong demand growth from developing countries and from the recovery of OECD economies.

Significant acquisitions and disposals

The Group's growth strategy is to increase the Group's sales volume and value share of the global minerals markets for its products through organic growth, mergers and acquisitions. In this regard, the Group believes that strategically important and financially attractive merger and acquisition opportunities combined with strategic disposals may provide the Group with growth opportunities.

Since its IPO, the Group made a number of significant acquisitions and disposals as follows:

- In December 2002, the Xstrata Group acquired the Nordenham zinc smelter from Metaleurop SA, a company in which Glencore has a 33% shareholding.
- In June 2003, Xstrata acquired, through a wholly-owned subsidiary, MIM.
- In August 2004, the Xstrata Group acquired an option to develop the Las Bambas copper project in Southern Peru.
- In August and September 2005, the Xstrata Group acquired approximately 19.9% of the then outstanding Falconbridge Shares. The Xstrata Group subsequently completed the Falconbridge Acquisition in November 2006.
- In May 2006, the Xstrata Group acquired 33 1/3% of the Cerrejón thermal coal operation in Colombia.
- In June 2006, the Xstrata Group acquired the Tintaya mine and associated satellite deposits in Peru.
- In December 2006, the Xstrata Group acquired the minority interest in the Tav/Tesa Joint Venture.
- In August 2007, Xstrata Group acquired the remaining 50% interest in the Narama Joint Venture.

- In October 2007, the Xstrata Group acquired Anvil Hill (now called Mangoola).
- In November 2007, the Eland Acquisition completed.
- In December 2007, the Tahmoor acquisition completed.
- In February 2008, the Jubilee Acquisition completed and control of Resource Pacific was achieved.
- In August and October 2008, the Xstrata Group acquired an aggregate 24.9% interest in Lonmin;
- In March 2009, the Prodeco Acquisition completed.
- In October 2009, the Xstrata Group entered into an irrevocable sale agreement to dispose of its 70% interest in El Morro SCM. Xstrata received the sale proceeds in February 2010.
- In March 2010, Glencore exercised its call option to re-acquire the Prodeco Business.
- In September 2010, the Peruvian Government transferred the Las Bambas mining titles to the Xstrata Group following the Xstrata Group's decision to invest US\$4.2 billion to develop the Las Bambas Project.
- In November 2010, the Xstrata Group gained control of Sphere.
- In February 2011, the Xstrata Group exercised its option to acquire 50% plus one share in Jumelles.
- In March 2011, the Xstrata Group entered into a letter of intent to conclude an option agreement covering the Aqua Rica copper deposit in Catamarca, Argentina.
- In June 2011, the Xstrata Group completed its acquisition of the E1 and Monakoff copper tenements in north west Queensland, Australia.
- In August 2011, the Xstrata Group completed its acquisition of First Coal.
- In August 2011, Xstrata Copper signed transaction documents relating to Minera Alumbrera Limited's option to acquire 100% of Agua Rica.
- In October 2011, the Xstrata Group closed the acquisition of the Hackett River and Wishbone Properties in Nunavut, Canada.
- In October 2011, Xstrata Coal completed the acquisition of 100% of the Lossan metallurgical coal deposit in British Columbia, Canada.

In addition to the above acquisitions, a number of other transactions were considered in the period. These included: in May 2008, an offer for Indophil (which lapsed and was followed by the purchase of a 19.99% stake in Indophil during September 2008); in October 2008, a proposed offer for Lonmin (which was not pursued, although the Xstrata Group acquired a 24.9% stake as described above); in August 2009, a proposed merger of the Xstrata Group with Anglo American (which was rejected by Anglo American); and in December 2009, a conditional pre-bid agreement for Xstrata Group to sell its 19.99% shareholding in Indophil to Zijin Mining Group (which did not proceed).

Xstrata Copper summary

Introduction

The Group is an integrated producer of copper metal and is the world's fourth largest global copper producer, with mining and processing operations in Australia, Chile, Peru, Argentina and Canada. Xstrata Copper has a world-class portfolio of seven copper development projects located in Peru, the Philippines, Chile, Argentina and Papua New Guinea.

Reserves and resource base

For details of Xstrata Copper's current published attributable copper reserve and resource base at each operation and project as at June 30, 2010, please refer to the Mineral Resources and Ore Reserves Report dated December 2010 and incorporated by reference herein and included in the special purpose website at www.Xstrata.com/restricted/2011_us_bond/.

Production

The tables below set out the attributable production and attributable smelter and refinery production of Xstrata Copper for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011:

Operation ⁽¹⁾	Type	Attributable interest (%)	Year ended December 31,			Six months ended June 30,	
			2008	2009	2010	2010	2011
			Attributable production ⁽³⁾ (tonnes) (contained metal)				
Mount Isa	UG	100	151,577	161,947	157,696	71,928	66,912
Ernest Henry	OC	100	110,890	35,562	74,595	16,162	54,606
Alumbrera ⁽²⁾	OC	50	156,893	143,084	140,318	76,502	59,687
Kidd Creek	UG	100	42,723	43,620	52,568	24,377	22,244
Lomas Bayas	OC	100	59,134	73,043	71,795	34,260	37,143
Collahuasi	OC	44	204,317	235,777	221,779	117,363	103,157
Antamina Copper	OC	33.75	115,997	106,671	101,741	49,475	49,110
Tintaya	OC	100	110,895	107,193	92,977	43,720	41,187
Total Xstrata Copper	-	-	952,426	906,897	913,469	433,787	434,046

Notes

- (1) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves.
- (2) The Group has a 50% interest in the mine's operating company, Minera Alumbrera Limited. Of the remaining 50% interest in Minera Alumbrera Limited, Goldcorp Inc. and Yamana Gold Inc. hold 37.5% and 12.5% respectively.
- (3) These production figures refer to contained copper, produced from ore (excluding reprocessed slag).

Xstrata Copper is also one of the world's largest producers of smelted and refined copper, including from third party materials.

Attributable smelter and refinery production ⁽¹⁾	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(Tonnes)				
Mount Isa copper smelter (anode)	236,210	214,350	214,685	89,688	110,029
Townsville refinery (refined)	266,517	277,320	287,001	138,770	129,611
Altonorte (anode)	231,902	268,014	277,944	123,794	155,603
Horne (anode)	171,483	163,700	194,277	91,243	88,588
CCR refinery (refined)	344,809	278,196	276,310	139,306	126,829
Kidd Creek (refined)	87,327	54,060	37,973	37,973	-

Note

- (1) These production figures refer to contained copper.

For selected production data for the three months ended September 30, 2010 and 2011 and for the nine months ended September 30, 2010 and 2011, see "Operating and Financial Review – Current trading and prospects".

Financial information

The table below provides the consolidated financial information in relation to Xstrata Copper for the year ended December 31, 2010 (which has been extracted without material amendment from the Xstrata consolidated financial information included in the Xstrata 2010 Annual Financial Information) and the six months ended June 30, 2011 (which has been extracted without material amendment from the Xstrata 2011 Interim Financial Information):

Xstrata Copper	Year ended December 31, 2010		Six months ended June 30, 2011	
	US\$m	As a percentage of the Group ⁽²⁾	US\$m	As a percentage of the Group ⁽²⁾
Revenue	14,004	45.9%	7,705	45.9%
Operating profit ⁽¹⁾	3,820	49.9%	2,065	48.6%

Notes

(1) Includes minority interests, but excludes share of results from associates.

(2) As a percentage of Xstrata's revenue and operating profit, respectively.

Mining, smelting and refining operations

Xstrata Copper is an integrated producer of copper metal and concentrate. The Group operates:

- an integrated division in Queensland, Australia comprising the Ernest Henry copper-gold mine and the Mount Isa copper mine, the Mount Isa copper smelter and the Townsville copper refinery;
- mines and processing facilities in three countries in South America:
 - in Argentina, with the Bajo de la Alumbrera copper-gold mine and associated processing facilities (in which Xstrata holds a 50% interest and has management control);
 - in Chile, with the Lomas Bayas mine and solvent extraction-electrowinning ("SX-EW") refinery and the Altonorte copper smelter; and
 - in Peru, with the Tintaya copper mine and processing facilities (including a sulphide concentrator plant and an SX-EW refinery); and
- an integrated division in Canada comprising the Kidd Creek copper-zinc mine and processing facilities, the Horne copper smelter, the Canadian Copper Refinery ("CCR"), in Canada and two recycling facilities in the United States.

In addition, the Group owns:

- a 44% interest in Compañía Minera Dona Inés de Collahuasi S.C.M. ("Collahuasi"), a joint venture company which owns the mining and water rights and other assets comprising the Collahuasi operation in Chile. Anglo American also holds a 44% interest in Collahuasi and a Japanese consortium headed by Mitsui & Co. Ltd holds the remaining 12%; and
- a 33.75% interest in Compañía Minera Antamina ("Antamina"), a joint venture company which operates the Antamina copper-zinc mine in Peru. BHP Billiton also holds a 33.75% in Antamina, Teck Resources holds a 22.5% interest and Mitsubishi Corporation holds the remaining 10%.

Projects and developments

Argentina

El Pachón

El Pachón is a bi-national copper development project located 3,600 metres above sea level in Argentina's San Juan Province, five kilometres from the Chilean border.

Work continued during 2010 to update the feasibility study with revised financial estimates reflecting current market conditions on consumables, construction and equipment. In December 2010, Xstrata Copper announced a further significant increase to the El Pachón Mineral Resource which now totals 1.79 billion tonnes at a copper grade of 0.51%, using a 0.2% cut-off grade, representing a 30% improvement compared to the Ore Reserves and Mineral Resource Report published in August 2009. The El Pachón feasibility update studies will continue through 2011, together with the environmental and social impact study.

Australia

Exploration drilling continued to focus on target properties in the Cloncurry and Mount Isa region that have the potential to provide additional ore feed to the Ernest Henry and Mount Isa plants.

Mount Isa

Mount Isa Mines' copper operations include two underground copper mines, Enterprise and X41, a concentrator, a copper smelter and a copper refinery in North Queensland, Australia.

In 2010, the Mount Isa copper operations' underground drilling exploration programme focused on mineralisation associated with existing orebodies. This programme is ongoing in 2011. Following a positive outcome to a concept study into a large scale zinc and copper open pit as an extension to the current Black Star open pit mine, a pre-feasibility study commenced in August 2011 and is scheduled to conclude in December 2012, with decisions on the outcomes and next steps expected in early 2013.

A pre-feasibility study into potential leaching of residual copper and cobalt from the Mount Isa concentrator tailing is expected to advance into feasibility stage in 2011 pending the outcome of a pilot plant trial that commenced in late 2010.

In the third quarter of 2011, Mount Isa Mines secured a long-term supply of electricity and gas from the Diamantina Power Station consortium to 2030, with gas supply and pricing fixed until 2023, to meet forecast demand for the life of current and planned copper and zinc-lead operations in north-west Queensland, Australia.

Ernest Henry

Ernest Henry is an open pit mine at a copper-gold deposit located 38 kilometres north-east of Cloncurry, Queensland, Australia.

At the Ernest Henry mine, construction of a large scale underground sub-level cave mine progressed with 11,066 metres of development completed at the end of 2010, with the overall project in line with schedule and budget. Design, construction and initial testing, including initial production, of the 1.2 million tonnes per annum magnetite facility have been completed, and initial underground mining is expected to commence in the second half of 2011. The high-grade magnetite product is being sold to international steel mills, with exports commencing from Townsville port in June 2011.

E1 & Monakoff

In June 2011, Xstrata Copper completed its acquisition of the E1 and Monakoff advanced copper projects, strategically located near the Ernest Henry mine, from Exco Resources Limited for a cash purchase price of AUD175 million (US\$186 million). It is anticipated these projects will increase Ernest Henry's production profile from the second half of 2012, including gold by-product credits.

Canada

Exploration activities continued in 2010 as well as scoping studies commencing into the potential development of the former Bell/Granisle mine and the Mont Porphyre deposit.

Kidd

The Kidd Mine is an underground mine at a copper-zinc-silver deposit located in Timmins, Ontario, Canada.

The US\$111 million extension of the Kidd mine continued in 2011 and is scheduled for completion in the second half of 2011. The Kidd metallurgical facilities ceased operation on May 1, 2010, and initial building demolition activities commenced in 2011 alongside further detailed planning for the overall closure activities.

Gaspé

In October 2010, Xstrata Copper completed reclamation and rehabilitation works following the closure of the Gaspé smelter in Murdochville, Quebec. The Murdochville mining and metallurgical site and the Sandy Beach facilities are now officially closed following the implementation of an extensive five-year rehabilitation plan.

Chile

Collahuasi

The Collahuasi open pit operation is the world's fourth largest copper mine and is located in the Andean plateau of northern Chile's Tarapacá Region. The mine is operated by a joint venture company, Compañía Minera Dona Inés de Collahuasi SCM. The joint venture partners are Xstrata (44%), Anglo American (44%), and a group of Japanese companies headed by Mitsui & Co. Ltd (12%).

At Collahuasi, an expansion project to increase concentrator plant capacity to 150,000 tonnes of ore per day, an annual average production increment of 19,000 tonnes per year of copper over the estimated life of mine, was completed in September 2011 and remains on track to reach full production by the start of 2012. A second phase expansion project to further increase the concentrator capacity to 160,000 tonnes of ore per day by mid 2013 was approved in March 2011. Approval has been granted for a pre-feasibility study into options for up to two new grinding lines at Collahuasi's concentrator plant that could increase annual copper-in-concentrate production to more than one million tonnes. Pre-feasibility work is scheduled to be completed in the first half of 2012.

In July 2010, Collahuasi announced a 40% increase to the total estimated Mineral Resource to 7.1 billion tonnes at an average grade of 0.82% copper and 269 parts per million molybdenum, using a 0.34% cut-off grade. This represents the equivalent of 58 million tonnes of contained copper metal.

Lomas Bayas

The Lomas Bayas open pit copper mine is in the Atacama Desert, 120 kilometres east of the port of Antofagasta in northern Chile.

The main heap leach construction activities and power and piping infrastructure have been completed for the Run-of-Mine ("ROM") phase of the Lomas Bayas expansion ("Lomas Bayas II"). Commissioning of this phase is on track for the end of 2011 and the Heap Leach phase of the expansion is progressing for an on-schedule commissioning by the end of 2012. The US\$293 million project will extend the mine life of Lomas Bayas by 12 years to 2024.

In June 2011, approval was given to commence a pre-feasibility study into the potential development of sulphide mineralisation directly beneath the existing oxide mineralisation of the Lomas pit. An improved Mineral Resource for the sulphide deposit was announced in December 2010 of 435 million tonnes at an average grade of 0.39% copper, using a 0.2% copper cut-off grade.

West Wall

In October 2010, Xstrata Copper announced an initial Mineral Resource of 750 million tonnes at a grade of 0.54% copper and 0.01% molybdenum, using a 0.3% cut-off grade, for the Lagunillas deposit at the West Wall project, a joint venture with Anglo American in central Chile's Valparaíso region. Based on 57 drill holes (33,600 metres), the estimated Mineral Resource also contains estimated average grades for gold of 0.05 grams per tonne. Exploration and resource definition work are continuing on this project.

Energía Austral

There are four EIA approvals required for the Energía Austral project with staggered EIS submissions to be made through the course of 2012. Approvals are then also likely to be staggered, with the initial EIA approval expected in 2012 and the final EIA approval in 2014.

Engineering studies into Energía Austral's proposed 1,000MW hydro-electric project, comprising three generating facilities, are progressing in 2011 as part of the project's Pre-Feasibility study. Energía Austral continued to respond to Chilean environmental authorities' observations on the environmental and social impact assessment ("ESIA") for the Rio Cuervo facility, submitting a second addendum in June 2011. The process will continue in the second half of the year following further feedback from the authorities in July 2011.

Work also continued on the ESIA's for the transmission line and for the Rio Blanco and Lago Condor generation facilities which are expected to be completed in the second half of 2011 or early 2012.

Xstrata Copper is currently in the process of soliciting bids from industry participants for participation in both the hydes and transmission projects associated with Energía Austral.

Peru

Antamina

Antamina is the world's third largest zinc and eighth largest copper mine and is located in the Andes mountains in northern Peru, approximately 270 kilometres northeast of Lima, at an elevation of 4,300 metres. It is operated by a joint venture company, Compañía Minera Antamina S.A. The joint venture partners are Xstrata (33.75%), BHP Billiton (33.75%), Teck-Cominco Limited (22.5%) and Mitsubishi Corporation (10%).

Construction on the US\$1.3 billion expansion project (100% basis), designed to increase Antamina's milling capacity to 130,000 tonnes per day, commenced in the first quarter of 2010 with commissioning scheduled to commence by the end of 2011. This project remains on time and on budget and is on track to start production in 2012.

In March 2011, Antamina announced an update of its Mineral Resources, which amount to 1.9 billion tonnes at an average grade of 0.84% copper, 0.54% zinc and 189 parts per million molybdenum as at the end of December 2010. This represents 18 million tonnes of contained copper metal and provides Antamina with the platform to strategically plan for the further expansion of its business.

Tintaya – Antapaccay / Coroccohuayco

The Antapaccay deposit is located 9 kilometres from Xstrata Copper's Tintaya mine in southern Peru.

The Xstrata plc Board approved the US\$1.47 billion Antapaccay project in July 2010 following approval of the Environmental and Social Impact Assessment by the Peruvian Mining Ministry earlier that month. The brownfield expansion to the Tintaya operation is scheduled to produce an average of 160,000 tonnes of copper per annum for at least the first five years and 143,000 tonnes of copper per annum over the current estimated mine life of 22 years. The Antapaccay project remains on time and on budget and is on track to start production in 2012. In December 2010, Xstrata Copper announced a 13% increase to the Antapaccay Mineral Resource to 817 million tonnes at a grade of 0.51% copper.

Evaluation of the Coroccohuayco project, located approximately 10 kilometres from the Tintaya mine, continued in 2011 as part of Xstrata Copper's growth strategy in southern Peru. A drilling campaign commenced in October 2010 to improve the Mineral Resource base as part of the project's concept study into the project's development. To date, 24,000 metres of drilling have been completed as part of this programme, and the concept study is scheduled to be completed in the second half of 2011.

Las Bambas

The Las Bambas is a copper project located in Peru's Cotabambas and Grau Provinces.

The Xstrata plc Board approved the US\$4.2 billion Las Bambas project in August 2010. The greenfield project is expected to produce an average of 400,000 tonnes of copper per annum for the first five years and 310,000 tonnes of copper per annum over the current life of mine.

In March 2011, ESIA for the Las Bambas project was approved by the Peruvian Mining Ministry, paving the way for final permitting and construction to commence as scheduled in the second half of 2011. In this regard, the "Concesión de Beneficio" was submitted to the Peruvian Mining and Energy Ministry for approval.

In December 2010, Xstrata Copper announced a 36% increase to the Las Bambas Mineral Resource to 1.55 billion tonnes at a grade of 0.61% copper using a 0.2% cut-off grade.

Philippines

Tampakan

Tampakan is a copper-gold project located on the southern Philippines island of Mindanao, approximately 65 kilometres north of General Santos City. The current project area is situated on the boundaries of four Provinces, South Cotabato, Sarangani, Sultan Kudarat and Davao Del Sur.

On March 30, 2007, Xstrata Copper assumed management control of Tampakan through its Philippine-based subsidiary Sagittarius Mines, Inc ("SMI"). In the first half of 2009, Xstrata Copper, through SMI, initiated a final feasibility study for the Tampakan project which was completed and submitted to the Philippine government in April 2010.

The study indicates a potential large scale, low-cash cost, open pit mining operation with an average annual production of 450,000 tonnes of copper and 435,000 ounces of gold over an initial 17-year mine life.

In late June 2010, the then outgoing South Cotabato governor approved the South Cotabato Environment Code, a provincial ordinance that includes a ban on the use of open pit mining methods in the province. This provision in the Code runs contrary to the Philippine Mining Act of 1995. The Tampakan project is not immediately impacted by the ban on open pit mining as it is still in the exploration phase. However, Xstrata Copper continues to monitor the issue closely, and SMI continues to engage with all stakeholders, including national and provincial governments, regarding this issue as part of an effort to urge the new provincial government to remove this provision of the Code.

In June 2011, stakeholder consultation began on the EIS for the proposed mine development as part of the Tampakan copper-gold project in the Philippines. In October 2011, SMI submitted its application to the Philippine Government for an environmental compliance certificate ("ECC") for the mine development. The EIS is a key part of the application that remains pending. Separate environmental impact assessments for related off-site infrastructure, including a port facility, power station, transmission lines and concentrate pipeline, are currently underway and are expected to be completed in 2012.

Papua New Guinea

Frieda River

Frieda River is a copper-gold project is located near the border of the Sandaun and East Sepik Provinces of northwestern Papua New Guinea. Xstrata Copper holds 81.82% of project, a joint venture with Highlands Pacific Limited (18.18%).

In August 2010, the Frieda River project completed a pre-feasibility study that indicated a potential mining project with an average output of 260,000 tonnes per annum of copper and 400,000 ounces per annum of gold over an initial 20-year mine life. The project commenced a US\$122 million feasibility study in November 2010 which is scheduled for completion in January 2012.

In September 2011, Xstrata announced an increased Mineral Resource estimate for the Horse-Ivaal-Trukai ("HIT") porphyry deposit of 2.09 billion tonnes at a grade of 0.45% copper, 0.22 grams per tonne gold and 0.7 grams per tonne silver using a cut-off grade of 0.2% copper. This represents 9.4 million tonnes of contained copper metal and 14.8 million ounces of contained gold metal.

Sales and marketing

Xstrata Copper operates an integrated marketing business located in Dubai in the United Arab Emirates with additional sales and marketing offices and staff based in Toronto in Canada, Santiago in Chile, Townsville in Australia, Rosario in Argentina, Arequipa in Peru and San Jose in the United States. The primary function of the sales and marketing operations is to maximize the returns from Xstrata Copper's copper portfolio of products and includes the purchase of custom concentrates and recycled materials and the sale of concentrates, anodes, blister, copper cathodes, precious metals and PGM's, sulphuric acid, molybdenum, magnetite, as well as refinery by-products.

All products (including by-products) are purchased from and sold to third and related parties under frame and spot contracts dependant on prevailing market conditions.

Xstrata Copper markets copper cathodes directly to producers of industrial products from Xstrata Copper's CCR refinery in Canada, the CRL refinery in Australia, the Tintaya operations in Peru, and the Lomas Bayas operations and its share of the Collahuasi operations production, which are both located in Chile.

Sales of copper metal cathodes in the year ended December 31, 2010 were made to 33 customers in 15 countries. Approximately 44% of Xstrata Copper's sales of copper metal in the year ended December 31, 2010 were made in North America, with the balance sold in Europe and Asia.

Xstrata Copper's Chilean copper smelter, Altonorte, produced approximately 277,944 tonnes of copper anodes that were sold in Canada, Chile, Europe, Australia and Asia.

Copper concentrates produced at Xstrata Copper's operations (including joint ventures) are sold directly to custom smelter operations and traders globally. The concentrates are produced in Australia at the Mount Isa and Ernest Henry mines; in Argentina at Minera Alumbrera; in Peru at the Tintaya and Antamina mines and in Chile at the Collahuasi mine.

Copper production is dependent on mine supply from integrated and third party sources as well as secondary recycled materials sourced globally from third parties. For the year ended December 31, 2010, 41% of the Horne smelter's, 85% of the Altonorte smelter's and 19% of the Kidd Creek Metallurgical Site's primary feed stocks came from non-related third parties. In addition, approximately 15% of the Horne smelter's feed tonnage came from recycled electronics and other copper and precious metal bearing secondary materials, which were sourced from third parties.

See "Business – Relationship with Glencore – Commercial relationship – Xstrata Copper".

Xstrata Coal summary

Introduction

On a managed basis, the Group is the world's largest exporter of bituminous thermal coal and a significant producer of premium quality hard coking coal and semi-soft coking coal. Xstrata Coal has interests in over 30 operating coal mines in Australia, South Africa and Colombia and exploration projects in Nova Scotia and British Columbia, Canada. Xstrata Coal has world-class coal development projects in Australia and also manages the Group's growing iron ore business.

Xstrata Coal's portfolio comprises interests in 20 operating coal mines in Australia, 10 operating coal mines in South Africa and one coal mine in Colombia. The Group focuses on the cost-effective production of thermal and coking coal for export and domestic use in electricity generation, coke making/steel production and industrial applications.

The purchasing power of the Australian and South African operations has enabled Xstrata Coal to negotiate a number of longer-term agreements for the purchase of goods and services that are required by the operations in those jurisdictions. The supplier base continues to be stable and Xstrata believes that Xstrata Coal has strong relationships with key suppliers in both Australia and South Africa, which should enable Xstrata to manage the ongoing challenge of accessing scarce supplies.

The Group holds most of its Xstrata Coal interests in mines through joint ventures, in which it generally holds a majority interest. Given the relationships between most of its joint venture partners and its customers, Xstrata believes that these joint ventures provide Xstrata Coal with a valuable link to its customer base.

Xstrata Coal also manages the Group's growing iron ore business. This comprises the Zanaga Project in the Republic of Congo (Brazzaville), together with the Askaf, Guelb el Aouj and Lebtheinia Projects in Mauritania.

Reserves and resource base

For details of Xstrata Coal's attributable coal reserve and resource base, broken down between the Australian, South African and Americas operations, as at June 30, 2010, please refer to the Mineral Resources and Ore Reserves Report dated December 2010 and incorporated by reference herein and included in the special purpose website at www.Xstrata.com/restricted/2011_us_bond/.

Production

The table below sets out the total mine production and attributable sales of Xstrata Coal broken down between the Australian, South African and Americas operations for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
<i>(Mt except as otherwise stated)</i>					
Total consolidated production^{(1)(2):}					
Australian coking	6.9	6.4	7.7	3.8	3.1
Australian semi-soft coking	5.3	6.2	6.6	3.9	3.0
Australian thermal	40.2	41.1	37.8	17.4	18.9
South African thermal	22.7	20.8	17.7	8.2	8.4
Americas thermal ⁽⁴⁾	10.4	20.7	10.1	5.3	5.1
Total consolidated production	85.5	95.2	79.9	38.6	38.5
Total consolidated Australian sales^{(2)(3):}					
Australian coking export	7.0	6.4	7.7	4.1	3.4
Australian semi-soft coking export	5.3	6.2	6.6	3.9	3.0
Thermal export	31.3	31.6	32.8	15.9	13.8
Domestic	8.2	8.0	6.8	3.1	4.0
Total consolidated Australian sales	51.8	52.2	53.9	27.0	24.2
Total consolidated South African sales^{(2)(3):}					
Thermal export	12.3	11.9	11.1	4.7	4.9
Thermal domestic	11.7	7.9	6.6	3.5	3.1
Total consolidated South African sales	24.0	19.8	17.7	8.2	8.0
Total consolidated Americas thermal sales⁽⁴⁾	10.5	20.6	10.5	5.0	5.0
Attributable Australian sales^{(3):}					
Australian coking export	7.0	6.4	7.7	4.1	3.4
Semi-soft coking export	4.8	5.5	5.9	3.5	2.7
Thermal export	29.6	30.0	30.8	14.8	13.1
Thermal domestic	8.1	7.9	4.8	3.1	2.8
Total attributable Australian sales	49.5	49.8	49.2	25.5	22.0
Attributable South African sales^{(3):}					
Thermal export	9.8	9.6	9.2	3.9	3.9
Thermal domestic	9.8	6.4	5.6	3.0	2.6
Total attributable South African sales	19.6	16.0	14.8	6.9	6.5
Total attributable Americas thermal sales⁽⁴⁾	10.5	20.6	10.5	5.0	5.0
Average received export FOB coal price:					
Australian coking (US\$/t)	232.5	145.0	204.3	193.7	259.6
Australian semi-soft coking (US\$/t)	157.5	122.5	137.3	123.1	187.1
Australian thermal (US\$/t)	95.6	80.3	85.7	80.3	104.0
South African thermal (US\$/t)	78.4	68.1	74.4	69.9	95.5
Americas thermal (US\$/t) ⁽⁴⁾	80.9	74.8	72.6	68.5	101.4

Notes

(1) See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of production amounts and of the production amounts themselves. Production figures have been extracted without material amendment from Xstrata's management records.

- (2) Consolidated production and sales are production and sales as reported in the Group's consolidated financial statements, before the elimination of minority interests. This excludes production and sales attributable to joint venturers in accordance with their proportionate interests in the relevant mine, but includes 100% of production from subsidiaries that the Group controls, irrespective of the Group's shareholding in such subsidiaries.
- (3) Other than South Africa, all sales data is ex-mine and therefore does not include sales of third party purchased coal. South Africa sales include purchase coal for blending with mine production. See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" "Presentation of Information – Production and sales" for an explanation of the basis of preparation of sales amounts and of the sales amounts themselves. Sales figures have been extracted without material amendment from Xstrata's management records.
- (4) Includes Prodeco for the year ended December 31, 2009 Excludes Prodeco for the year ended 2010 and the six months ended June 30, 2010.

For selected production data for the three months ended September 30, 2010 and 2011 and for the nine months ended September 30, 2010 and 2011, see "Operating and Financial Review – Current trading and prospects".

Financial information

The table below provides consolidated financial information in relation to Xstrata Coal for the year ended December 31, 2010 (which has been extracted without material amendment from the Xstrata consolidated financial information included in the Xstrata 2010 Annual Financial Information) and the six months ended June 30, 2011 (which has been extracted without material amendment from the Xstrata 2011 Interim Financial Information):

Xstrata Coal	Year ended December 31, 2010		Six months ended June 30, 2011	
	US\$m	As a percentage of the Group ⁽²⁾	US\$m	As a percentage of the Group
Revenue	7,788	25.5%	4,381	26.1%
Operating profit ⁽¹⁾	2,216	29.0%	1,090	25.7%

Notes

- (1) Includes minority interests, but excludes share of results from associates.
(2) As a percentage of Xstrata's revenue and operating profit, respectively.

Mining operations

Australian operations

Overview

In the year ended December 31, 2010, Xstrata Coal's production in Australia, on a managed tonnage basis, was 67.6 Mt of coal, of which attributable production was 47.5 Mt. Managed export sales during this period amounted to 62.7 Mt (49.9 Mt attributable) and Xstrata believes that this represented approximately 20% of all coal exported from Australia (15% on an attributable export sales basis). Approximately 67% of Xstrata Coal's export sales from Australia for the year ended December 31, 2010 were thermal coal (69% on an attributable tonnage basis).

New South Wales operations

Overview

The Group owns interests in 15 operating coal mines and a number of development projects, most of which are located in or close to the Hunter Valley of New South Wales. Of these 15 mines, 12 are predominantly export mines while the remaining three service the domestic power generators. Expansions currently underway at a number of these mines will increase managed production beyond 50 Mtpa. The Group has an attributable interest of 14% in the operator of the Port Waratah Coal Terminal, located at the port of Newcastle, New South Wales and a consolidated interest of 33.3% in the Port Kembla Coal Terminal, located at the port of Wollongong, New South Wales.

Mines

The Group's principal operating coal mines in New South Wales are:

- the Bulga complex comprising the Bulga open-cut mine, the Blakefield South underground mine and the Baal Bone mine (which is scheduled to close in 2012), which make up the Oakbridge Group;
- the West Wallsend underground mine and the Westside mine (which is scheduled to close in 2012), which make up the Macquarie Coal Joint Venture;
- the Mangoola open-cut mine
- the Liddell open-cut mine;
- the Mount Owen complex, comprising the North and West pits, and the Glendell mine;
- the Ulan underground mine and the recently commenced Ulan West (which is currently subject to a court challenge by an environmental interest group seeking to overturn the Government approval);
- the Narama and Ravensworth West mines, which make up the Ravensworth Group;
- the Tahmoor mine; and
- the Ravensworth Underground mine.

Projects and Developments

Development consent for the Ravensworth North open-cut mine was obtained in February 2011. Construction has commenced with first coal expected in 2012, thereafter ramping up to saleable production of 8 Mtpa.

Sales and marketing of the New South Wales operations' coal

For the year ended December 31, 2010, approximately 85% of the New South Wales attributable sales were to the export market. The New South Wales coal sales are diversified among most of the major power companies and steel mills in Japan, Korea, Taiwan and Malaysia with sales also to China, India and Europe when demand and prices support such sales. Xstrata Coal is currently one of Australia's largest suppliers of semi-soft coking coal and thermal coal to Japan, on a managed basis. Of all the New South Wales operations' coal sales in 2010, both domestic and export, on a managed tonnage basis, approximately 56% was sold for use in electric power generation, approximately 18% for use in steel mill applications and approximately 26% to general industry (which includes third parties that on-sell to various users).

In 2010, the New South Wales operations' six largest thermal coal customers represented, on a managed tonnage basis, approximately 35% of the New South Wales operations' total exported thermal coal sales while its six largest semi-soft coal customers purchased, on a managed tonnage basis, approximately 80% of the New South Wales operations' total exported semi-soft coal. The New South Wales operations are one of the largest suppliers to domestic power stations.

In 2010, the New South Wales operations sold, on a managed tonnage basis, approximately 55% of their total sales volume under coal supply agreements with terms extending beyond one year, either at fixed prices or on quarterly or annually renewable terms. Japan and Taiwan remained the dominant markets in 2010.

Xstrata Coal expects to continue to sell a significant portion of its Australian coal under annually renewable and long-term supply agreements, particularly in Asia. However, a proportion of the global thermal coal trade will continue to be conducted in the short-term or spot market. Owing to the New South Wales operations' current product and market sales mix, and its planned increase in production over the medium-term, Xstrata believes that it is well positioned to secure sales opportunities as they emerge.

Transport of the New South Wales operations' coal

All coal exported by the New South Wales operations is transported to port by rail. Pacific National Limited ("Pacific National") and Xstrata Rail currently provide the New South Wales mines with all freight services. Rail freight contracts are negotiated by producers individually, rather than on an industry basis. Xstrata Rail is a recent initiative of Xstrata Coal to ensure sufficient rail transportation to accommodate planned expansion in production. Currently, Xstrata Coal owns three train sets (soon to be expanded to six) and operates in an alliance with a major rail service provider. The Xstrata Rail trains supplement the service provided by Pacific National, the major rail service provider in New South Wales.

Coal from Xstrata's Hunter Valley operations is exported through the Port Waratah Coal Terminal. The terminal facility is owned and operated by Port Waratah Coal Services Limited. Coal from Baal Bone and Tahmoor is exported through the Port Kembla Coal Terminal which is operated by Port Kembla Coal Terminal Ltd. Domestic coal is transported to power stations by a combination of rail, truck and conveyor.

Queensland operations

Overview

Xstrata Coal manages the Oaky Creek, Newlands-Collinsville-Abbot Point ("NCA") and Rolleston joint ventures and the Wandoan Project. All of the operating coal mines and projects of material value are located in the Bowen Basin, Queensland with the exception of the Wandoan project, which is located in the Surat Basin.

Mines

The Group's principal operating coal mines in Queensland are:

- Oaky Creek (Oaky Creek No. 1 and Oaky North);
- Newlands (open cut and underground) and Collinsville, which make up NCA; and
- Rolleston.

Projects and Developments

Further development of the Surat Basin in Queensland focused on the Wandoan Coal project, which is currently advancing through feasibility stage. Over 1 billion tonnes of reserves have now been identified to underpin thermal coal exports from the initial stage of up to 30 million tonnes per annum. State regulatory approval was granted in November 2010 (which is currently subject to a court challenge by environmental interest groups seeking to have it overturned).

Xstrata Coal has also secured 10.9 Mtpa (out of 27 Mtpa) port capacity in the Wiggins Island Coal Export terminal ("WICET"), which is expected to be completed by mid 2014, and will source coal from Rolleston.

Given the long-term demand for thermal coal from the southern Bowen Basin and the potential of the Surat Basin, Xstrata has also progressed pre-feasibility studies under its exclusive right to develop a new coal export terminal in the vicinity of Port Alma, approximately 40 kilometres north of Gladstone.

Sales and marketing of the Queensland operations' coal

In the year ended December 31, 2010, Xstrata Coal's sales in Queensland, on a managed tonnage basis, were approximately 31 Mt of coal, approximately 92% of which was exported. Approximately 41% of the Queensland operations' production was coking coal, approximately 51% was export thermal coal and the remaining 8% was supplied to the domestic market.

The joint venture with Sumisho Coal Australia Pty Ltd and Itochu Coal Resources Australia Pty Ltd that undertakes mining operations in Oaky Creek in Queensland's Bowen Basin (the "Oaky Creek Coal Joint Venture") produces premium quality coking coals for supply to major steel makers in Japan, other parts of Asia, Europe, North Africa, South Africa and South America. These markets are predominantly serviced under term contract arrangements.

There are also joint ventures in place with Sumisho Coal Australia Pty Ltd and Itochu Coal Resources Australia Pty Ltd for the NCA and Rolleston operations which primarily produce thermal coal for export as well as the domestic market.

Transport of the Queensland operations' coal

Treated coal is transported by rail to the ports of Dalrymple Bay, Gladstone and Abbot Point. The Oaky Creek Coal Joint Venture exports most of its product through the multi-user coal facility at Dalrymple Bay. The Oaky Creek Coal Joint Venture production can also be shipped through Gladstone, which has similar loading capabilities to the Dalrymple Bay facility.

Coal from the Newlands and Collinsville Coal projects is transported by rail to various domestic customers and to the port of Abbot Point for export. Abbot Point is Australia's most northerly coal-shipping port. Abbot Point Bulkcoal Pty Ltd, a wholly-owned subsidiary of Xstrata, operates the port of Abbot Point on behalf of the Ports Corporation of Queensland. Coal from the Rolleston Joint Venture is unwashed and transported by rail to the port of Gladstone.

South African operations

Overview

The Group is South Africa's third largest exporter of thermal coal. In the year ended December 31, 2010, the Group's attributable production of coal from its South African mines was 19.8 Mt and attributable sales were 14.8 Mt, of which approximately 63% was exported. Xstrata believes that during 2010 Xstrata Coal produced approximately 17% of all thermal coal exported from South Africa and approximately 7% of all coal supplied to the South African market. The Group has an interest in 10 operating coal mines in South Africa.

The Group also has a 20.1% interest in the Richards Bay Coal Terminal, which has an annual throughput capacity of 91 million tonnes. Xstrata believes the Group's economic interest in the Richards Bay Coal Terminal provides the South African operations with a strategic advantage due to the associated rights it has to use the coal loading facility.

Mines

The 10 mines the Group manages in South Africa fall into four operating divisions:

- the Tweefontein Division, consisting of opencast and underground operations and four coal-handling preparation plants at Boschmans, South Witbank, Tavistock and Witcons;
- the iMpunzi Division, consisting of the iMpunzi North and East opencast and a coal handling and preparation plant at ATCOM mines;
- Mpumalanga Division, consisting of the Tselentis and Spitzkop mines (which are in the process of being sold); and
- the Goedgevonden Division, consisting of the Goedgevonden mine.

The Group's major holdings are located within two of the major coalfields of South Africa – the Witbank and Ermelo Coalfields. All of the mines that Xstrata Coal operates fall within the Witbank Coalfield with the exception of Tselentis and Spitzkop, which are in the Ermelo Coalfield. Production and planning across all Xstrata Coal's mines are co-ordinated to maximise exports whilst servicing the growing demand for coal for domestic use.

The South African operations have demonstrated significant productivity improvements at a number of its mines over the last three years through the introduction of additional modern mining equipment technology, improvement of mine operating procedures and training of their employees. The South African operations are progressively transitioning to more large scale mechanised open cast operations.

The Group owns surface rights in freehold in respect of most of the mines falling within the Tweefontein, iMpunzi and Mpumalanga Divisions (see "Statutory Authorisations, Licences and Concessions").

Projects and developments

The recently completed Goedgevonden Colliery project is now commissioned.

The iMpunzi (ATCOM) East Project is in the final phase of commissioning and is expected to reach full capacity in the second quarter of 2012.

Sales and marketing of the South African operations' coal

The marketing of the South African operations' coal is managed through Xstrata Coal Marketing AG, with the exception of domestic sales and sales to certain African countries which are managed directly by the South African operations (other than domestic sales from the Douglas/Tavistock joint venture ("DTJV"), which are managed by BHP Energy Coal South Africa (pty) Ltd. ("BECSA")). Xstrata Coal Marketing AG and Xstrata AG have entered into a Market Advisory Agreement with Glencore International in respect of the South African coal exports that it manages. For further information, see "Business – Relationship with Glencore – Commercial relationship – Xstrata Coal".

On an air-dried basis, the export coals produced by the South African operations have a relatively low sulphur content and low moisture levels. The South African operations' coal produced for domestic customers generally has a higher sulphur and ash content and a comparatively lower calorific value than the South African operations' typical export product.

The South African operations' principal marketing strategy is to maximise sales of high margin export coal, using all of its Richards Bay Coal Terminal entitlement. The South African operations sell their incremental tonnage into the domestic market.

Of the South African operations' attributable sales of 14.8 Mt in 2010, approximately 63% was exported. The major market for exports was India followed by China, Korea and then Europe, with Italy and Spain being the South African operations' largest European purchasers. Of the thermal coal exported by the South African operations in 2010, approximately 49% was sold for use in the power industry and the remainder mainly for use in industrial applications such as the cement industry. The South African operations' eight largest export thermal coal customers represented approximately 62% of its total South African exports in 2010. Xstrata does not believe the South African operations are overly dependent upon any one customer. In 2010, there was an increase in sales to Asian markets, which offset reduced demand in Europe.

Of Xstrata Coal's South African attributable domestic sales of 5.6Mt in 2010, approximately 69% was sold to Eskom, the South African state-owned electricity utility, either directly or indirectly through third parties. The major domestic industrial consumers are the paper, sugar, chemical and metallurgical industries and municipal power stations to which Xstrata supplied 31% of its domestic sales.

In 2010, approximately 69% of Xstrata Coal's South African export sales were made under spot contracts, with the remaining sales being made under term coal supply agreements of one year or longer. In 2010, approximately 98% of Xstrata Coal's domestic sales were made under term contracts.

Transport of the South African operations' coal

In 2010, all of the coal exported by Xstrata Coal's South African operations was loaded through the Richards Bay Coal Terminal. The terminal is capable of loading vessels of various sizes and is the only port facility in South Africa with capacity for substantial coal export volumes. For the year ended December 31, 2010 the throughput was approximately 63.5 Mt. All coal that Xstrata Coal's South African operations export through the Richards Bay Coal Terminal is transported to the terminal by Transnet Freight Rail ("TFR"), the State-owned railway operator.

The Group has an 20.1% interest in the Richards Bay Coal Terminal, which is owned by seven coal-producing companies in South Africa including BECSA (a subsidiary of BHP Billiton) and

Anglo Operations Limited (a subsidiary of Anglo American). It has a nominal capacity of 91 Mtpa; for the year ended December 31, 2010 the throughput was approximately 63.5 Mt. The South African operations of Xstrata are entitled to approximately 11.7 Mtpa, after deducting capacity allocated to non-shareholders who are primarily black empowered junior miners, and net entitlement transferred to the South African operations' two joint ventures.

Mineral right applications and conversions

XCSA, the coal division of Xstrata South Africa, has converted 7 old order mining rights, has been granted 12 new order mining rights and 8 prospecting rights. The prospecting rights are valid and in force until December 2012, by which time XCSA has to apply for mining rights in respect of the said rights. All 12 new order mining rights are currently subject to internal appeal procedures following challenges by third parties, and XCSA has objected to the grant of overlapping prospecting rights over one of its prospecting rights.

XCSA has implemented processes to address, and is making real progress in, the transformational issues required by the legislation and associated black charter for the mining industry, including human resource development and employment equity issues, housing and nutrition, migrant labour and procurement from HDSAs. To satisfy the requirement that 15% of the industry be owned by HDSAs by 2009 and 26% of the industry be owned by HDSAs by 2014, XCSA entered into an agreement with ARM in February 2006, which completed on August 24, 2006. See "Risk Factors – Legislative risk factors relating to the Group – Australian native title and South African and Canadian land claims" and "Risk Factors – Legislative risk factors relating to the Group – South African Mineral and Petroleum Resources Development Act, Mining Charter and Royalty Act".

Americas operations

Cerrejón

Overview

The Cerrejón mining operation is a privately-owned, independently-managed joint venture, in which each of BHP Billiton, Anglo American and Xstrata has a one-third indirect interest.

Cerrejón is one of the largest open pit coal mining operations in the world, with a saleable reserve base in excess of 650 Mt as at June 30, 2010. The business is involved in the exploration, production, transportation and shipment of high-grade thermal coal, mined at Cerrejón's deposits, to markets principally in Europe and the Americas.

Located in the North-Eastern part of Colombia adjacent to the Venezuelan border, Cerrejón is well-positioned to supply the import markets of Europe and the Eastern and Gulf Coasts of the United States. Total current infrastructure capacity is estimated to be approximately 32 Mtpa and, in the year ended December 31, 2010, Cerrejón produced approximately 30.2 Mt of export thermal coal, predominantly for the European and American power generation markets.

Coal produced at Cerrejón benefits from relatively low ash content (approximately 8.2%), a low sulphur dioxide emissions profile and high calorific value, making it ideal for power generation.

Projects and developments

The US\$1.3 billion Cerrejón P500 Project – Phase 1, which is designed to increase saleable production and export capacity from 32 Mtpa to 40 Mtpa, was approved by the three Cerrejón shareholders in August 2011.

Sales and marketing of Cerrejón's coal

Coal produced at Cerrejón is exported to markets principally in Europe and the Americas. Competition in these markets is largely on the basis of price. Cerrejón competes with numerous suppliers of thermal coal. In addition, increased production capacity from competitors in other countries may increase competition in the markets in which Cerrejón operates.

CMC Coal Marketing Company Limited ("CMC") markets coal from Cerrejón. CMC operates independently of the three Cerrejón shareholders in accordance with agreed protocols designed to ensure compliance with anti-trust legislation.

Transport of Cerrejón's coal

The mine is linked by rail to the export ocean terminal at Puerto Bolívar on the Caribbean coast. Puerto Bolívar is one of the largest export coal ocean terminals in Latin America.

Litigation and indemnities

Cerrejón is engaged in the following litigation which may have a significant effect on Cerrejón and/or on Cerrejón's financial position or profitability:

- *Unpaid Privatisation of Cerrejón Zona Norte.* Popular Action 1032 has been made against Cerrejón Zona Norte S.A. ("CZN S.A.") and others relating to the privatisation sale of the Colombian State's interest in Cerrejón Zona Norte. Initially, there were three popular actions (1032, 1029 and 1048) that made similar arguments: asserting that the privatisation was null and void and claiming damages. The amount of damages sought pursuant to Popular Action 1032 is approximately US\$2.3 billion. A favourable first instance decision has been issued and concluded that all authorities acted in conformity with law and no damage was caused to collective rights. The plaintiff has appealed this decision, and the second instance decision is still pending. Popular Action 242 was filed by an individual, Martín Nicolás Barros Choles, against Carbones del Cerrejón Limited and others and arises out of the privatization in 2000 of the Cerrejón Zona Norte mining complex in Colombia. The plaintiff asserts that the Association Contract with the government was terminated in advance due to the dissolution of Intercor and Carbocol, which were sold to third parties. Intercor was the Anguillan limited liability company purchased from ExxonMobil, which now exists as Carbones del Cerrejón Limited, an Anguillan international business company. Carbocol was a governmental entity that held, in part, 50% rights to the North Zone. Carbocol privatized and transferred such rights to CZN S.A. The plaintiff also claims Carbocol's sale was made with irregularities that violated the legal provisions in force, because Carbocol did not include its 50% rights in the properties and assets used in the Cerrejón North Zone operation. Rather, Carbocol only included shares in the privatization. Consequently, the plaintiff is requesting the court to order Carbones del Cerrejón Limited to pay for the use and lease of the 50% of the properties and assets used in the Cerrejón North Zone operation until November 2009, at which time all of the properties and assets of the Cerrejón project shall revert to the Nation. Carbones del Cerrejón Limited filed a motion requesting a change of jurisdiction from Riohacha to Bogota and dismissal of the action on the basis that there is currently another popular action relating to the same issues and with the same purpose (Popular Action 1032, discussed above). Carbones del Cerrejón Limited's motion was unsuccessful, and it has now filed a formal reply to the lawsuit. The Riohacha judge denied Carbones del Cerrejón Limited's motion but opined that Barranquilla is the competent jurisdiction, despite the fact that the Barranquilla judge previously rejected the case. Consequently, the Riohacha judge requested a ruling from the Council of State on jurisdiction. The plaintiff filed an appeal against the judge's ruling alleging that the Riohacha judge was indeed the competent authority to decide the case. Carbones del Cerrejón Limited, however, did not appeal the ruling. The Council of State has ruled that the competent judge was that of Riohacha, and the file has been sent there.
- *Julie Carolina Armenta and others vs. the Ministry of Mines and Energy, Ingeominas, Drummond and Carbones del Cerrejón Limited.* The plaintiffs are alleging that the royalties agreed in the mining contracts entered into by the Government with Drummond and Cerrejón do not consider the price of coal; thus when the prices rise, the Government does not obtain any benefit. They intend an indemnification for the Government equivalent to the amount it did not receive when the coal prices were high, or if this is not possible, the annulment of the contracts. Cerrejón filed its reply to the lawsuit, expressing that the plaintiffs' arguments are not correct, since all of Cerrejón's mining contracts consider the price that has to be taken into account for purposes of calculating the corresponding royalties, as per the terms and conditions agreed for each one. Furthermore, Cerrejón's contracts were all in accordance with the legislation in force at the time of their execution. Therefore, Cerrejón requested the dismissal of this action. A favourable first instance decision was issued but just referred to mining concession contracts and not to Cerrejón's contracts, which were not produced by the plaintiff. The plaintiff appealed, and a second instance decision issued in May 2011 confirmed the first ruling. Therefore, this action is definitively terminated for Cerrejón.

- *Analtracarbocol vs. Carbocol and CZN S.A:* The plaintiff is Analtracarbocol (Union of Carbocol) and is requesting annulment of the Mining Exploitation and Transfer (“MET”) contract entered into between Carbocol and CZN S.A, alleging that its award did not comply with the law, as the offer filed by the union was not duly considered, in violation of Article 60 of the Colombian Constitution. CZN S.A. and Carbocol argued that the bidding process, as well as the award of the contract, met all the necessary legal requirements. The first instance decision rejected the demands included in the lawsuit. The plaintiff appealed this decision, and a final decision from the Council of State is pending. Total amount claimed is estimated to be approximately US\$367 million.
- *Barrancas Explosives Tax Assessment:* The municipality of Barrancas has issued to Cerrejón a requirement to declare industry and commerce tax for the production of explosives. Barrancas considers that the explosives agents produced by Cerrejón imply the need to record an income, subject to, and accordingly chargeable with, industry and commerce tax. Cerrejón filed its reply, but, despite its arguments, the municipality imposed a sanction of approximately US\$150 million, equivalent to 20% of a presumptive marketing price of explosives. Cerrejón has alleged that the sanction was illegally calculated on account of the application of a tariff that is not established in current Colombian legislation. Cerrejón appealed the sanction to the Government administrative body, which, although it upheld the sanction, reduced the total amount to US\$81 million (applying the exchange rate as at June 30, 2011). Cerrejón filed a lawsuit seeking to have the sanction set aside. Cerrejón appealed the sanction of the municipality at the same time it filed the lawsuit. Following the appeal that upheld the sanction, another lawsuit was filed, and it was requested that such lawsuit should be joined with the first lawsuit related to the same issue.

Based on its external legal advice, Cerrejón considers that it is not likely that any liability will result from the above claims (other than as indicated), which are being and will be vigorously defended by Cerrejón.

Other projects

The Donkin project, situated in Nova Scotia Canada, continued feasibility studies during 2009 and development options continue to be considered.

On July 28, 2011, Xstrata Coal made an all-cash proposal for First Coal Corporation. The offer values First Coal at CAD147 million (US\$153 million). Following First Coal shareholder approval and court ratification, control of First Coal was obtained on August 4, 2011. The purchase of First Coal provides Xstrata Coal with access to coking coal exploration leases in British Columbia, Canada.

In October 2011, Xstrata Coal agreed to acquire 100% of Lossan from Cline Mining Corporation for C\$43 million, subject to customary conditions. Lossan is located in the Peace River Coalfield of northeastern British Columbia and is surrounded by a group of licenses recently acquired by the Group through the acquisition of First Coal. Lossan has an NI 43-101 compliant resource of 240 million tonnes, with 186 million tonnes being in the “measured” and “indicated” categories. Lossan covers an area of approximately 3,800 hectares and would increase Xstrata Coal’s total tenure in the Peace River Coalfield to almost 100,000 hectares. The acquisition of Lossan was completed on October 13, 2011.

Xstrata Iron Ore

Xstrata Iron Ore, currently managed by Xstrata Coal, has recently acquired several interests in various iron ore projects. In November 2010, Xstrata took control of Sphere which has interests in three iron ore projects in Mauritania, West Africa. In February 2011, Xstrata elected to exercise its option to acquire 50% plus one share in Jumelles Limited (BVI) with respect to the Zanaga iron ore project in the Republic of Congo (Brazzaville). Xstrata Iron Ore is undertaking feasibility studies for the project.

Xstrata Nickel summary

Introduction

The Group is the fifth largest global nickel producer and one of the world’s largest producers of cobalt, Xstrata Nickel’s operations include mines and processing facilities in Canada, the

Dominican Republic and Australia, and a refinery in Norway. Xstrata Nickel has world-class development projects in Canada, Tanzania and New Caledonia.

Pursuant to sole distributorship agreements entered into in April 2007 all of Xstrata Nickel's production of nickel, cobalt and ferronickel has been sold to Glencore. See "Business – Relationship with Glencore – Commercial Relationship – Xstrata Nickel".

Reserves and resource base

For details of Xstrata Nickel's attributable nickel and copper reserve and resource base as at June 30, 2010, please refer to the Mineral Resources and Ore Reserves Report dated December 2010 and incorporated by reference herein and included in the special purpose website at www.Xstrata.com/restricted/2011_us_bond/.

Production

The tables below sets out the total mine production of Xstrata Nickel for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011:

Total production ⁽¹⁾	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(Tonnes)				
Mined nickel ⁽²⁾	73,305	57,052	60,670	27,960	36,709
Nickel production ⁽³⁾	107,523	88,577	92,185	45,458	51,436
Mined copper ⁽²⁾	27,703	25,428	42,697	18,264	26,673

Notes

- (1) See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves.
- (2) Includes contained metal in concentrates and ferronickel from the Falcondo Operation.
- (3) Includes refined nickel production from the Nikkelverk refinery and nickel in ferronickel production from the Falcondo Operation.

For selected production data for the three months ended September 30, 2010 and 2011 and for the nine months ended September 30, 2010 and 2011, see "Operating and Financial Review – Current trading and prospects".

Financial information

The table below provides the consolidated financial information in relation to Xstrata Nickel for the year ended December 31, 2010 (which has been extracted without material amendment from the Xstrata consolidated financial information included in the Xstrata 2010 Annual Financial Information) and the six months ended June 30, 2011 (which has been extracted without material amendment from the Xstrata 2011 Interim Financial Information):

Xstrata Nickel	Year ended December 31, 2010		Six months ended June 30, 2011	
	US\$m	As a percentage of the Group ⁽²⁾	US\$m	As a percentage of the Group ⁽²⁾
Revenue	2,738	9.0%	1,667	10.0%
Operating profit ⁽¹⁾	503	6.6%	433	10.2%

Notes

- (1) Includes minority interests, but excludes share of results from associates.
- (2) As a percentage of Xstrata's revenue and operating profit, respectively.

Mining Operations

The Group's nickel mining operations are located in Australia, Canada and the Dominican Republic.

Australian operations

In Australia, the Group owns and operates the Cosmos Nickel Project in the Mt Keith-Leinster region of Western Australia and its wholly-owned Sinclair Nickel Project located 100 kilometres to the south. To date, six nickel sulphide deposits have been discovered within the vicinity of the Cosmos Nickel operation, namely the Cosmos, Cosmos Deeps, Alec Mairs, Odysseus, Prospero and Tapinos deposits. The Sinclair Operation commissioned and completed the ramp-up for commercial production in 2010. Production for the operation to date has been sourced from the Cosmos, Cosmos Deeps, Alec Mairs Complex, Prospero, Tapinos and the Sinclair underground deposits, with future production expected to be sourced from the Prospero deposit, the Alec Mairs (AM5/AM6) and Odysseus discoveries and the Sinclair underground operation.

Metal in concentrates produced during the year ended December 31, 2010 totalled 16,961 tonnes of nickel, 687 tonnes of copper and 245 tonnes of cobalt.

Canadian operations

In Canada, the Group owns and operates the Sudbury mines and milling operations, including Nickel Rim South (commissioned in April 2010), the Fraser Mine Complex (restarted in 2010), the Strathcona mill and the Raglan mine and milling operation.

Metals in concentrates produced at the Sudbury operations during the year ended December 31, 2010 totalled 16,813 tonnes of nickel (including feed from third parties), 36,074 tonnes of copper (including feed from third parties) and 341 tonnes of cobalt (including feed from third parties).

In the year ended December 31, 2010, the Raglan mine and milling operation, located in the far north region of Quebec, produced 28,237 tonnes of nickel in concentrate, 7,134 tonnes of copper in concentrate and 567 tonnes of cobalt in concentrate.

Dominican Republic operations

In the Dominican Republic, the Group owns 85.3% of Falcondo, which holds a mining concession and owns mining and mineral processing facilities for the production of ferronickel. The other shareholders of Falcondo are the Government of the Dominican Republic (10%), Franco-Nevada Corporation (approximately 4.1%) and various individuals (the remainder). The Falcondo operation was restored from care and maintenance at 50% of installed capacity in March 2011 and produced 5,912 tonnes of nickel in ferronickel in the six months ended June 30, 2011. Falcondo has traditionally been a swing producer as oil prices comprised the majority of the operation's costs for self generation of power but recently started converting to procured electricity, allowing sustainable production.

Smelting and refining operations

The Group's smelting and refining operations are located in Canada, the Dominican Republic and Norway.

Canadian operations

In Canada, nickel/copper concentrate from the Strathcona mill is treated at the Sudbury smelter along with Raglan and Australian concentrates and custom feed from other sources. The Sudbury smelter has the capacity to produce approximately 130,000 tpa of matte. The matte produced is transported to the Nikkelverk refinery in Norway for further processing. In the year ended 31 December 2010, the Sudbury smelter produced 73,667 tonnes of nickel in matte (own mines and other sources) and 22,427 tonnes of copper in matte (own mines and other sources).

Norwegian operations

In Norway, the Group's operations centre on the wholly-owned Nikkelverk refinery and a sulphuric acid plant. The facilities are processing mattes from the Sudbury smelter and custom feed from other third party smelters. The refinery has an annual capacity of approximately 92,000 tonnes of nickel, 38,000 tonnes of copper and 5,200 tonnes of cobalt. The sulphuric acid plant's capacity is approximately 115,000 tpa of sulphuric acid. For the year ended December 31, 2010, the refinery produced 92,185 tonnes of nickel, 36,183 tonnes of copper, 3,208 tonnes of cobalt, 102,922 tonnes of sulphuric acid and 728,734 ounces of precious metals.

Debottlenecking was achieved through a series of process and productivity improvements which enabled increased capacity in the leach and purification sections and in the tankhouse.

Other operations

Xstrata Nickel International Limited ("XNIL") has entered into long-term agreements with Bamangwato Concessions Limited ("BCL") and Centametal AG to treat complex nickel/copper matte from BCL's smelter in Botswana. Under the agreements, XNIL receives approximately 15,000 to 20,000 tonnes of nickel in matte per year. Mattes from the Sudbury smelter and from BCL were the main sources of nickel/copper feed materials for the Nikkelverk refinery during the year.

In addition to these smelting operations, XNIL is responsible for managing the INO custom feed business outside Canada. Custom feed, or third party primary smelter mine production (concentrate), primary smelter production (matte) and secondary raw materials, provides a significant source of feed to the Sudbury smelter and the Nikkelverk refinery. The Sudbury smelter's output from all third party feeds included 13,961 tonnes of nickel, 5,843 tonnes of copper and 1,694 tonnes of cobalt in the year ended December 31, 2010.

In the year ended December 31, 2010, custom feed represented approximately 38% of the nickel, 59% of the copper, and 68% of the cobalt output at the Nikkelverk refinery. Third party volumes recovered along with market conditions in 2010.

Sales and marketing

In March 2007, Xstrata Nickel entered into sole distributorship agreements with Glencore for its nickel, cobalt and ferronickel production. See "Business – Relationship with Glencore – Commercial relationship – Xstrata Nickel".

Projects and Developments

Koniambo

As of August 2011, the Koniambo project in New Caledonia was 76% complete and on track to deliver first ore to the furnace in the second half of 2012. The initial mine life of 25 years at annual production of 60,000 tonnes of nickel in ferronickel can be extended to more than 50 years of economic operation, with the potential for brownfield limonite and saprolite expansions concurrent to or beyond the current 25 year plan. The operation will reach full production in 2014, delivering a world class nickel operation with low second quartile costs into the Group's portfolio.

The main site infrastructure has been completed and the port is already under operating management control.

Engineering work is more than 99% complete, procurement is 95% complete and the bulk of critical materials have been delivered to the site. In the first half of 2011, the metallurgical plant modules were completely placed, mine development work has commenced and is progressing well and the programme to construct supporting on-site infrastructure is around two-thirds complete. Only on-site construction work is outstanding to complete the project.

However, while Koniambo is on schedule to produce first metal in the second half of 2012, the capital cost estimate has been increased to US\$5 billion, of which Xstrata's share is US\$4.6 billion after funding from partners. Koniambo was originally approved at a capital cost of US\$3.85 billion in 2007.

The increased cost arises from productivity and contractor underperformance, which increased costs by US\$420 million against the budget, and the exogenous impact of hyper-inflation on the costs of labour, contractor rates and materials, which increased costs by US\$730 million.

Sudbury

Recently announced was a partnership to extend Xstrata Nickel's Fraser Mine to enable mining of Vale-owned, mainly copper ore bodies. The Group has also approved the US\$119 million Fraser Morgan project in Sudbury to add 6,000 tonnes and 2,000 tonnes per year of nickel and copper, respectively, while extending the life-of-mine of the Fraser Complex by five years to 2025 with initial production in 2013.

Raglan

An incremental expansion at Raglan mine in northern Canada was successfully commissioned during 2011. The Group has further approved a significant expansion to mining operations and infrastructure to increase Raglan's capacity by more than 50% to 40,000 tonnes per annum at a capital cost of C\$552 million (US\$530 million). The project entails the development of two, high-grade ore zones and an associated upgrade of Raglan's concentrator. Production is expected to commence from the new mining zones in 2014.

Xstrata Zinc summary

Introduction

The Group is one of the world's largest miners and producers of zinc, with zinc smelting operations in Spain and Germany; four operating mines, a mine project and a lead smelter in Australia; a lead refining plant in the United Kingdom; interests in the Antamina copper and zinc mine in Peru; two zinc mines, a lead smelter, a refinery and a minority interest in a zinc smelter in Canada; and exploration properties in Canada and Ireland.

Reserves and resource base

For details of Xstrata Zinc's attributable zinc reserve and resource base as at as at June 30, 2010, please refer to the Mineral Resources and Ore Reserves Report dated December 2010 and incorporated by reference herein and included in the special purpose website at www.Xstrata.com/restricted/2011_us_bond/.

Production

The tables below set out the attributable mine, smelter and refinery production of Xstrata Zinc broken down between the Group's operations for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011:

Operation ⁽¹⁾	Type	Attributable interest (%)	Year ended December 31,			Six months ended June 30,	
			2008	2009	2010	2010	2011
			Attributable production (tonnes) (k oz for silver)				
<i>Mines</i>							
Mount Isa	Zinc	100	283,063	324,164	355,024	168,148	174,513
	Lead	100	140,023	126,227	143,666	72,640	67,525
McArthur River	Zinc	100	142,460	166,467	183,517	88,459	90,765
	Lead	100	36,560	37,093	31,635	14,561	17,092
Silver		100	1,282	1,465	1,463	641	721
Brunswick	Zinc	100	242,478	252,416	214,035	121,373	113,039
	Lead	100	70,406	66,462	60,315	33,870	31,257
	Silver	100	3,888	3,439	3,313	1,890	1,650
Antamina	Zinc	33.75	117,381	154,000	130,326	74,601	52,773
Perseverance	Zinc	100	60,265	135,708	139,350	68,982	69,047
	Copper	100	3,793	8,607	10,005	5,233	4,890
<i>Smelters & refineries</i>							
Mount Isa	Lead	100	166,866	146,099	140,059	73,972	66,650
	Silver	100	10,197	7,791	6,775	3,791	2,957
San Juan de Nieva	Zinc	100	450,381	500,776	501,119	253,287	253,302
Nordenham	Zinc	100	151,096	146,634	145,943	70,091	76,767
Northfleet	Lead	100	139,062	157,865	153,453	78,982	68,868
	Silver	100	7,907	8,758	7,461	3,762	2,447
Brunswick	Lead	100	81,329	83,620	85,282	44,224	39,129
	Silver	100	4,897	9,075	13,066	6,568	6,585
Kidd (closed 2010)	Zinc	100	121,193	112,693	46,243	46,243	–
CEZinc	Zinc	25	72,895	65,105	72,562	35,250	36,270

Note

- (1) See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves.

For selected production data for the three months ended September 30, 2010 and 2011 and for the nine months ended September 30, 2010 and 2011, see "Operating and Financial Review – Current trading and prospects".

Financial information

The table below provides the consolidated financial information in relation to Xstrata Zinc for the year ended December 31, 2010 (which has been extracted without material amendment from the Xstrata consolidated financial information included in the Xstrata 2010 Annual Financial Information) and the six months ended June 30, 2011 (which has been extracted without material amendment from the Xstrata 2011 Interim Financial Information):

Xstrata Zinc	Year ended December 31, 2010		Six months ended June 30, 2011	
	US\$m	As a percentage of the Group ⁽²⁾	US\$m	As a percentage of the Group
Revenue	3,922	12.8%	1,937	11.5%
Operating profit ⁽¹⁾	917	12.0%	537	12.6%

Notes

(1) Includes minority interests, but excludes share of results from associates.

(2) As a percentage of Xstrata's revenue and operating profit, respectively.

Mining, smelting and refining operations

Xstrata Zinc incorporates:

- the George Fisher-Hilton, Handlebar Hill and Black Star mines at Mount Isa and the Mount Isa lead smelter in Queensland, Australia;
- the McArthur River mine in Northern Territory, Australia;
- interests in the Lennard Shelf zinc mine in Western Australia (now closed);
- the lead refining plant at Northfleet in the United Kingdom;
- interests in the Antamina copper and zinc mine in Peru;
- the Perseverance mine in Quebec, Canada commissioned in 2008;
- the Brunswick zinc mine, the Brunswick lead smelter and refinery in New Brunswick, Canada;
- the Kidd Creek zinc smelter in Ontario, Canada (closed in May 2010);
- a minority interest in the Noranda Income Fund's Canadian Electrolyte Zinc Limited ("CEZ") zinc smelter in Quebec, Canada;
- a lead refinery and specialized services in Lachine, Quebec, Canada;
- exploration properties in Ireland and Canada;
- recently acquired Canadian prospects in Nunavut with the potential to develop into a significant zinc, lead and silver mine;
- the San Juan de Nieva electrolytic zinc plant, the Arnao manufacturing facility and the Hinojedo roasting plant in Spain; and
- the Nordenham electrolytic zinc plant in Germany.

In Canada, Xstrata Zinc's main activities are the production of zinc concentrates and zinc and lead metal. The raw material feed stream for the CEZ refinery is managed through a combination of third party purchases and the integrated mine production of the Group. This

allows Xstrata Zinc to take advantage of transport cost differentials and the treatment capabilities of its refineries. Concentrate purchases originate with both local mines and, subject to market conditions, offshore mines. Xstrata Zinc also markets Antamina zinc concentrates to European customers.

Xstrata Zinc produces zinc concentrate and copper concentrates at its mines and procures and processes zinc concentrate at the CEZ refinery owned by the Noranda Income Fund (in which the Group has a 25% interest). Xstrata Zinc also produces lead concentrates at the Brunswick mine and procures and processes lead/silver concentrates, residues and recycled materials at the Brunswick smelter. Marketing of the CEZ refinery and Xstrata Zinc's zinc metal and related alloys, as well as Xstrata Zinc's lead metal and related alloys, is carried out by Xstrata Zinc. In addition, Xstrata Zinc operates the General Smelting of Canada foundry in Lachine, Quebec, which produces various lead and zinc alloys and anodes. Xstrata Zinc also operates NorFalco LLC, which markets, transports and distributes the sulphuric acid produced by all of the Group's copper, zinc and nickel operations located in Canada to customers in North America.

In Australia, ore from the Black Star and Handlebar Hill open-cut zinc/lead/silver mines and the George Fisher-Hilton mine is concentrated at Mount Isa, producing separate zinc and lead concentrates. The zinc concentrate is used by Xstrata Zinc's zinc smelters and sold to third parties, while the lead concentrate is smelted on site at the Mount Isa lead smelter, and the lead bullion is shipped to the Northfleet lead refinery in the United Kingdom for processing. The McArthur River mine produces a bulk zinc/lead/silver concentrate, which is sold to third parties.

In Europe, Xstrata Zinc produces and markets refined zinc metal, alloys and other zinc semi-manufactured products from its San Juan de Nieva smelter, Arnao and Hinojedo plants in northern Spain and at its Nordenham smelter in Germany. Xstrata Zinc also produces and markets refined lead and alloys at its Northfleet refinery in the UK.

Sales and marketing

Around half of all zinc currently consumed is used for galvanizing steel, which is an environmentally friendly method of protecting steel against corrosion. Zinc also finds application in the manufacture of die-cast alloys, brass and the production of zinc oxides and chemicals.

In the year ended December 31, 2010, zinc metal sales represented about 42% of Xstrata Zinc's revenue, while zinc concentrate sales represented approximately 31% and refined lead and silver approximately 19%. The remainder consists of sales of by-products such as cadmium, sulphuric acid and sulphur dioxide.

Practically all of the zinc metal produced by Xstrata Zinc is sold in EU countries, Canada and the United States. European markets in order of importance are Spain, Germany, Portugal, Austria, France and the United Kingdom. In the European markets, Xstrata Zinc's smelters principally supply the galvanising sector. Glencore was Xstrata Zinc's largest customer in 2010, accounting for approximately 39% of its global zinc metal sales.

Zinc concentrates are sold mainly to Japan, South Korea, China, Australia and Europe. Glencore was Xstrata Zinc's largest customer in 2010, accounting for approximately 39% of total zinc concentrate sales. Over the course of 2010, approximately 15% of Xstrata Zinc's zinc metal sales were made under term contracts while approximately 85% of Xstrata Zinc's sales were on a spot basis.

Xstrata Zinc sells to the CEZ processing facility up to 550,000 tpa of zinc concentrate from its own mines and from third party suppliers, under a supply and processing agreement to support 100% of planned production rates to May 2017. Xstrata Zinc markets zinc and bulk concentrates to third party smelters and traders into the global market. In addition, it acts as sales agent in Europe on behalf of Antamina's frame sales agreements.

Xstrata Zinc acts as a marketing agent for CEZ. Marketing of the CEZ refinery and Xstrata Zinc's zinc metal and related alloys, as well as Xstrata Zinc's lead metal and related alloys, is carried out through its head office in Toronto, Ontario and affiliated marketing offices in Cleveland, Ohio.

Xstrata Zinc procures its own and third party lead concentrate and secondary feeds for the Belledune Lead Smelter and manages the sale of approximately 85,000 tpa of refined lead.

Projects and developments

Zinc Lead Australia

Final approvals were received in September 2010 for an AUD274 million expansion of George Fisher underground mine to increase production by 28% by 2013. Since Xstrata acquired the asset in 2003 George Fisher zinc reserves have increased by 126% to become one of the largest known zinc reserves in the world.

The AUD130 million Black Star Open Cut Deeps development announced in March 2010 will extend the life of the open cut by four years to 2015 at current production rates. The project is expected to add 15 million tonnes of ore to the production profile at a rate of 4.5 million tonnes per year.

AUD35.5 million was also approved for secondary and tertiary surface crushers to be constructed at George Fisher North. This will reduce operating costs and ensure there is crushing capacity available for the increase in production in 2013 from George Fisher.

At McArthur River, a feasibility study will be completed in 2011 for the expansion of the mine to 5.5 million tonnes per annum rate in 2014. This doubling of production capacity will supplement the required throughput needed for the future European plants that will use Xstrata's proprietary hydrometallurgy technology.

In February 2011, Xstrata Zinc announced it had acquired the remaining 25% interest in the Lady Loretta joint venture held by Cape Lambert Lady Loretta Pty Ltd for AUD30 million (US\$30 million), subject to conditions. The acquisition increases Xstrata Zinc's ownership of the Lady Loretta assets to 100%. The Group has approved the construction of the greenfield Lady Loretta zinc-lead-silver mine in northwest Queensland, Australia at a capital cost of AUD246 million (US\$239 million) to produce an annual average of 126,000 tonnes of zinc in concentrate and 40,000 tonnes of lead in concentrate over 10 years. According to current plans, the Lady Loretta mine may commence production in the fourth quarter of 2013.

Zinc Lead Europe

An industrial scale demonstration plant at San Juan de Nieva using Xstrata's proprietary hydrometallurgy technology was commissioned in 2010 to treat McArthur River Mine bulk concentrates, currently processed predominantly by imperial (ISF) smelters. This will allow the viability of the process to be assessed on an industrial scale, which is expected to be operating in 2015.

At Nordenham, the construction of the Xstrata's Proprietary Hydrometallurgy Technology Demo Plant was completed in early January 2011. The plant is an alternative route for processing bulk concentrate from McArthur River. This development will enable Xstrata Zinc to substitute zinc calcine feed from Spain with McArthur River bulk concentrate from 2011.

Exploration efforts in Ireland have identified significant zinc mineralisation at the Pallas Green property near Limerick. A EUR7 million exploration programme was carried out in 2010 in conjunction with a 23.6% joint venture partner to define and increase economic reserves and initiate baseline studies and confirmed the potential of this project. A EUR13 million extensive exploration and delineation programme associated with a pre-feasibility study is planned for 2011.

In July 2011 Xstrata Zinc entered into an agreement to purchase for US\$19.4 million the 23.6% interest that it did not own from its joint venture partner Minco Plc. This transaction closed on October 28, 2011. Under the agreement Xstrata Zinc acquired all ten prospecting licenses related to the Pallas Green Project.

Zinc Lead Americas

Building on the success of the Persévérance mine, work is progressing on the Bracemac-McLeod project, five kilometres east of the Matagami concentrator. This project was approved in July

2010 at a capital cost of US\$151 million (CAD159 million) after completing the feasibility study in the second quarter of 2010. Development started immediately and progressed as the necessary permits were received. The mine is expected to commence production in the first quarter of 2013.

A CAD5 million programme is being carried out in 2011 to discover new resources and potentially extend the life of the Matagami camp. Two new exploration programmes were initiated in 2010, one on the Mattabi-Sturgeon Lake property in north-western Ontario and one on the Puisseaux-Selbaie property west of Matagami.

On October 4, 2011, the Group closed the acquisition of the Hackett River and Wishbone Properties, Canadian prospects in Northern Canada in the province of Nunavut, from Sabina for cash consideration of C\$50 million. Exploration drilling in Hackett River is underway and has confirmed an NI 43-101 compliant resource of approximately 60 million tonnes of ore containing zinc, silver, copper, lead and gold, with approximately 5.2 million tonnes of zinc equivalent, housed within four proximal near surface deposits amenable to open pit mining. Both properties contain significant additional exploration potential. The Hackett River Property comprises nine mineral leases totaling 12,250 hectares. The Wishbone Property comprises 132 mineral claims covering 107,227 hectares.

Concentrate suppliers

Following the expansion of the San Juan de Nieva plant's design production capacity, the acquisition of the Nordenham smelter and the acquisition of Falconbridge, approximately 2.0 Mtpa of zinc concentrate is required as feedstock to the Xstrata Zinc electrolytic zinc plants for them to operate at current capacity.

San Juan de Nieva and Nordenham typically purchase zinc concentrates from more than ten third party sources, of which five accounted for approximately 52% of their total concentrate requirements in 2010. San Juan de Nieva and Nordenham have contracted for almost all of their total zinc concentrate requirements for 2010. Approximately 181,000 tonnes of zinc concentrate are expected to be sourced from Mount Isa in 2010. Over the course of 2010, Glencore supplied approximately 40% of zinc concentrates sourced by Xstrata Zinc from third parties and is the principal supplier of Xstrata Zinc, in addition to being its largest customer. These purchases and sales were all made under contracts on arm's length terms. In addition, in 2010, Teck Cominco's Red Dog mine in Alaska accounted for approximately 15% of Xstrata Zinc's total zinc concentrate requirements.

Xstrata Alloys summary

Introduction

The Group is one of the world's largest and amongst the world's lowest cost integrated ferrochrome producers (through the Xstrata-Merafe Chrome Venture), one of the largest producers of primary vanadium and a growing producer of platinum group metals. Xstrata Alloys also owns carbon operations which supply key raw materials to its ferrochrome production operations. All of Xstrata Alloys operations are based in South Africa.

Xstrata Alloys' operations are located across the mineral-rich Bushveld Igneous Complex in South Africa's North West, Limpopo and Mpumalanga provinces. In line with South Africa's MPRDA 2002 and associated Mining Charter (amended in September 2010), Xstrata Alloys has fulfilled all of its Black Economic Empowerment ("BEE") obligations in respect of transfer of ownership, which are required for security of tenure.

Financial information

The table below provides the consolidated financial information in relation to Xstrata Alloys for the year ended December 31, 2010 (which has been extracted without material amendment from the Xstrata consolidated financial information included in the Xstrata 2010 Annual Financial Information) and the six months ended June 30, 2011 (which has been extracted without material amendment from the Xstrata 2011 Interim Financial Information):

Xstrata Alloys	Year ended December 31, 2010		Six months ended June 30, 2011	
	US\$m	As a percentage of the Group ⁽²⁾	US\$m	As a percentage of the Group ⁽²⁾
Total				
Revenue	1,894	6.2%	992	5.9%
Operating profit ⁽¹⁾	353	4.6%	115	2.7%

Notes

(1) Includes minority interests, but excludes share of results from associates.

(2) As a percentage of Xstrata's revenue and operating profit, respectively.

Chrome and vanadium operations

Introduction

Xstrata Alloys, together with its Pooling and Sharing Venture ("PSV") partner, Merafe Resources Limited ("Merafe"), have a combined capacity of approximately 1.979 million tonnes of ferrochrome per annum representing approximately 18% of disclosed global capacity. The Group is currently one of the largest ferrochrome producers in the world and amongst the lowest cost integrated ferrochrome producers in the world.

Xstrata Alloys believes it is well placed to maintain and continue to grow its ability to offer a wide range of ferrochrome products and to produce large volumes at low cost. The Chrome Business has the ability to pursue continued growth in its chrome operations whilst at the same time seeking to maintain its position as one of the lowest cost producers of ferrochrome in the world.

The Vanadium Business's operations comprise the mining of magnetite ore, the production of vanadium pentoxide and the conversion of vanadium trioxide to ferrovandium. Capacity for the vanadium operations is approximately 22 million pounds of vanadium pentoxide equivalent per annum, which Xstrata Alloys estimates represents approximately 5.6% of global production.

Reserves and resource base

For details of Xstrata Alloys's attributable chrome and vanadium reserve and resource base as at June 30, 2010, please refer to the Mineral Resources and Ore Reserves Report dated December 2010 and incorporated by reference herein and included in the special purpose website at www.Xstrata.com/restricted/2011_us_bond/.

Production

The tables below set out the attributable ferrochrome production, and vanadium pentoxide production of Xstrata Alloys for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011:

Material ⁽¹⁾	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
Ferrochrome (thousand tonnes) ⁽²⁾	1,126	786	1,165	608	581
Vanadium ⁽³⁾					
Ferrovandium (tonnes)	3,622	2,284	4,311	2,186	1,977
V ₂ O ₅ (thousand pounds)	16,604	11,492	21,874	10,707	10,093

Notes

- (1) Production of Ferrchrome and Vanadium is in South Africa. See "Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Production and sales" for an explanation of the basis of preparation of the production amounts and of the production amounts themselves. Production figures have been extracted without material amendment from Xstrata's management records.
- (2) Including Xstrata's 79.5% share of Xstrata-Merafe Chrome Venture.
- (3) 100% consolidated.

For selected production data for the three months ended September 30, 2010 and 2011 and for the nine months ended September 30, 2010 and 2011, see "Operating and Financial Review – Current trading and prospects".

Description of the chrome and vanadium operations

Chrome

Xstrata Alloys' chrome operations consist of six operating chrome mines and 20 ferrochrome furnaces, all of which are managed through a combined PSV with Merafe. The assets are managed along with all of the other PSV assets by the Joint Board of the PSV. The Group's attributable interest in the PSV is 79.5%. In line with the BEE requirements of the MPRDA, Merafe has the option to increase its participation interest in the PSV to 26% including through the disproportionate funding of future expansion projects.

The marketing of the Group's ferrochrome production (other than certain tonnage sold into Asia, accounting for approximately 92% of the Group's ferrochrome sales in the year ended December 31, 2010) is supported by Glencore under marketing agency and distribution agreements. For further information see "Business – Relationship with Glencore – Commercial relationship – Xstrata Alloys – Chrome operations".

Vanadium

Xstrata Alloys' vanadium operations consist of its Rhovan plant, which is an integrated mining and vanadium processing plant that produces and converts vanadium pentoxide (V_2O_5) into ferrovandium (FeV). In 2009 transaction agreements were concluded with the Bakwena Ba Mogopa traditional community giving them a 26% participation in the vanadium business through a PSV, similar to the Xstrata-Merafe chrome venture.

All of the vanadium pentoxide and ferrovandium produced by the Vanadium Business is marketed or distributed by Glencore under marketing, agency and distribution agreements. For further information, see "Business – Relationship with Glencore – Commercial relationship – Xstrata Alloys – Vanadium operations".

Xstrata Alloys is currently reducing its electricity usage across both the ferrochrome and vanadium operations due to power supply restrictions applied by South Africa's electricity utility Eskom. While Xstrata Alloys anticipates that power shortages will continue to limit ferrochrome supply in South Africa over the next five years until new generating capacity comes on line, it believes it is relatively well positioned with its energy efficient and proprietary Premus technology (which is a substantial modification of the highly efficient closed furnace and pelletising technology) and the flexibility afforded through its 20 furnace operations spanning five sites. Xstrata Alloys is also investigating alternative sources of electricity, other than Eskom.

Projects and developments

In 2010, the Board approved the second phase of the Lion smelter complex expansion and the associated Magareng mine development. The expansion will involve the construction and commissioning of a 360,000 tonnes per annum capacity smelter and will increase the Xstrata-Merafe chrome venture's total ferrochrome capacity to over 2.3 million tonnes per annum at a capital cost of ZAR4.9 billion (US\$710 million). Bulk earthworks have commenced and commissioning is planned for the first half of 2013.

An agreement was concluded with Lonmin to increase and extend the current UG2 off-take agreement from tailings at Lonmin's Marikana operations. The tailings will be treated through

chromite recovery plants that will be built, owned and operated by the Xstrata-Merafe chrome venture. Total UG2 supply sourced through this deal agreement is expected to amount to approximately 1.5 million tonnes per annum.

The Xstrata-Merafe chrome venture also approved the construction of a new 600,000 tonnes per annum pelletizing and sintering plant. Project Tswelopele will be constructed at a capital cost of US\$114 million at the Rustenburg plant and is expected to be fully operational in 2013. The plant will agglomerate some of the additional UG2 from the Lonmin operations, significantly improving operational efficiencies and costs and delivering environmental improvements.

The Horizon mine development remains on schedule to reach a production capacity of 40,000 tonnes per month by the end of 2012. Production at Waterval mine started at the end of the first quarter of 2011, producing an average of 30,000 tonnes per month from available mineable panels.

Mineral right applications and conversions

Xstrata Alloys, a division of Xstrata South Africa (Pty) Ltd, has, to date, submitted all of its applications for new order prospecting and mining rights under the MPRDA. All of these applications have been granted to Xstrata Alloys by the Department of Mineral Resources ("DMR"). With regards to the conversion of existing old order prospecting and mining rights, all of its applications to date have been submitted to the DMR and have been granted. With regards to the requirement that 15% of the industry be owned by Historically Disadvantaged South Africans ("HDSAs") by 2009 and 26% of the industry be owned by HDSAs by 2014, Merafe is Xstrata Alloys' black economic empowerment partner in the business with a current share of 20.5%, which Xstrata expects will increase to the required 26% well within the stipulated regulatory timeframe.

The DMR has granted to the Rhovan vanadium operation a new order mining right for the mining of vanadium ore. This right is valid for a period of 20 years.

The Group has completed a transaction with the Bakwena-Ba-Magopa community, whereby a 26% participation interest in the Rhovan operations was transferred to such community. Definitive agreements in this regard have been concluded and executed.

All the charter requirements of the MPRDA, such as employment equity and procurement requirements are fully on track and Xstrata Alloys expects full compliance to be achieved. The other requirements of the MPRDA, including the social and labour plans and human resources development plans, have been accepted by the DMR. See "Risk Factors – Legislative risk factors relating to the Group – Australian native title and South African and Canadian land claims" and "Risk Factors – Legislative risk factors relating to the Group – South African Mineral and Petroleum Resources Development Act, Mining Charter and Royalty Act".

Platinum Group Metals operations

Introduction

Xstrata Alloys has successfully established a foothold in the platinum group metals ("PGMs") market through its participation in the Mototolo joint venture with Anglo Platinum, the acquisition of Eland Platinum in 2007 and the subsequent rapid development of the Elandsfontein mine and concentrator.

Xstrata Alloys' chrome operations operate mines in the same geological complex as the South African platinum industry, and use similar smelting technology. The industry leading cost profile for chrome confers competitive advantages in PGM production too. Xstrata Alloys believes that it is well positioned to build a PGMs business of scale through the delivery of its project pipeline and more acquisitions.

Between August and October 2008 the Xstrata Group acquired a stake of 24.9% in platinum producer Lonmin, for a total cash consideration of US\$1,878 million. Further information is set out in "Operating and Financial Review – Principal factors affecting the Xstrata Group's business – Acquisitions and disposals".

In 2009, the PGMs business produced approximately 223,409 ounces of PGMs in concentrate, with the capacity for operations to reach a total steady state production of approximately 670,000 ounces of PGMs in concentrate per annum.

Reserves and resource base

For details of Xstrata Alloys’s platinum group metals reserve and resource base as at June 30, 2010, please refer to the Mineral Resources and Ore Reserves Report dated December 2010 and incorporated by reference herein and included in the special purpose website at www.Xstrata.com/restricted/2011_us_bond/.

Production

The tables below set out the attributable mine, smelter and refinery production of Xstrata Alloys broken down between the Group’s operations for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011:

PGM Production ⁽¹⁾	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(oz)				
Total production					
Platinum	138,098	132,969	117,659	63,937	50,677
Palladium	65,774	67,435	59,584	32,882	25,237
Rhodium	18,644	21,182	19,602	10,759	8,178
Attributable production					
Platinum	102,183	98,389	46,570	25,978	37,499
Palladium	48,669	49,898	19,696	11,621	18,674
Rhodium	13,795	15,674	7,540	4,316	6,051

Note

(1) Production is in South Africa. See “Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation” and “Presentation of Information – Production and sales” for an explanation of the basis of preparation of production amounts and of the production amounts themselves. Production figures have been extracted without material amendment from Xstrata’s management records.

For selected production data for the three months ended September 30, 2010 and 2011 and for the nine months ended September 30, 2010 and 2011, see “Operating and Financial Review – Current trading and prospects”.

Description of platinum group metals operations

The Mototolo Platinum Mine is a 50:50 joint venture between Anglo Platinum and XK Platinum Partnership (74% of which is held by Xstrata Alloys and 26% of which is held by Kagiso Platinum Venture Pty (Ltd), and is situated adjacent to Xstrata Alloys’ Thornccliffe Chrome Mine on the Eastern Limb of the Bushveld Complex. Xstrata Alloys manages the mining operations, while Anglo Platinum manages the concentrator operations. All PGMs concentrate produced by the joint venture is sold to Anglo Platinum under a concentrate off-take agreement. At steady state it is anticipated that the mine will produce approximately 200,000 ounces of PGMs in concentrate per annum.

In 2007, Xstrata Alloys acquired Eland Platinum, which included a 73.994% interest (with the balance of 26.01% held by its BEE partner, the Ngazana consortium) in the already operational Elandsfontein mine and concentrator. All PGMs concentrate and associated by-products produced by the Elandsfontein mine are sold to Anglo Platinum under a concentrate off-take agreement. At steady state it is anticipated that the mine will produce approximately 470,000 ounces of PGMs in concentrate per annum.

In association with the Eland Platinum transaction, Xstrata Alloys acquired two additional properties; the first property being contiguous to Elandsfontein (Madibeng) and the second property located near Anglo Platinum’s Rustenburg Mine (Beestekraal), with both properties providing future PGMs project development potential.

Projects and developments

At Eland, the development of the western decline, the Kukama Shaft, is progressing well. Some challenges have been experienced due to poorer than expected ground conditions and initial production from the first mining level is expected during the first quarter of 2012.

Development also commenced in June 2010 at the the Nyala Shaft, the US\$201 million eastern decline development at Eland. Production from the first mining level is scheduled for the second quarter of 2012.

The underground operations are expected to produce 250,000 tonnes per month by the end of 2013 and steady state production of 500,000 tonnes per month is expected to be reached during the last quarter of 2015, doubling production levels to approximately 300,000 platinum ounces per annum. Eland is expected to have an estimated mine life of approximately 21 years (excluding the Madibeng reserves).

Xstrata Alloys continues to assess its medium to long-term PGM growth options through the development of its exploration portfolio with junior companies.

Exploration drilling at Beestkraal, scaled back during 2009 to preserve cash, resumed during 2011, with one borehole of 2,000 metres planned for the year. To date, 10 boreholes and an aeromagnetic survey of the area have been completed.

The bankable feasibility study for the five farms comprising the northern and southern Garatau portion of the Nkwe Platinum Ltd ("Nkwe") and Genorah Resources (Pty) Ltd ("Genorah") project area, located on the Eastern Limb of the Bushveld Igneous Complex, is ongoing. It is anticipated that such study will be finalised shortly. Xstrata Alloys anticipate completing their review of the final bankable feasibility study by the end of 2011, following which Xstrata Alloys will decide whether or not to exercise the 50% participation option it has acquired in respect of the five properties comprising the Nkwe and Genorah project area.

Mineral right applications and conversions

In respect of the Mototolo operations, the conversion has been granted for the Thorncliffe/Helena application. Xstrata has notarially executed the Mining Right, and an application is planned to be made to the DMR for the relevant converted PGM rights to be ceded to the Mototolo Joint Venture or for the DMR's approval of a similar structure.

With regards to the Eland operations, eleven Prospecting Rights and two New Order Mining Rights, which are valid for periods of thirty years each, have been granted and notarially executed by the DMR.

Xstrata Alloys has entered into a partnership agreement with Kagiso to give effect to the BEE obligations in relation to the Mototolo Joint Venture. Xstrata Alloys has also entered into a joint venture agreement with the Ngazana Consortium, which holds a 26.01% stake in the Eland Platinum mining operations and assets. All the charter requirements of the MPRDA, such as employment equity and procurement requirements are fully on track and Xstrata Alloys expects full compliance to be achieved. The other requirements of the MPRDA, such as the social and labour plans and human resources development plans that were submitted with applications, were approved by the DMR. See "Risk Factors – Legislative risk factors relating to the Group – Australian native title and South African and Canadian land claims" and "Risk Factors – Legislative risk factors relating to the Group – South African Mineral and Petroleum Resources Development Act, Mining Charter and Royalty Act".

Other products and activities of the Group

Technology

The devolved management structure of Xstrata means that most technology research and development activity is directed from within commodity units. The intent is to keep research focused and closely engaged with the needs of the business. Commodity groups use a variety of methods to conduct research, including directly on sites, through external contractors, institutions and consultants, direct relationships and projects with universities, and through collaborative industry bodies and research projects.

In addition to the commodity unit directed research, Xstrata operates two stand-alone Technical Groups: Xstrata Process Support (“XPS”) and Xstrata Technology.

XPS provides expert technical services to the minerals sector through four specialist departments – Extractive Metallurgy, Process Mineralogy, Materials Technology and Process Control. Based in Sudbury, Ontario, it has metallurgical facilities including quantitative mineralogy, laboratory and pilot facilities to conduct investigations in grinding, flotation, leaching, smelting, refining, and ore body evaluation techniques. It develops new methods for treating ores and custom feeds, improved flowsheets for new and existing operations, and methods to improve environmental performance and efficiency of operations. It provides support to all Xstrata business units and third-party customers. Xstrata businesses seek technical support from many suppliers, but may choose XPS for highly specialised or competitive-advantage work. Further specialist facilities are dedicated to provide internal support at various sites.

The Group participates in a number of focused exploration research projects designed to reduce the cost and increase the likelihood of success of mineral exploration. Projects include the areas of geophysics, geology, geochemistry and remote sensing. The Group is also involved in the development, acquisition and application of technologies to improve the performance of its mining and metallurgical businesses and to create opportunities for business growth.

Xstrata Technology develops and markets processing, smelting and refining technologies to third parties through licensing arrangements and the supply of key equipment components and technical services. This assists the further development of technologies that are core to Group operations, by the development of wide user groups to work together on improvements for mutual benefit.

Operational hazards and insurance

The Xstrata Group’s operations are subject to numerous operating risks, which include geological conditions such as unexpected geological features, or seismic activity, climatic conditions such as flooding or drought, interruptions to power supplies, environmental hazards, technical failures, fires, explosions and other accidents at a mine, processing plant, cargo terminal or related facilities. These risks and hazards could also result in damage to, or destruction of, properties or production facilities, personal injury, environmental damage, business interruption and possible legal liability.

The Xstrata Group maintains insurance through a number of international insurers prepared to provide cost effective insurance cover to the metals and mining industry. The insurances are arranged via international brokers, who provide an assurance that the types of insurance are customary for the mining and metal industry and limits and coverages are appropriate for the Xstrata Group. The Xstrata Group has placed part of its property and business interruption insurance directly with a wholly-owned insurance subsidiary.

For substantially all of the Xstrata Group’s operations, the Xstrata Group maintains:

- property and business interruption insurance, which protects against losses relating to the Xstrata Group’s assets;
- public and products liability insurance, which protects against claims by third parties for bodily injury or damage to property; and
- freight insurance, which protects against losses relating to the transport of the Xstrata Group’s equipment, product inventory and concentrates.

The Xstrata Group’s insurance does not cover every potential risk associated with its operations. In particular, meaningful coverage at reasonable rates is not obtainable by the Xstrata Group or other companies within the industry for certain types of environmental hazards, such as gradual pollution or other hazards as a result of the disposal of waste products. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the Xstrata Group’s financial condition or results of operations. Moreover, no assurance can be given that the Xstrata Group will be able to maintain adequate insurance in the future at rates it considers reasonable. See “Risk Factors – Risk factors relating to the business of the Group – Operational considerations”.

Regulatory and environmental matters

The operations of the Group are extensively regulated. National, state and local authorities in the countries in which the Group has operations regulate the industries in which the Group operates with respect to matters including, but not limited to, employee health and safety, royalties, permitting and licensing requirements, planning and development and environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, emissions and discharge requirements, plant and wildlife protection, reclamation and rehabilitation of mining properties before, during and after mining is complete, surface subsidence from underground mining and the effects that mining has on surface and/or groundwater quality and availability). In addition to mandated environmental safeguards, the Group has many initiatives to improve both the internal and external environment, such as health research, auditing and risk management programmes. These aspects are aligned with and support the Group's commitment to sustainable development, where the Group balances social, environmental and economic considerations to manage its business. The Group believes that operating to leading standards of health, safety and environmental management, contributing to the development of sustainable communities and engaging with its stakeholders in two-way, open dialogue, regardless of its location, enhances its corporate reputation and is a source of competitive advantage. This enables the Group to gain access to new resources, maintain a licence to operate, attract and retain the best people, access diverse and low-cost sources of capital, identify and act upon business opportunities and optimise its management of risks.

The Group has in place a comprehensive environmental management system consisting of a sustainable development policy, guidelines, standards, procedures, environmental management plans, audit frameworks, job descriptions and procedures, roles and responsibilities, employee and contractor training, public and employee reporting, emergency prevention and response, risk management, community awareness, assurance and governance systems.

In common with other diversified natural resources and mineral processing companies, the Group's operations generate hazardous and non-hazardous waste, and discharge effluent and emissions into the environment. There are many national (including certain provisions of the South African Constitution), regional and local environmental laws, regulations and policies which apply to the Group's operations, the scope of which varies according to the jurisdiction concerned. Examples include those relating to waste and waste water treatment, disposal of waste, air emissions or discharges. If any of the Group's operations fail to comply with the applicable laws and regulations, the relevant authorities could require additional equipment to be installed at substantial cost or that the whole or part of the operation be closed down or scaled back. In addition, if a member of the Group is found to have committed a breach of the relevant law or regulation, it may be liable to pay a fine to the relevant authority or, in some cases, compensation to individuals affected by the breach; alternatively, directors of Group members may be held liable for any breach.

In some jurisdictions, members of the public can initiate private proceedings to enforce compliance with permits and applicable environmental, health and safety laws and regulations.

Proceedings commenced by members of the public have not to-date had a material adverse effect on the results of operations or financial condition of the Group, although actions of this type have occurred in relation to other corporations. No assurance can be given that these types of private actions will not occur in the future and have a material adverse effect on the results of operations or financial condition of the Group.

Numerous governmental permissions, approvals and leases are required for each of the Group's operations. These permissions, approvals and leases are subject, in certain circumstances or on the occurrence of certain events, to modification, renewal or revocation. The Group is required to prepare and present to national, state or local authorities data pertaining to the anticipated effect or impact that any proposed exploration, mining or production activities may have upon the environment. For example, in Australia the National Greenhouse and Energy Reporting Act 2007 was passed on September 29, 2007, establishing a mandatory reporting system for corporate greenhouse gas emissions and energy production and consumption. The costs, liabilities and other obligations associated with complying with such requirements or arising from the manner in which the obligations are met or, as may be necessary, the cost of

rehabilitation of sites which have been closed down, may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities.

In certain jurisdictions, third parties or members of the public can challenge or otherwise initiate proceedings against the award of a permission, approval or lease. For example, in December 2008 an Australian federal appeal court ruled that the Federal Environment Minister had not followed due process in approving the development of an open pit mine at the Group's McArthur River operations. Although the court noted that the Group was not in error, the Group was required to suspend mining operations at McArthur River as a result of the decision. Although the Group initially continued processing stockpiled ore, as result of the consultation period that was required between the minister deciding to recommend that approval be granted and approval actually being granted it was necessary to place the mine on care and maintenance in the interim. In addition, the Group's project development approval for its Ulan West mine and the proposed grant of mining leases, and the associated environmental authority, for the Wandoan Project are currently the subject of court challenges by environmental interest groups. The proceedings relating to the Ulan West challenge were held in June 2011, and the Group is awaiting judgment. The proceedings relating to the Wandoan Project challenge were held in late August 2011 and the Group is awaiting judgement.

The Group's Mount Isa operations in Queensland are subject to specific legislation of the Queensland Parliament, namely the Mount Isa Mines Limited Agreement Act 1985. The Mount Isa Mines Limited Agreement Act 1985, among other things, specifies the particular environmental conditions applicable to the site and exempts the Mount Isa operations from compliance with the otherwise applicable Environmental Protection Act 1994. However, in May 2008 the Queensland Parliament passed the Environmental Protection and Other Legislation Amendment Act 2008, which provides for the transition, over a three year period of regulatory functions relating to all environmental matters at the Mount Isa operations, including those under the Mount Isa Mines Limited Agreement Act 1985, to the Environmental Protection Act 1994. As a result, at the end of a three-year transition period, in May 2011 Xstrata applied to the state environmental regulator, under the Environmental Protection Act 1994, for an amended environmental authority for its operations. The state environmental regulator has issued a new draft environmental authority which remains subject to negotiation and consideration. If the conditions of this new environmental authority end up requiring substantial changes to the Mount Isa operations, then significant cost consequences, relating to investing in new environmental technologies and practices, could be required to maintain current production levels, which could have an adverse effect on the results of operations or financial condition of the Group.

Each of the Group's businesses is subject to various laws and regulations relating to their ability to carry out operations, as well as environmental and health and safety issues. The requirements of these laws vary from operation to operation, and are also dependent on the jurisdiction in which they operate. The Group's objective is to meet or surpass environmental standards set by relevant legislation, through the application of innovative and technically-proven economic measures in advance of prescribed deadlines. In addition, the Group incurs substantial waste removal and site rehabilitation/restoration costs on an ongoing basis, which it believes will minimise future liabilities for site closure. The board of directors of Xstrata, as a matter of policy, requires each of the Group's businesses and operations, as a minimum, to comply with all relevant laws and regulations in the jurisdiction in which it operates.

Compliance with relevant environmental laws is the responsibility of respective managers at the operating companies who are directly responsible to the Group's senior management. Xstrata believes that each of the Group's businesses and operations are substantially in compliance with all material applicable environmental laws and regulations.

In most jurisdictions, businesses are required to rehabilitate site operations which have been closed down. In South Africa, for example, section 43 of the MPRDA imposes liability on the mining operator for some time after the relevant mining operations have ceased. Accordingly, the Group, to the extent it has not already done so, will have to make provision for the costs involved in closure and other rehabilitation of any of its site operations in the future. This may involve substantial costs. In the event that pollution of the environment surrounding or adjacent to any of the Group's operations occurs, or has already occurred, the Group may be required to

remediate pollution and incur substantial costs. In particular, the Group's operations are generally required either to lodge security bonds or make ongoing cash contributions for the purpose of rehabilitation at the end of a mine's life. The Group has an established environmental audit programme at each of its mines and will continue to review its compliance with environmental requirements, including rehabilitation requirements. The Group will comply with the provisions of the South African MPRDA to ensure that it will continue to be able to operate within the legislative regime introduced by the MPRDA and the Group complies with similar obligations in other jurisdictions in which it has operations.

In the United Kingdom, any cessation of operations requires the decommissioning of plants and rehabilitation of the environment in order to surrender various environmental permits. The standard and extent of remediation required will vary according to the approach of the regulator and it is not possible to accurately estimate such closure and rehabilitation costs in advance. As environmental regulation becomes more stringent, there can be no assurance that future costs of closure and rehabilitation will not be materially higher than currently anticipated.

The Group's operations are members of various forums which aim to develop, through the use of best available technologies, water management practices to ensure that the water used by the Group's operation will, when re-introduced into the water system, meet end user requirements and legal requirements.

The Group's operations require various environmental permits covering, amongst other things, air pollution control, water use and discharges, stream diversions and solid waste disposal. The Group has applied for the necessary permits and in doing so has complied with all the requisite statutory obligations required to make application for the permits. Not all permits have been issued, however, due to administrative delay. Xstrata does not anticipate that any environmental issues or liabilities in connection with environmental permits will be material to the Group's operations. Further information on the licensing and permits of the Group's businesses can be found in "Statutory Authorisations, Licences and Concessions".

The possibility exists that new environmental and/or health and/or safety legislation or regulations may come into force and/or new information may emerge on existing environmental and/or health and/or safety conditions and/or other events (including legal proceedings brought based upon such conditions or an inability to obtain necessary permits), that may materially adversely affect the Group's operations, its cost structure, its customers' ability to use the commodities produced by the Group, demand for its products, the quality of its products and/or its methods of production and distribution. For example, in June 2007, a new European Union regulation for the Regulation, Evaluation and Authorisation of Chemicals ("REACH") came into force across the EU. REACH is intended to place the burden of ensuring the safety of all substances in terms of both human health and environmental exposures onto the shoulders of the industry instead of authorities. Many of the commodities produced by the Group and the chemicals used by it for production or other purposes fall within the scope of REACH. REACH requires EU and EEA-based legal entities to pre-register and subsequently register (and, in certain cases, to seek authorisation for the use or placing on the market of) materials that they import into or manufacture within the EU and EEA by certain deadlines as a pre-condition to market access. Although to-date Xstrata has completed all pre-registrations and registrations required to ensure that its Group members and customers may continue to manufacture and/or import affected commodities or other product materials by the relevant deadlines, the Group may be denied market access for some or all of these materials in the future if full registrations and, where applicable, authorisations are not obtained. REACH's impact on the global supply chain for materials, including those used by the Group for production or other purposes, is also unpredictable. A further example is European Union regulatory reform in the context of classifications of nickel substances under the Dangerous Substances Directive and the import of those classifications into the REACH framework through new regulations. These regulations, in particular the European Union 30th Adaptation to Technical Progress ("ATP") and 31st ATP to the Dangerous Substances Directive (which were adopted in August 2008 and January 2009, respectively) and the 1st ATP to the Classification, Labelling and Packaging Regulation adopted in August 2009, introduce new classifications for nickel containing substances which would result in additional labelling and packaging requirements for reclassified substances within the EU. These reforms for future may require Xstrata to change packaging and other transport and

logistical arrangements associated with the affected substances which may result in significant increased costs and which could have an adverse effect on the results of operations or financial condition of the Group.

In 2010 two glacier protection acts were passed in Argentina. The first such act was passed by the San Juan province, the province in which the El Pachón project is located. This act stipulates that any possible impact to a glacier will be subject to the prior approval of an EIS to be filed by the company that is to consider the relevance of such glacier to the corresponding water basin. Shortly after this act was passed, the National Congress passed the NGPA, which, by prohibiting mining activities (and other activities) not only in glacial but also in peri-glacier areas, is more restrictive than the San Juan law. Since the NGPA was passed, two separate legal cases seeking to have the NGPA declared as unconstitutional have been initiated. In both cases the claimants sought and were granted by the presiding federal judge in San Juan an injunction suspending the applicability of the NGPA. Following the grant of these injunctions, the San Juan province became a party to both cases, supporting and sustaining the claimants' stance that the NGPA is unconstitutional. Under Argentine law any dispute between a province and the National State must be heard by the National Supreme Court. Accordingly, both cases have now been transferred from the federal judge in San Juan to the National Supreme Court. No decision has yet been issued by the National Supreme Court on either case. Xstrata has initiated an alternative proceeding in San Juan seeking a specific injunction for the benefit of the El Pachón project. This injunction was granted by the federal judge.

Xstrata expects that further environmental laws and/or regulations will likely be implemented to protect the environment and quality of life, given sustainable development and other similar goals which governmental and supragovernmental organisations and other bodies have been pursuing. For example, state and territory governments in Australia are considering a range of effective policy responses to ensure a flexible way of achieving greenhouse gas abatement in the transition to a carbon constrained future. In particular, in October 2011, Australia's lower house of parliament passed the Clean Energy Bill 2011, which contains a tax on carbon emissions (see "Risk Factors – Risk factors relating to the business of the Group – Taxation"). Some of the issues which are relevant to the Group that are currently under review by environmental regulatory agencies include reducing or stabilising various emissions, including sulphur dioxide and greenhouse gas emissions, geochemical and geotechnical stability of mine works, mine reclamation and rehabilitation, water, air and soil quality and absolute liability for spills or for exceeding prescribed limits. Such matters may, amongst other things, require the Group, or its customers, to change operations significantly or incur increased costs (including compliance expenditures) or could require the Group to increase financial reserves, which could have an adverse effect on the results of operations or financial condition of the Group.

In December 1997, in Kyoto, Japan, the signatories to the United Nations Convention on Climate Change established individual, legally binding targets to limit or reduce greenhouse gas emissions by developed nations. This international agreement, known as the Kyoto Protocol, came into force on February 16, 2005. As of October 2010, 191 states and one regional economic integration organisation (the European Economic Community) had deposited instruments of ratification, accessions, approvals or acceptances in respect of the Kyoto Protocol.

Those jurisdictions in which the Group has operations can be split, with regard to the laws, regulations and policies aimed at limiting or reducing greenhouse gas emissions, into four categories. The first is those jurisdictions within the EU (such as Belgium, Germany, Spain and the United Kingdom) which are subject to the EU emissions trading scheme (the "EU ETS"). The EU ETS originally focused on carbon dioxide emissions from certain energy intensive industries (such as power generation and the production and processing of ferrous metals), but then expanded to cover other greenhouse gases, such as methane, and other industries, such as the chemical and aluminium production industries. The second category comprises non-EU jurisdictions that have ratified the Kyoto Protocol and that have in place, or will shortly have in place, a formalised system of greenhouse gas emission allowances trading and emission levels regulation (such as Canada, Australia and Norway). The third category consists of those jurisdictions that have not ratified the Kyoto Protocol and that presently have no jurisdiction-wide system for emission allowances trading. The final category is those jurisdictions that have ratified the Kyoto Protocol but have no obligations under it to reduce greenhouse gas emissions (the so called non-Annex 1 countries such as South Africa, Chile, Argentina, Peru, Colombia and the Dominican Republic).

Canada, Norway and Australia have ratified the Kyoto Protocol and are committed to meeting their obligations there under in respect of greenhouse gas emission levels. Various levels of government in Canada are developing a number of policy measures in order to meet Canada's emission reduction obligations under the Kyoto Protocol. The Canadian federal government has undertaken extensive industry consultations with a view to structuring a domestic emissions trading system and has proposed a regulatory framework for greenhouse gas emissions regulation and trading. From January 1, 2005, an emissions trading system has been introduced in Norway (covering in the region of 10% to 15% of Norway's greenhouse gas emissions). The Norwegian system is very similar in structure and in form to the EU ETS. Australia's ratification of the Kyoto Protocol came into effect on March 11, 2008. Australia has committed to meeting its Kyoto Protocol target and has set a target to reduce greenhouse gas emissions by 60% from 2000 levels by 2050.

The Group has operations in various developing world jurisdictions, such as South Africa, Chile, Argentina, Peru, Colombia and the Dominican Republic, that are non-Annex 1 countries. Despite having no obligations under the Kyoto Protocol in respect of their levels of greenhouse gas emissions, these countries may host Clean Development Mechanism ("CDM") projects that allow Annex 1 country companies, whether operators of an emissions constrained installation or not, to procure additional emission rights.

In July 2005, Australia, China, India, Japan, South Korea and the United States formed the Asia-Pacific Partnership on Clean Development and Climate. Members of the partnership intend to co-operate on the development and transfer of technology which enables the reduction of greenhouse gas emissions. It is uncertain what, if any, impact this partnership will have on the Group as its implementation plans are being developed.

See "Risk Factors – Legislative risk factors relating to the Group – Risks related to climate change legislation" for a discussion of certain potential impacts on the Group relating to the Kyoto Protocol.

The Group has a number of mining tenements, licences and concessions with various terms (including durations) under which the Group carries out mining and natural resources activities. Licences are in place in respect of all reserves which the Group is currently exploiting. Members of the Group may from time to time breach the terms of their mining tenements, licences and concessions. Xstrata does not believe that any such breaches of which it is aware would have a material adverse effect on the Group.

South African Mineral and Petroleum Resources Development Act, Mining Charter and Royalty Act

The MPRDA came into operation on May 1, 2004. The Empowerment Charter (now called the Mining Charter), together with the "scorecard" for measuring black empowerment in the mining industry, which monitors and assesses compliance with the Mining Charter, was promulgated in 2004 by the Minister of the Department of Minerals and Energy (now called the DMR) in terms of the MPRDA and was subsequently amended in 2010. The Royalty Act pertaining to royalties became effective on March 1, 2010 and provides for a variable royalty determined by a set formula calculated in part according to the ratio of EBIT to gross sales with a minimum royalty rate of 0.5% and a maximum of 5% (for refined material) and 7% (for unrefined material) of gross sales in respect of the transfer of mineral resources.

A key outcome of the MPRDA is that the government of South Africa became the custodian of the mineral resources in South Africa and that prospecting and mining require prospecting and mining rights respectively which can only be granted by the government once certain criteria are met, including empowerment criteria for HDSAs. Existing prospecting and mining rights, termed "old order rights", need to be converted to or replaced with new order rights and, to do so, the above criteria need to be satisfied or undertakings given.

A key objective of the MPRDA legislation is to ensure that 26% of the South African mining industry is controlled by HDSAs by April 30, 2014. In addition, mining companies need to achieve certain goals aimed at the advancement of HDSAs both in the workplace and the communities in which they operate.

The transitional provisions of the MPRDA facilitated the conversion or replacement of prospecting and mining rights previously held at common law and/or under the repealed Minerals Act 50 of 1991 (termed "old order rights" in the MPRDA) to or with the new forms of prospecting and mining rights contemplated by the MPRDA ("new order rights"). Holders of old order rights had a maximum of one year (in the case of unused rights), two years (in the case of prospecting) and five years (in the case of mining) to lodge their rights for conversion or replacement. For successful conversion of prospecting and mining rights, applicants were required to hold a valid prospecting permit or mining authorisation and to have been physically prospecting or mining (as the case may be) as at April 30, 2004 on the area to which their conversions related. This legislation impacts the Group's resource holdings and consequently its development programmes.

In addition, in 2009 the Minister of the then Department of Minerals and Energy (now the DMR) published a Code of Good Practice for the Mining Industry in South Africa as well as a Housing and Living Conditions Standard. The purpose of the Code of Good Practice is to set out administrative principles in order to facilitate the implementation of the Mining Charter. However, the interpretation and applicability of the Code of Good Practice are unclear. The Housing and Living Conditions Standard seeks to impose obligations in relation to housing and living conditions.

The Group developed and implemented a strategy to address the tenure risks associated with the above described legislation, and the transformation to align itself with the intent of the MPRDA and associated legislation has largely occurred. In this regard, Xstrata Alloys has entered into a combined Pooling and Sharing Venture with Merafe, its black empowerment partner in the ferrochrome business, and a partnership agreement with Kagiso to give effect to black economic empowerment obligations in respect of the Mototolo Joint Venture. Xstrata Coal in South Africa has entered into an agreement with ARM to establish a new black controlled coal mining company, ARM Coal. In addition, in 2009, Xstrata Alloys' vanadium division entered into a combined Pooling and Sharing Venture with the Bakwena-Ba-Mogopa tribe, a traditional community and owner of the surface rights where Xstrata Alloys' vanadium production facility is situated and which is, for these reasons, Xstrata Alloys' empowerment partner. In addition, as part of the Eland Acquisition, Xstrata Alloys concluded a restructuring agreement under which the Ngazana Consortium will participate as Xstrata's black economic empowerment partner in the project. On the basis of the aforementioned empowerment credentials, Xstrata Alloys has been granted conversion of all of its old order mining rights and has been granted all of its initial applications for new order mining and prospecting rights. Certain more recent applications for new order mining and prospecting rights, however, remain outstanding. Xstrata Coal has been granted conversions of almost all of its old order mining rights and almost all of its new applications for mining and prospecting rights by the DMR in South Africa. Some of these grants are however subject to administrative appeals by land owners and environmental interest groups.

Native title, land claims and consultation rights

Land in Australia, South Africa and Canada owned or used by the Group may be the subject of land claims.

In Australia, the Native Title Act 1993 (Cth) recognises native title and established processes relating to mining and exploration rights. Native title represents the traditional rights and interests that the Aboriginal people have in relation to land. Once extinguished, native title cannot be revived although compensation is payable, generally by the State. Claims are decided on a factual basis and determined ultimately by the Federal Court of Australia. Where existing mining leases and exploration tenements have been held since January 1994, those rights are not affected if a native title claim is lodged. If native title has been extinguished over a particular area of land, future mining leases within that area can be granted without reference to native title. If it has not been extinguished, the Native Title Act provides procedural rights for registered native title claimants, including the "right to negotiate" with respect to the grant of mining rights. While the right to negotiate procedure does not include a veto on the grant of a mining right, it may require financial payments to be made. Native title claims have been made over areas where the Group has mining operations. Xstrata believes, however, that such claims will not have a material impact on the Group's existing operations. In addition, all mining

operations in Australia must meet a duty of care in relation to Aboriginal Cultural Heritage (as defined in the Aboriginal Cultural Heritage Act 2003 (Qld)).

In South Africa, the government's Restitution of Land Rights Act 22 of 1994 (the "Restitution Act") provides remedies for persons who have been dispossessed of rights in land as a result of past racially discriminatory laws or practices. Claims under the Restitution Act had to be lodged by December 31, 1998. The Land Claims Court is empowered to make orders concerning the restoration of a right in land or any portion of land, the payment of compensation by the State, the inclusion of a claimant as a beneficiary in the State support programme for housing, the granting of an appropriate right in alternatively designated State land to the claimant or any alternative and appropriate relief. Furthermore, the Minister of Rural Development and Land Affairs is empowered to expropriate land for purposes of restoration to claimants, against payment of compensation to the expropriated owner. Certain of the claims are in respect of land comprising the Group's mines and operations, and the Group has received unofficial reports that a number of land claims have been lodged in relation to the surface rights of the Group's various South African properties. In respect of those claims over the Group's mines and operations, it is understood that it would not be feasible for the State to restore the land in question to the claimants and that the State should grant the claimants alternative relief in terms of the provisions of the Restitution Act. At present the Group is actively engaged with the relevant authorities with respect to these claims.

Xstrata has limited information about these land claims and, although unlikely, can give no assurance that they, or any other land claims of which it is not aware, will not have an adverse effect on the Group's rights to the properties that are the subject of claims.

The emphasis of the restitution of land rights process in South Africa is to provide an appropriate remedy to claimants in terms of a statutory process. The landowner is not required to provide the land seeker with a remedy. Existing legislation regulating the land restitution process in South Africa places this burden on the State. It is therefore unlikely that the Group will be the party that will be required to address the remedies sought by land seekers unless the State expropriates a landowner's land, in terms of the abovementioned Restitution Act read with the appropriate expropriation legislation and the Constitution of South Africa, 1996, in order to comply with a decision by a competent authority or court to restore land to a claimant. The person expropriated is entitled to payment of compensation.

XCSA and Xstrata Alloys have been informed of certain land claims pertaining to their respective properties and are meeting with the Department of Land Reform on a regular basis in an effort to finalise all outstanding claims.

In Canada, the Group's properties may, in the future, be the subject of Native Americans' land claims which are generally addressed by the courts in Canada. The legal basis of such a land claim is a matter of considerable legal complexity and the impact of the assertion of a land claim, or the possible effect of a settlement of such claim upon the property interest in question, cannot be predicted with any degree of certainty at this time. In addition, no assurance can be given that any recognition of Native American rights whether by way of a negotiated settlement or by judicial pronouncement (or through the grant of an injunction prohibiting mining activity pending resolution of any such claim) would not delay or even prevent the Group's resource development or mining activities in Canada.

In addition, a significant portion of the land that would be required for development and operation of the Tampakan Project is the subject of Certificates of Ancestral Domain Title under the Philippines' Indigenous Peoples' Rights Act of 1997. Accordingly, a key approval requirement for the development of the Tampakan Project would be the free and prior informed consent of the affected indigenous communities. SMI has not yet obtained this consent for the conduct of mining activities although indigenous consent has been received for exploration activities already undertaken. Any consent from indigenous communities must be sought in accordance with the guidelines of the National Commission on Indigenous People.

In September 2011, the Peruvian Government approved the Previous Consultation Law to the Indigenous and Tribal Peoples, which will take effect in December 2011. This law establishes principles and a general procedure for consulting with the indigenous and tribal peoples that

could be directly affected by a particular piece of legislation or administrative action (such as the grant of a concession or the approval of an EIS). The purpose of requiring such consultation is to obtain an agreement between the State and the affected indigenous and tribal peoples regarding the offending legislation or administrative action. The Previous Consultation Law to the Indigenous and Tribal Peoples does not define "indigenous and tribal peoples", but regulations relating to this law are to be approved in January 2012. The final decision regarding a piece of legislation or administrative action, however, is made by the State.

Health and safety

The Group's health and safety standards are reviewed by the Group on an ongoing basis. In addition, the Group's operations are subject to government authority inspections throughout the year, as well as health and safety audits at most operations. These inspections and audits have not resulted in any significant capital expenditure by the Group. However, certain of the Group's activities are inherently dangerous and the authorities responsible for administering health and safety standards have considerable inspection, injunction and penalty powers that, if exercised against the Group, could have an adverse impact on the Group's financial condition or results of operations.

Xstrata recognises that the health and safety of its employees, contractors and other key stakeholders and the maintenance of high environmental performance standards are significant responsibilities involved in the conduct of its operations. The Group's aim is to be recognised as a leader in health, safety and environmental management.

The elimination of work-related fatalities and the maintenance of a fatality free workplace remains the Group's key safety priority. Although the Group's fatality frequency rate is almost half the Australian Minerals Industry 10 year average, this goal has not yet been achieved. In the year ended December 31, 2010, three fatalities occurred. The Group has implemented a number of targeted responses, together with broad-based safety improvement strategies.

There is a serious problem with HIV/AIDS infections in South Africa generally. Xstrata Alloys and Xstrata Coal are addressing HIV/AIDS in the workforce at their operations in South Africa through awareness, employee wellness training, voluntary counselling and testing ("VCT") programmes (including innovative public-private partnerships) and aggressive antiretroviral intervention programmes, both for new employees and contractors, and on an ongoing basis for all employees and contractors.

The Group participates in a regional initiative known as the Power Belt AIDS Project, a mining community-based programme which targets AIDS awareness and safe sex practices through the provision of information to schools and clinics and the use of peer trainers in the community. The project is managed by the Council for Scientific and Industrial Research and is funded by affiliated businesses, government and international organisations.

Xstrata believes that these intervention and health programmes, the Group's contingency plans (which involve teaching multiple skills to the workforce and improving training and recruiting capacities) and the large number of unemployed skilled persons available in the region could mitigate the financial impact on the Group's South African operations of the HIV/AIDS crisis in South Africa.

Labour and employee relations

For the year ended December 31, 2010, the average monthly number of Group employees and contractors was approximately 62,000 in aggregate. The majority of the Group's employees are unionised.

The majority of the workforce of the Group is engaged pursuant to collective employment agreements. These collective agreements are negotiated with unions and other employee representative organisations from time to time. The collective agreements establish and set the terms and conditions of employment of the employees covered by the collective agreements. The Group's collective agreements have differing terms of operation and expiry dates. Prior to the expiry of a collective agreement, negotiation of conditions for renewal occurs between the relevant employing entities within the Group and the relevant unions or other employee representative organisations.

Despite certain operations within the Group experiencing work stoppages and other forms of industrial action in recent years, such work stoppages and industrial action have not had any material effect on the operating results of the Group. Xstrata believes that all of the Group's operations have, in general, good relations with their employees and unions.

Metals marketing

The Group's marketing and sales strategy is to sell its production at prices that are equal to or greater than the average cash price reported on the LME or other relevant terminal markets. Premiums above the LME settlement price are negotiated based on product form and quality, packaging, delivery terms, supply commitments, delivery location and availability of product. For any intermediate zinc and lead products or by-products sold by Xstrata Zinc (such as copper cake and copper matte), discounts are negotiated periodically from LME prices which largely reflect inherent third party processing charges.

The Group procures custom feed materials for processing in the metallurgical facilities. In order to minimise metal price risk exposure on purchased metals and fluctuations in inventory levels, and to obtain the average COMEX/LME prices or better, the Group employs derivatives in the form of forward or options contracts to hedge these risks. Generally, the Group does not hedge the prices it realises on the sale of the Group's own production, and accepts prices based on the market price prevailing around the time of delivery of these metals. From time to time, however, the Group may fix the metal price associated with its own future production to lock-in certain profits or cash flows.

Real estate

No material portion of the Group's business is dependent on a single or connected group of properties or interests in real estate.

Public takeovers

There have been no public takeover offers by third parties in respect of Xstrata's shares during the last and current financial year.

Competition

The markets in which the Group operates are competitive. Competition is largely on the basis of price. The Group competes with numerous suppliers in the same product areas, some of which have substantially greater reserve bases and manufacturing and financial resources. In addition, increased production capacity from competitors in other countries may increase competition in the markets in which the Group operates.

The Group's principal competitors in its main operations are set out below:

Copper

The Group is the world's fourth largest producer of mined copper. Significant copper-producing competitors include Codelco, BHP Billiton, Rio Tinto, Anglo American, Group Mexico, Freeport McMoran and Kazakhmys.

Coal – thermal

The Group is one of the world's largest producers of export thermal coal. Significant export thermal coal competitors are Anglo American, BHP Billiton, Rio Tinto, Bumi and other coal producers operating in China, Indonesia, Russia and Colombia.

Coal – coking (including semi-soft coking coal)

The Group is among the world's top five producers of managed export coking coal. Significant competitors in this sector include the BHP Billiton-Mitsubishi Alliance (BMA), Teck, Anglo American, Peabody and Rio Tinto.

Nickel

The Group is one of the world's largest producers of nickel. Significant competitors include RAO Norilsk Nickel, Vale, BHP Billiton, Ste Eramet-SLN, Jinchuan Group Limited, Anglo American and Sumitomo Metal Mining Co. Limited.

Zinc

The Group is one of the largest zinc producers in the world in terms of capacity, accounting for approximately 8% of world zinc mine production. The San Juan de Nieva smelter is one of the lowest-cost producers in the world. Significant zinc smelting competitors are Korea Zinc Company, Hindustan Zinc Nyrstar, Boliden, Glencore, Votorantin and various zinc smelting operations in China.

Lead

The Group is one of the world's largest lead producers. Substantial lead-producing competitors include BHP Billiton, Doe Run, Hindustan Zinc, China Minemetal Corp, Nyrstar and Korea Zinc Company, as well as various lead mining operations in China.

Chrome and vanadium

The Group is one of the world's largest, in terms of both attributable production and attributable sales, and among the world's lowest-cost producers of ferrochrome. Significant chrome competitors are Eurasian Natural Resources Corporation and Samancor Chrome.

The Group is one of the world's leading producers of primary vanadium. Significant vanadium competitors are Russian-based Evraz Steel, with operations in Russia and South Africa, as well as Chinese producers Pansteel and Chengde.

Platinum group metals

The Group is aiming to achieve a meaningful position in the PGMs industry. Significant PGMs competitors are Anglo Platinum, Impala Platinum, Lonmin and Aquarius Platinum.

Relationship with Glencore

Overview

Glencore International plc has been a public limited company listed since May 2011 on the London and Hong Kong stock exchanges. It is a diversified natural resources company with worldwide activities in the smelting, refining, mining, processing, purchasing, selling and marketing of metals and minerals, energy products and agricultural products. Glencore International plc operates on a global scale, marketing physical commodities which it produces at its own industrial assets or purchases from third parties for sale to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. Glencore International plc also provides financing, logistics and other services to producers and consumers of commodities. These activities are supported by investments in industrial assets relating to its core commodities. Glencore International plc's headquarters are located in Baar, Switzerland and it has a network of some 50 field offices in over 40 countries throughout the world.

In 1990, Glencore International, a wholly owned subsidiary of Glencore International plc since the latter's ordinary shares were admitted to the Official List and to trading on the London Stock Exchange on May 24, 2011, became a substantial shareholder in Xstrata AG (which merged with Xstrata in 2002 when Xstrata plc became the ultimate holding company of the Group), following which Xstrata AG built a portfolio of businesses operating in the natural resources sector.

So far as Xstrata is aware, Glencore International plc, through its wholly-owned subsidiary, Finges Investment BV ("Finges"), beneficially owns 1,010,403,999 Ordinary Shares, representing approximately 34.1% of the current issued ordinary share capital of Xstrata. On January 8, 2007, Glencore International notified Xstrata that these Ordinary Shares are registered in the name of HSBC Global Custodian Nominee (UK) Limited ("HSBC").

Commercial relationship

General

The Group believes that it benefits from the various arm's length advisory and marketing arrangements in place with Glencore. The Group further believes that Glencore benefits from these arrangements with the Group.

A number of the Group's operating subsidiaries have entered into long-term agency agreements with Glencore, under which Glencore provides marketing services in exchange for agency fees. These fees are negotiated on arm's length terms and range from 3.5% to 5% of the FOB sales revenue. In a number of instances, Glencore acts as collecting agent and also assumes 60% of the non-payment risk of the Chrome Business's ferrochrome trade receivables and 100% of the non-payment risk of the Chrome Business's vanadium trade receivables.

The nickel agency agreement is a performance arrangement under which the performance floor for Xstrata Nickel leverages past performance prior to Glencore, with upside achievement in premiums being shared.

Xstrata Copper

On January 1, 2007 Xstrata Copper entered into a service agreement (the "Xstrata Copper Service Agreement") with Glencore for a period of three (thereafter evergreen) years under the terms of which Glencore provides advice and assistance with respect to pricing and structural issues regarding hedging and the optimization of internal flows of raw materials. Xstrata Copper is required to pay US\$2.4 million per annum in fees under this agreement.

In 2004 Xstrata Copper North Queensland entered into sales agreements with Glencore in respect of the total available export allocation of copper cathode and surplus North Queensland copper concentrate not processed through its Mount Isa copper smelter. The sales terms for the copper cathode were the LME price plus a range of premiums that is based on Codelco North Asian CIF Liner Terms, less freight discounts by destination. The sales terms for the copper concentrate were based on market prices less agreed metal content deductions, treatment and refining charges. The treatment and refining charges comprised both an annual benchmark and a spot component. Glencore terminated the cathode sales agreements with effect from January 1, 2009. Volumes previously sold under this agreement are now sold to Xstrata Commodities Middle East. Xstrata Copper North Queensland, on occasion, sells by-products to Glencore and purchases concentrate from Glencore at prevailing spot market prices.

In 2008 Xstrata Copper Minera Alumbrera entered into a frame contract with Glencore for the sale of copper concentrate. The frame contract is for an initial five year period and is "evergreen" thereafter, unless terminated by either party on twelve months notice. The sales terms for the copper concentrate are negotiated annually on arm's length terms and conditions. Xstrata Copper Minera Alumbrera on occasions sells copper concentrate to Glencore at prevailing spot market prices. Xstrata Copper Minera Alumbrera on occasions also sells copper concentrate to Glencore under swap arrangements at prevailing spot market prices.

Xstrata Copper Canada has entered into annual copper concentrate and cathode purchase and sale agreements with Glencore for the calendar years 2009, 2010 and 2011. Purchases and sales under these agreements are based on either spot or benchmark terms in accordance with prevailing market conditions.

Xstrata Copper North Chile also entered into annual copper cathode sales agreements with Glencore for the calendar years 2009, 2010 and 2011. Sales under these agreements are based on either spot or benchmark terms in accordance with prevailing market conditions. Xstrata Copper North Chile, on occasion, sells and purchases by-products to and from Glencore on commercial arm's length terms.

Xstrata Commodities Middle East has entered into annual copper cathode sales agreements with Glencore for the calendar years 2009, 2010 and 2011. Xstrata Commodities Middle East also entered into copper concentrate purchase and sales agreements with Glencore on the basis of multi-year frame, annual and spot contracts commencing January 1, 2009. All sales are based on either spot or benchmark terms in accordance with prevailing market conditions.

All sales transactions with Glencore are on arm's length terms and conditions.

Xstrata Coal

Xstrata Coal Marketing AG and Xstrata Schweiz entered into a Market Advisory Agreement with Glencore International on March 2, 2002 (the "Market Advisory Agreement"). Pursuant to the

Market Advisory Agreement, Glencore International, for a fee of US\$0.50 per tonne of attributable sales of coal exported by the Group from Australia or South Africa, acts as the Group's market adviser with respect to its export production of coal (other than Xstrata Coal's share of production from the Cerrejón mine – see further below.) Glencore International advises the Group regarding the placement of its Australian and South African export coal in the world market, the future planning for that placement and market opportunities available for the future sale of export coal. Glencore International also provides the Group's marketing department with real time market intelligence and access to Glencore's network of global offices. In providing such services Glencore International has agreed not to act for the greater benefit of itself to the disadvantage of the Group. See below in this "Business – Relationship with Glencore – Relationship with major shareholder".

The Market Advisory Agreement remains in full force and effect for a period of 20 years, with a review of the fee at the end of each fifth year of its term. The Market Advisory Agreement may be terminated by Xstrata Coal Marketing AG after giving 45 days' notice if any person (together with its affiliates) holds, directly or indirectly, 50% or more of the issued share capital of Glencore International. The Market Advisory Agreement may also be terminated by either party with immediate effect if:

- the other party commits a material breach of the agreement and fails to remedy the breach, if capable of remedy, within 30 days of receiving written notice from the other party identifying such breach; or
- the other party enters into liquidation or is declared insolvent.

Xstrata (Schweiz) AG has agreed to guarantee the performance by Xstrata Coal Marketing AG of its obligations under the Market Advisory Agreement.

From time to time, the Group enters into market standard forward commodity price contracts with Glencore International as counterparty. In 2010, the Group entered into market standard forward commodity price derivatives for 685,000 tonnes (2009: 4,455,000 tonnes) with Glencore International as counterparty. During the year ended December 31, 2010, 2,975,000 tonnes at an average FOB price of US\$75.46 per tonne were delivered (2009: 3,180,000 tonnes at an average FOB price of US\$71.78 per tonne). At December 31, 2010, 865,000 tonnes (2009: 3,195,000 tonnes) were contracted with Glencore International for delivery in 2011. These derivatives are on arm's length terms and conditions.

All other coal purchases and sales with Glencore International are on arm's length terms and conditions.

In 2010, the Group entered into a five-year fuel supply agreement with Glencore International to supply diesel fuels to the Group's coal mines in New South Wales and Queensland. Under this supply agreement, US\$115 million worth of fuel was delivered during the year ended December 31, 2010 (US\$113 million worth of fuel was delivered during the year ended December 31, 2009). The supply agreement is on arm's length terms, and prices change monthly according to the world market price per barrel.

In 2010, Cerrejón entered into a five-year fuel supply agreement which expires in February 2015 with Glencore International to supply diesel fuel. The Group's share of the fuel purchases for the year 2011 (as of June 30) is US\$44.3 million (for the year 2010 the Group's share of the fuel purchases was US\$64.8 million). The supply agreement is on arms' length terms, and prices change for each shipment according to the world market price per barrel (US\$/BBL), as indicated by Platts indexes.

Xstrata Nickel

In March 2007, Xstrata Nickel entered into sole distributorship agreements with Glencore for its nickel, cobalt and ferronickel production. These agreements are effective until December 31, 2012 and are automatically renewed for successive three-year periods, unless terminated by either party with not less than 12 months' notice prior to the end of the original term or any renewal terms, or unless Xstrata Nickel permanently ceases production of these metals. Xstrata Nickel, at its sole discretion, may cease, suspend or reduce production at any time. Glencore is

obliged to distribute the products with all due care and diligence and to cultivate and maintain good relations with purchasers and potential purchasers in accordance with sound commercial principles and taking into account Xstrata Nickel's business principles. All sales terms and conditions are on an arm's length basis. For nickel and cobalt sales, the price basis is the month following the month of delivery to Glencore with reference to, in the case of nickel, the monthly average LME cash "sellers" settlement price and, in the case of cobalt, Metal Bulletin low grade. For ferronickel, the price basis is with reference to the nickel price quoted on the LME at a time linked to the sale to the end customer. Accordingly, provisionally priced nickel, cobalt and ferronickel revenues are subject to final price adjustments due to future price changes. During the year ended December 31, 2010, Xstrata Nickel sold to Glencore 92,139 tonnes of nickel and 3,104 tonnes of cobalt compared with 88,457 tonnes of nickel, 3,066 tonnes of cobalt and 236 tonnes of nickel in ferronickel for the year ended December 31, 2009. In addition, Glencore pre-pays to Xstrata Nickel in two equal instalments each month 100% of the value of that month's planned production. The pre-payment balance as at December 31, 2010 amounted to US\$36 million in favour of Glencore.

In August 2011, Xstrata Nickel and Glencore agreed to extend the term of the nickel and cobalt distribution agreements (in respect of Xstrata Nickel) until December 31, 2017 with a significantly higher performance floor becoming effective January 1, 2013. Xstrata Nickel is the exclusive distribution agent for Koniambo and in August 2011 concluded a ferronickel sub-distribution with Glencore for an initial period ending December 31, 2017 and to cover all of the ferronickel produced at Koniambo.

Xstrata Nickel has an agreement with Glencore for the treatment of copper cobalt white alloy raw material feeds to its Sudbury smelter in Canada and Nikkelverk refinery in Norway. The term of the contract is to the end of 2011, continuing indefinitely thereafter unless terminated by either party on six months' notice given not earlier than July 1, 2011. Treatment charge to Glencore is subject to price participation adjustments based on prevailing metal market prices.

Xstrata Nickel also sells refined copper to Glencore on arm's length terms and conditions under a contract covering the period of January 1 to December 31, 2011, in which Glencore has agreed to purchase all copper production not otherwise sold by Xstrata Nickel under its long-term contracts.

Xstrata Zinc

On January 1, 2007, Xstrata Zinc renewed a service agreement with Glencore for a period of 3 years which shall continue in effect thereafter unless terminated by any of the parties giving the other prior written notice of no less than twelve calendar months (the "Xstrata Zinc Service Agreement"). No party has given notice of termination. Under the terms of this agreement, Glencore provides advice and assistance with respect to pricing and structural issues regarding hedging and the optimisation of internal flows of raw materials. The fees to be paid by Asturiana under the Asturiana Service Agreement are US\$2 million per annum.

In 2010 Xstrata Zinc (San Juan de Nieva and Nordenham) agreed to supply Glencore with 255,000 tonnes (2009: 315,000 tonnes) of SHG zinc slabs and CGG ingots based on market prices plus the respective FOB/CPT market premium.

In 2010, Xstrata Zinc Canada agreed to supply Glencore with approximately 14,600 tonnes (2009: 63,700 tonnes) of SHG zinc slabs and jumbos based on market prices plus the respective delivery duty paid ("DDP") premium.

In 2010, Britannia Refined Metals agreed to supply Glencore with between 12,000 and 18,000 tonnes of lead metal ingots. The agreement is 'evergreen' in nature. In addition, Britannia Refined Metals agreed to supply Glencore with a separate additional 7,500 tonnes of lead metal ingots. Both agreements are based on market prices plus the respective ex-works market premium.

In 2010, Xstrata Zinc Canada agreed to supply Glencore with approximately 18,300 tonnes (2009: 32,000 tonnes) of lead metal ingots and jumbos. All agreements are based on market prices plus the respective DDP premium.

In 2010, Mt Isa Mine had an evergreen contract to supply Glencore with 80,000dmt (2009: 80,000dmt).

In 2010, Xstrata Zinc sold 300,000dmt of zinc concentrate to Glencore under an evergreen swap contract. In return, Xstrata Zinc purchased from Glencore 300,000dmt of various zinc concentrate qualities delivered to Xstrata Zinc smelters (2009: 300,000dmt). In addition, Xstrata Zinc sold 50,000dmt to Glencore under a time swap agreement.

In 2010, Xstrata Zinc sold to Glencore 158,000dmt of zinc concentrate under various spot sales contracts from Mt Isa Mine, Antamina, McArthur River and other zinc concentrate qualities.

In 2010, Xstrata Zinc had an agreement to supply Glencore 247,000dmt of McArthur River bulk concentrate on an evergreen basis (2009: 245,000dmt). Further to the aforementioned agreement, an additional 65,000dmt of McArthur River and Brunswick Mine bulk concentrate were sold under annual contracts.

During 2010, Xstrata Zinc Canada purchased 25,000dmt of lead concentrates from Glencore for delivery to the Belledune lead smelter under various spot contracts.

All evergreen and annual zinc concentrate and bulk concentrate contracts are based on recognized annual industry benchmark treatment charges and related terms for price participation and silver payables. Spot contracts are negotiated at prevailing market terms.

Xstrata Alloys

Chrome operations

Xstrata South Africa and Merafe have a ferrochrome marketing agreement with Glencore International under which Glencore acts as the exclusive world-wide marketing agent for the sale of the PSV's entire production of ferrochrome, other than ferrochrome sold into the United States, Canada and certain Asian countries.

The agreement continues for the duration of the PSV. Glencore International is obliged to use its best endeavours to arrange sales of ferrochrome to customers at prevailing market rates, subject to initial agreement and approval by Xstrata South Africa. Glencore International is entitled to receive an agency fee of 3.5% on FOB sales revenues and an additional fee of 0.75% on FOB sales revenues for assuming the risk of non-payment by customers. Glencore International assumes 60% of the risk of non-payment by customers in relation to ferrochrome sales. The PSV also pays to Glencore International a monthly market analysis and administration fee of US\$50,000.

If at any time Glencore International notifies the PSV that it is unable to find purchasers for the PSV's full production of ferrochrome for any period or has difficulty in assessing any market, the PSV is entitled to seek purchasers of that quantity of ferrochrome or to sell ferrochrome into the market concerned, provided that a price floor is met. Glencore International is nevertheless entitled to an agency fee of 3.5% of FOB sales revenue in respect of such sales.

Ferrochrome sold into the United States and Canada is distributed by Glencore under two distribution agreements. These agreements continue indefinitely, with either party having the right to terminate the agreement on 12 months' notice. The percentage of distribution fees payable by the Group in respect of ferrochrome sold under the distribution agreement is substantially the same as the percentage of commission payable under the ferrochrome marketing agreement.

Mitsui & Co. Limited ("Mitsui & Co.") is the appointed distribution agent of the Xstrata Group for ferrochrome sales into China, Japan and South Korea up to a maximum of 105,000 tonnes per annum. A change in distribution agent for sales into these countries must be done with the consent of Glencore International. Mitsui & Co. is entitled to receive 2.5% sales commission on sales revenue FOB value for tonnages above 30,000 and up to 75,000 and 3.5% of the sales revenue FOB value for tonnages exceeding 75,000 but not exceeding 105,000 per annum. The distribution agreement with Mitsui & Co. is co-terminous with the operating agreement between Xstrata South Africa and Mitsui Minerals Development South Africa ("MMDSA") in relation to the Xstrata's Lydenburg ferrochrome plant situated in South Africa. MMDSA owns a

12.5% undivided share in the fixed assets of the Xstrata Lydenburg plant, of which Xstrata South Africa acts as independent contractor. This ownership entitles MMDSA to 12.5% of the rated capacity (capped at 240,000 tonnes) of ferrochrome produced at an amount equal to FOB cost per tonne plus 3.5% of the FOB export price for the products taken. Upon termination of the operating agreement and the distribution agreement, Xstrata South Africa will be obliged to purchase the 12.5% undivided share of the fixed assets of the plant from MMDSA at the prevailing market price.

Vanadium operations

In 2005, Xstrata South Africa entered into a 13-year marketing agreement with Glencore International in respect of Xstrata South Africa's entire production of vanadium, other than vanadium sold into the United States and Canada.

Glencore International is obliged to use its best endeavours to arrange sales of vanadium pentoxide, ferrovandium, ammonium meta-vanadate and vanadium trioxide to customers at prevailing market rates, subject to initial agreement and approval by Xstrata South Africa. Xstrata South Africa is obliged to pay to Glencore International an agency fee of 3.5% on FOB sales revenues and an additional fee of 1.5% on FOB sales revenues for assuming the risk of non-payment by customers on this material. Glencore assumes 100% of the risk of non-payment by customers in relation to vanadium sales.

If at any time Xstrata South Africa notifies Glencore International that it is able to find purchasers for its production at prices higher than those generally obtainable by Glencore International, Xstrata South Africa may, unless Glencore International is able to obtain similar prices, sell its own products in the market. Glencore International is nevertheless entitled to the 3.5% agency fees described above in respect of such sales.

Vanadium pentoxide and ferrovandium sold by the Group into the United States and Canada are distributed by Glencore under two distribution agreements. The distribution agreements have the same term as the marketing agreement. The direct costs incurred by Glencore and a distribution fee of 2.5% on FOB sales revenue are deducted from the final price payable by Glencore to Xstrata South Africa for the vanadium pentoxide or ferrovandium.

Relationship with major shareholder

On March 20, 2002, Glencore International and Xstrata entered into an agreement (the "Relationship Agreement") which regulates the ongoing relationship between them. The principal purpose of the Relationship Agreement is to ensure that Xstrata is capable of carrying on the Group's business independently of Glencore International and that transactions and relationships between Glencore and the Group are at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as the Ordinary Shares are listed on the Official List and traded on the London Stock Exchange and Glencore International is Xstrata's controlling shareholder (as such term is defined in the Relationship Agreement). Currently, a controlling shareholder is a person who holds either 30% or more of the votes exercisable at general meetings of Xstrata or has the right to control the appointment of the majority of the directors of Xstrata. As stated above in "Business – Relationship with Glencore – Overview", so far as Xstrata is aware, Glencore International, through its wholly-owned subsidiary, Finges, beneficially owns 1,010,403,999 Ordinary Shares, representing 34.1% of the current issued ordinary share capital of Xstrata. On January 8, 2007, Glencore International notified Xstrata that these Ordinary Shares are registered in the name of HSBC.

Under the Relationship Agreement:

- Xstrata and Glencore International agree that transactions and relationships between the Group and Glencore will be conducted at arm's length and on a normal commercial basis;
- Xstrata and Glencore International agree to ensure that Xstrata is capable, at all times, of carrying on its business independently of any member of Glencore;
- Glencore International is only permitted to nominate a maximum of three directors of Xstrata or (if lower or higher) such number of directors of Xstrata nominated by Glencore

International as is equal to one less than the number of independent directors (defined in the Relationship Agreement as a director who is free from any business or other relationship with Glencore International), subject to the requirement that Glencore International shall exercise its powers so that Xstrata is managed in accordance with the principles of good governance set out in the Combined Code and that the provisions of the Code of Best Practice set out in the Combined Code are complied with by Xstrata. Glencore International previously nominated three directors to the board of directors of Xstrata. However, following Mr. David Issroff's resignation from the board of directors of Xstrata with effect from May 10, 2006, Glencore International only had two nominees on the board of directors of Xstrata, being Messrs. Strothotte and Glasenberg, until Mr Stothotte's resignation as Chairman with effect from May 4, 2011. At the Xstrata Annual General Meeting on May 4, 2011, Messrs Mistakidis and Peterson were elected to the board of directors of Xstrata (joining Mr Glasenberg who was re-elected) following their nomination by Glencore International;

- directors of Xstrata nominated by Glencore International are not permitted, unless the independent directors agree otherwise, to vote on any resolutions of Xstrata's board of directors to approve any aspect of the Group's involvement in or enforcement of any arrangements, agreements or transactions with any member of Glencore; and
- Glencore International undertakes to procure that Glencore shall not exercise its voting rights to procure amendment to the constitutional documents of Xstrata which would be inconsistent with, or undermine, the Relationship Agreement.

The Group believes that the terms of the Relationship Agreement as described above enable it to carry on its business independently from Glencore.

STATUTORY AUTHORISATIONS, LICENCES AND CONCESSIONS

Xstrata Copper

Copper and gold assets

Mineral rights at Xstrata Copper's various operations are held through mining tenements. No separate surface rights exist in relation to the properties. A summary of the mining tenements directly involved in actual operations is shown in the table below (noting that some other mining tenements also are held but not listed below).

Status of Xstrata Copper's copper and gold asset mining tenements

Mount Isa mine tenements

Tenement	Tenement Name	Original Granted	Expires	Comments
ML8058	Mount Isa Consolidated	December 1, 1986	November 30, 2036	As granted under MIMLA Act

Ernest Henry mine tenements

Tenement	Tenement Name	Original Granted	Expires	Comments
ML2671	Savage 33	November 28, 1974	November 30, 2025	Active mining area
ML90041	EHM 1	December 1, 1995	November 30, 2016	Active mining area
ML90072	EHM A	December 1, 1995	November 30, 2025	Active mining area
ML90075	EHM B	December 1, 1995	November 30, 2025	Active mining area
ML90085	EHM C	April 1, 1996	March 31, 2026	Active mining area
ML90100	EHM D	June 1, 1996	May 31, 2026	Active mining area
ML90107	EHM E	September 1, 1996	August 30, 2026	Active mining area
ML90116	EHM F	October 1, 1996	September 30, 2026	Active mining area
TL203701		August 18, 1995	August 17, 2045	7,000 ha surrounding active mining leases
TL207781		September 21, 1996	September 20, 2046	EHM accommodation village

The Ernest Henry and Mount Isa tenements are located in Queensland, Australia.

Principal terms and conditions for Queensland mining concessions include the requirement to have an "Environmental Authority" issued by the Department of Environment and Resource Management ("DERM") and a Plan of Operation ("POO") lodged with DERM. The POO specifies proposed mining and rehabilitation activities for a term of up to five years. As discussed elsewhere, the Mount Isa operations in Queensland are transitioning their environmental regulation from the Mount Isa Mines Limited Agreement Act 1985 to the Environmental Protection Act 1994. DERM has issued a new draft environmental authority which remains subject to negotiation and consideration. When the environmental authority for Mount Isa is finalized, a POO will also need to be lodged in line with other Queensland mines.

The POO also includes an estimate of the maximum mine rehabilitation liability for the term of the POO and calculation of the corresponding financial assurance required to be lodged with DERM. The level of financial assurance required to be lodged with the government is a percentage of the total rehabilitation liability. The percentage required is dependent on the environmental performance category of the mine, which is determined in accordance with DERM guidelines.

The miner calculates the total rehabilitation liability and DERM may require this figure to be increased (resulting in an increase in the financial assurance). DERM is not bound by previous estimates and has in the case of mines of third parties outside of the Xstrata Group, significantly altered and increased agreed calculations for total rehabilitation cost. There can be no assurance that DERM will not alter the calculation for the total rehabilitation cost of the Ernest Henry and Mount Isa sites.

An annual return is required to be lodged with DERM for each Environmental Authority. The annual return reports on compliance with Environmental Authority conditions. The Xstrata Group has submitted all required POOs and annual returns for Environmental Authorities and has lodged the necessary financial assurances with DERM.

Alumbrera mine

The Alumbrera mine is located in the Catamarca province in Argentina.

<u>Tenement</u>	<u>Tenement Name</u>	<u>Original Granted</u>	<u>Expires</u>	<u>Comments</u>
YMAD	YMAD Lease	April 27, 1994	February 25, 2017 (mine life)	600 ha area lease

Alumbrera is required to submit environmental management reports every two years to the Provinces of Catamarca and Tucuman, Argentina. The reports present the results of environmental monitoring conducted at the mine and set out any specific changes or issues. The report that is provided to the Catamarca Province addresses the mine and mineral processing operations and the concentrator pipeline operation within the Catamarca Province. The report that is provided to the Province of Tucuman addresses the pipeline and filter plant operations. The Xstrata Group has submitted all required reports.

In order to retain the mining concession an annual payment of ARS 4800 must be made to the Catamarca mining authority. Alumbrera has made all such required payments.

Altonorte smelter

The Altonorte copper smelter is located in northern Chile.

Summary of property holdings

The following table sets out the mining development concessions for the Xstrata Group's installations at the Altonorte site. All of the concessions have been granted and are maintained by the payment of annual taxes.

<u>Mining development concession</u>	<u>Record number</u>	<u>Area (ha)</u>	<u>Date of filing of mining development claim</u>	<u>Regulatory Ruling</u>
OLGA 1 AL 50	7.720	500	September 5, 1991	December 30, 1992
NORTE UNO 1 AL 36	17.274	180	February 26, 1999	November 22, 2000
NORTE DOS 1 AL 10	17.272	50	February 26, 1999	November 22, 2000
AMANDITA 1 AL 2	17.273	10	February 26, 1999	November 22, 2000
ALTO 1 AL 52	17.275	260	February 26, 1999	November 22, 2002
ANDREITA 1 AL 28	32.665	132	May 12, 2000	March 27, 2002
LORENITA 1-54	725.2007	216	October 5, 2007	July 1, 2010
Total area		1,348		

Antamina

The Antamina operation is located in the Andes mountains in Peru, approximately 270 kilometres north of Lima at an elevation of 4,300 metres.

Summary of property holdings

In Peru, mining concessions are organized in Administrative Economic Units (UEA), as set forth below:

UEA Antamina

The property consists of 69 concessions covering 7,747.25 hectares located in the San Marcos and Huachis Districts, in the Province of Huari, in the Ancash Department.

UEA Antamina N° 1

The property consists of six concessions covering 4,214 hectares located in the San Marcos and San Pedro de Chana Districts, in the Province of Huari, in the Ancash Department.

UEA Antamina N° 2 – Huarmey

The property consists of two concessions covering 1,500 hectares located in the Huarmey District, in the Province of Huarmey, in the Ancash Department.

UEA Antamina 3

The property consists of six concessions covering 5,900 hectares located in the Huallanca, San Marcos, Pachas and Llata Districts, in the Provinces of Bolognesi, Huari, Dos de Mayo and Huamalies, in the Departments of Ancash and Huanuco.

UEA Antamina 4

The property consists of four concessions covering 4,000 hectares located in the Llata District, in the Province of Huamalies, in the Departments of Huanuco.

UEA Antamina 5

The property consists of five concessions covering 4,100 hectares located in the San Marcos, San Pedro de Chana, Llata and Puños Districts, in the Provinces of Huari and Huamalies, in the Departments of Ancash and Huanuco.

UEA Antamina 6

The property consists of four concessions covering 4,000 hectares located in the Huachis, San Marcos and San Pedro de Chana Districts, in the Province of Huari and in the Department of Ancash.

UEA Antamina 7

The property consists of four concessions covering 2,808 hectares located in the San Marcos and Huachis Districts, in the Province of Huari and in the Department of Ancash.

UEA Antamina 8

The property consists of three concessions covering 2,500 hectares located in the San Pedro de Chana, Miraflores and Puños Districts, in the Provinces of Huari and Huamalies and in the Departments of Ancash and Huanuco.

UEA Antamina 9

The property consists of six concessions covering 5,500 hectares located in the Huachis, Ponto and San Pedro de Chana Districts, in the Province of Huari and in the Department of Ancash.

UEA Antamina 10

The property consists of five concessions covering 5,000 hectares located in the Huachis, Ponto, Rahuapampa and San Pedro de Chana Districts, in the Province of Huari and in the Department of Ancash.

UEA Antamina 11

The property consists of six concessions covering 5,600 hectares located in the Huachis and San Marcos Districts, in the Province of Huari and in the Department of Ancash.

UEA Antamina 12

The property consists of six concessions covering 5,100 hectares located in the Cajay, Huari, Huachis, Masin and Rahuapampa Districts, in the Province of Huari and in the Department of Ancash.

UEA Antamina 13

The property consists of five concessions covering 2,400 hectares located in the Huarmey District, in the Province of Huarmey and in the Department of Ancash.

Not included in Administrative Economic Units (UEA):

ANTA 46

This mining concession covers 1,000 hectares located in the San Marcos District, in the Province of Huari, in the Department of Ancash.

ANTA 47

This mining concession covers 700 hectares located in the San Marcos District, in the Province of Huari, in the Department of Ancash.

ANTA 48

This mining concession covers 400 hectares located in the San Marcos District, in the Province of Huari, in the Department of Ancash.

ANTA 49

This mining concession covers 400 hectares located in the San Marcos District, in the Province of Huari, in the Department of Ancash.

ANTA 51

This mining concession covers 800 hectares located in the San Marcos District, in the Province of Huari, in the Department of Ancash.

ANTA 52

This mining concession covers 500 hectares located in the San Marcos District, in the Province of Huari, in the Department of Ancash.

ANTA 53

This mining concession covers 1000 hectares located in the San Marcos District, in the Province of Huari, in the Department of Ancash.

ANTA 54

This mining concession covers 400 hectares located in the San Marcos District, in the Province of Huari, in the Department of Ancash.

Collahuasi

The Collahuasi property consists of 507 exploitation concessions covering 147,988 hectares and 368 exploration concessions covering 142,700 hectares. The property is located in northern Chile, about 180 kilometres southeast of the port of Iquique, at an elevation of 4,300 metres. It contains two separate porphyry copper deposits, known as Ujina and Rosario. The Ujina high grade secondary enrichment has been mined already but an important reserve of primary copper ore remains. Rosario has large tonnages of high grade primary ore and important secondary enrichment zones. The Huiniquintipa oxide copper deposit is located downstream from the Rosario deposit. In addition, the property contains high-grade copper mineralisation at the adjacent Rosario West deposit.

Summary of property holdings

The following table sets out the exploitation concessions covered by the Collahuasi property:

Property	Number of exploitation concessions	Area (ha)
Sector Yacimiento	184	35,399
Sociedad Contractual Minera Michincha	39	22,820
Comuna de Iquique	18	2,127
Comuna de Pica	82	43,335
Comuna de Pozo Almonte	66	8,361
Sector Huasco	61	16,550
Pertenencias Zona de Interes	51	17,876
Sector Calama	6	1,200
Total	507	147,988

Tintaya

Summary of property holdings

The property consists of 18 concessions covering 3,598.115 hectares, as well as two production concessions consisting of two treatment plants (one oxide, the other sulphide). All of these concessions are located in the Espinar District in the Province of Espinar in the Cusco region of Peru.

Xstrata Tintaya S.A. holds a total of 111 mining concessions (including 18 relating to the Tintaya Project and the two production concessions). The following chart includes a brief summary of them:

Group of Concessions	Number	Area (ha)
UEA Tintaya	18	3,598.1150
Ore processing claim	2	–
Antapaccay	13	7,944.4767
Corrocohuayco	1	10,665.5487
Concessions without activity	89	75,482.6375
Total	123	97,690.7779

The Tintaya project also holds the following main licences and permits:

Name of Licence/Permit	Issue Date
Sulphide EIA Approval	April 1997
Oxide EIA Approval	December 1996, July 2004
Huinipampa Tailings Dam EIA Approval	July 2001
Sulphide Beneficiation concession (19,400 TM/day)	April 1991
Oxide Beneficiation Concession (10,000 TM/Day)	July 2004, August 2005
Mining Operation Certificate	Semester Renewal
Global Explosive Authorisation	Semester Renewal
Water Rights	January 1991, January 2001, January 2010

Las Bambas

Summary of property holdings

Xstrata excised the option contract between it and the Peruvian Government for the Las Bambas project in August 2010. There are 41 mining concessions covering 34,465 hectares.

Regional exploration Xstrata Peru S.A. (XPSA)

Summary of property holdings

Xstrata has undertaken regional exploration in Southern Peru. Including the Las Bambas project concessions, there are 16 mining concessions held by Xstrata Peru S.A., covering 10,500 hectares. One of these concessions is situated where the Chalhuhhuacho dam will be built, and, consequently, there will be no regional exploration on that concession. The remaining 15 concessions cover 9,900 hectares.

Kidd Creek mining division, Ontario, Canada

The Kidd Creek mining operation's principal copper/zinc properties in the Timmins area are located in Kidd Township, Porcupine mining division, Province of Ontario. The properties owned by the Xstrata Group comprise 17 patented and leasehold half lots.

Summary of property holdings

Parcel	Location	Lease number	Acres	Expiry
Leased Land				
377 LC	S ½ N 1/2 Lot 3 Con 3	105419 (formerly 101723)	80.00	October 1, 2012
300 LC	N 1/2 N 1/2 Lot 3 Con 3	108287 (formerly 104924)	80.00	September 1, 2012
301 LC	S ½ N 1/2 Lot 4 Con 4	108286 (formerly 104925)	161.00	September 1, 2012
302 LC	S ½ Lot 1 Con 4	108288 (formerly 104926)	160.00	September 1, 2012
Total Leased Land			481.00	195 Hectares
Patented Land				
14985 SEC	N 1/2 Lot 1 Con 3		160.00	Mining and Surface
11471 SEC	N 1/2 Lot 2 Con 4		160.00	Mining and Surface
13569 SEC	N 1/2 Lot 3 Con 4		160.00	Mining and Surface
13571 SEC	Pt. N 1/2 Lot 4 Con 4		160.00	Mining and Surface
15114 SEC	S ½ Lot 3 Con 5		159.00	Mining and Surface
14980 SEC	N 1/2 Lot 3 Con 5		159.00	Mining and Surface
12757 SEC	N 1/2 Lot 4 Con 5		160.50	Mining and Surface
13574 SEC	S Pt. Lot 4 Con 4		160.50	Mining and Surface
11998 SEC	N 1/2 Lot 1 Con 4		160.50	Mining and Surface
14117 SEC	N 1/2 Lot 5 Con 5		159.50	Mining and Surface
14118 SEC	N 1/2 Lot 6 Con 5		159.50	Mining and Surface
Total Patented Land			1,758.50	712 Hectares
Total			2,239.50	907 Hectares
Surface Leases				
16186 SEC	Pt. Lot 2 Con 4	266303	3.00	1 Hectare
Surface Patent				
19299 SEC	S ½ Lot 5 Con 5		159.50	65 Hectares
Total			159.50	
Total			2,402.00	973 Hectares

Kidd Creek Metallurgical Division, Ontario

The ore from Kidd Creek Mining Division is transported by a railway owned by the Xstrata Group to the Kidd Creek Metallurgical Division's mineral processing facilities, located 27 kilometres southeast of the Kidd Mine. As described above, the copper and zinc metallurgical facilities at the Kidd Creek Metallurgical Site closed in May 2010.

Summary of property holdings

<u>Parcel</u>	<u>Location</u>	<u>Lease number</u>	<u>Acres</u>
Leased Land			
1813 LC	S 1/2 Lot 1 Con 2	106985 (formerly 104882)	160.00
			160.00
Patented Land			
14342 SEC	N 1/2 Lot 1 Con 1		160.00
15468 SEC	S Pt. N Lot 1 Con 1		160.00
Total			320.00
			480.00
Surface Rights Only Leased Land			
8654 SEC	NE Pt. S 1/2 Lot 3 Con 1	Private Lease	29.70
17302 SEC	S Pt. N 1/2 Lot 3 Con 1	Private Lease	3.80
1815 LC	N 1/2 Lot 1 Con 2	106987	160.00
1815 LC	S 1/2 Lot 2 Con 2	106987	159.00
1819 LC	N 1/2 Lot 4 Con 2	106982	159.52
1830 LC	N 1/2 Lot 5 Con 2	107061	231.60
1830 LC	S 1/4 Lot 5 Con 2	107061	72.08
1815 LC	S 1/2 Lot 1 Con 3	106987	160.00
1815 LC	S 1/2 Lot 2 Con 3	106987	158.50
1817 LC	All Lot 2 Con 4	106983	315.00
			1,449.20
Patented Land			
14830 SEC	N 1/2 Lot 2 Con 2		159.00
14579 SEC	N 1/2 Lot 3 Con 2		159.50
22881 SEC	S 1/2 Lot 3 Con 2		159.52
17165 SEC	N 1/2 Lot 1 Con 3		160.00
17164 SEC	N 1/2 Lot 2 Con 3		158.50
15608 SEC	S 1/2 Lot 3 Con 3		160.50
15512 SEC	N 1/2 Lot 4 Con 3		161.00
15514 SEC	S 1/2 Lot 4 Con 3		161.00
17152 SEC	N 1/2 Lot 3 Con 4		158.50
17151 SEC	S 1/2 Lot 3 Con 4		158.50
17154 SEC	N 1/2 Lot 4 Con 4		152.50
17153 SEC	S 1/2 Lot 4 Con 4		152.50
			1,901.02
Total			3,350.22

Horne smelter, Quebec, Canada

The Horne smelter is located in Rouyn-Noranda, Quebec.

Summary of property holdings

<u>Mining Concession</u>	<u>Area (ha)</u>	<u>Renewal date</u>
156 Pt. A	26.71	January 31, 2012
247 Pt. A	97.93	January 31, 2012
156 Pt. B	191.96	January 31, 2012
243	224.90	January 31, 2012
372	24.11	January 31, 2012
171	27.92	January 31, 2012
148	183.73	January 31, 2012
163 Pt. A	208.41	January 31, 2012
235	202.34	January 31, 2012

Tampakan Project, Philippines

SMI is a party to a Financial and Technical Assistance Agreement (FTAA) with the Philippine Government which covers an area of approximately 24,000 hectares and includes the Tampakan copper-gold deposit. Additionally, SMI is the holder of various rights that are adjacent to the

FTAA contract area, some of which cover land that would be required to host Project infrastructure or facilities. SMI's mineral rights are summarized as follows:

<u>Rights</u>	<u>Number</u>	<u>Date granted</u>
Financial & Technical Assistance Agreement (FTAA)	02-95-XI	March 22, 1995
Exploration Permit ("EP")	001-08-XI	January 2, 2008
Application for an Exploration Permit ("EP II")	No 067-B-XII-06	Pending
Application for an Exploration Permit ("EP III")	No. 092-XI	Pending
Application for an Exploration Permit ("EP IV")	No. 124-96-XII	Pending

Lomas Bayas, Chile

The Lomas Bayas mine is located in the Second Region of Chile, approximately 110 kilometres northeast of the port city of Antofagasta. The mine is situated at an altitude of 1,500 metres in the Atacama Desert. The Fortuna de Cobre deposit is situated 3 kilometres to the south of the Lomas Bayas mine.

The Lomas Bayas mine comprises eight exploitation concessions covering approximately 2,322 hectares. The Fortuna de Cobre mine comprises 11 exploitation concessions covering approximately 1,216.5 hectares. In addition, covering an area around Lomas Bayas and Fortuna de Cobre, the Xstrata Group also holds 91 mining concessions, comprising: 31 exploitation mining concessions; 1 exploitation mining concession in process to be granted and 57 exploration concessions. The total surface of mining concessions owned by the Xstrata Group in the Lomas Bayas district amounts to 22,655.47 hectares.

Summary of property holdings

The following table sets out the mining exploitation concessions for the Xstrata Group's Lomas Bayas operations. All of the concessions have been granted.

<u>Mining development concession</u>	<u>Record number</u>	<u>Area (ha)</u>	<u>Date of Filing</u>	<u>Date of Regulatory ruling</u>
ABUSIMBEL 1 AL 23	5.298	230	February 24, 1992	March 15, 1993
AYQUINA 1 AL 30	8.839	300	September 2, 1992	October 7, 1993
LAS PENAS 1 AL 30	8.837	300	September 2, 1992	October 7, 1993
LO VASQUEZ 1 AL 30	8.838	300	September 2, 1992	October 7, 1993
GIZEH 1 AL 30	5.299	300	February 24, 1992	March 15, 1993
NAZCA 1 AL 30	5.300	292	February 24, 1992	March 15, 1993
PELEQUEN 1 AL 30	8.836	300	September 2, 1992	October 7, 1993
MIRTHA 1 AL 30	23841	300	August 13, 1992	September 17, 1993
Total area		2,322		

The Fortuna de Cobre deposit is adjacent to the Lomas Bayas mine. The following table sets out the mining exploitation concessions for the Xstrata Group's Fortuna de Cobre operations. All of the concessions have been granted.

<u>Mining development concession</u>	<u>Record number</u>	<u>Area (ha)</u>	<u>Date of Filing</u>	<u>Date of Regulatory ruling</u>
BALI 1 AL 20	10.003	200	April 22, 1996	October 6, 1997
BANGKOK 1 AL 20	10.002	200	April 22, 1996	October 6, 1997
CAPADOCIA 1 AL 14	10.004	125	April 22, 1996	October 6, 1997
CAPADOCIA 15 AL 29	10.004	150	April 22, 1996	October 6, 1997
CONSTANZA 1 AL 30	26.531	120	November 5, 1994	May 9, 1998
PETRONILA 21-29	24.363	40.5	April 5, 1948	November 13, 1958
ELVIRA 1 AL 10	8.185	50	March 29, 1955	October 25, 1956
FORTUNA 1 AL 10	22.636	50	February 9, 1950	November 12, 1951
MAX 1 AL 4 Y 11 AL 14	5.960	33	January 6, 1993	March 7, 1995
MAX 5 AL 10 Y 15 AL 20	5.960	48	January 6, 1993	March 7, 1995
LAOS 1 AL 20	10.005	200	April 22, 1996	October 6, 1997
Total area		1,216.5		

El Pachón, Argentina

The El Pachón property is located in the province of San Juan, Argentina at an elevation of 3,600 metres to 4,100 metres, about three kilometres from the Chilean border and seven kilometres from the Los Pelambres mine.

Summary of property holdings

The property (Grupo Minero Pachón) consists of 48 concessions covering 2,001.90 hectares.

Other mining properties: *Demasías (portion of land between two claims not large enough to admit a separate claim)* Pachón 13 and Chorlo (7,466 m² each)

Mondaquita mine (1,546.56 hectares)

Pachón 23 mine (136.12 hectares)

Valentina I mine (1,332.25 hectares)

In addition, the Group has exploration rights over an area covering approximately 19,974 hectares.

West Wall, Chile

The West Wall property is located in Region V, about 100 kilometres north of Santiago, Chile at an elevation of 3,000 metres to 3,700 metres. A low grade porphyry resource was identified on the property in the 1980s by Minera Anglo American Chile and Noranda discovered a new porphyry system, referred to as the Lagunillas zone, located three kilometres to the southwest. Diamond drilling in 2002 and 2005 outlined a secondary enriched blanket of copper mineralisation, underlain by significant primary mineralisation. The zone extends over an area of 1,200 metres north-south and ranges from 350 to 450 metres in width. Economic evaluation of the mineralisation revealed the zone to be breakeven to moderate grade and significant thickness of barren leach cap.

Summary of property holdings

The property consists of 8 exploitation concessions covering 6,523 hectares and 4 exploration concessions application covering 3,500 hectares.

Xstrata Coal

New South Wales coal assets

The Xstrata Group is currently preparing Mining Lease Applications for areas of the Ravensworth North and Ravensworth Underground Mines which currently do not hold title. A Mining Lease Application (MLA406) has been submitted for the area beneath Commonwealth Land at the Bulga Complex. A mining Lease application will need to be submitted for an area at Ulan where surface title is not currently held. The Xstrata Group currently holds all other necessary leases, licences and authorisations to cover exploration and mining activities of Xstrata Coal in New South Wales. All subleases shown below are in the Xstrata Group's favour and will require a full lease transfer within 2- 5 years as a result of recent amendments to the Mining Act. A summary of the status of the mining leases, licences and authorisations for the Xstrata Group's New South Wales coal assets is set out in the table below.

Summary of the Xstrata Group's mining leases, licences and authorisations in New South Wales

<u>Colliery holding</u>	<u>Lease / licence / authorisation</u>	<u>Expiry date</u>	<u>Status</u>
Baal Bone	CCL749	2030	Current
	CCL770	2024	Current
	CL391	2013	Current
	ML1389	2017	Current
	ML1302	2013	Current
	MPL261	2011	Renewal Lodged
	ML1607	2018	Current
Bulga Complex ⁽¹⁾	ML1494	2027	Current
	ML1547	2025	Current
	A447	2011	Renewal in Preparation
	A450	2013	Current
	EL5277	2010	Renewal Lodged
	EL5461	2013	Current
	CL224	2023	Current
	Part CL219 (sublease)	2023	Current
Cumnock	CL378	2027	Current
	ML1325	2014	Current
	ML1327	2013	Current
	ML1421	2018	Current
	ML1526	2023	Current
	MPL311	2014	Current
	ML1373	2014	Current
	ML1393	2027	Current
	A385	2011	Renewal Lodged
	ML1502	2023	Current
	ML1640	2030	Current
Glendell	CL358	2011	Renewal Lodged
	MPL343	2011	Renewal Lodged
	ML1410	2020	Current
	ML1476	2021	Current
	Pt CL382 (sublease)	2012	Current
Liddell	CL708	2023	Current
	ML1313	2023	Current
	ML1552	2008	Renewal lodged
	ML1597	2028	Current
Ravensworth Underground	ML1398	2027	Current
	ML1416	2018	Current
	ML1477	2021	Current
	ML1484	2024	Current
	ML1485	2015	Current
	ML1495	2022	Current
	ML1506	2023	Current
	ML1564	2026	Current
	ML1581	2027	Current
	ML1591	2028	Current
	ML1595	2028	Current
	ML1625	2029	Current
	ML1348	2012	Current
	ML1349	2023	Current
ML1580	2023	Current	

Colliery holding	Lease / licence / authorisation	Expiry date	Status	
Glendell	CL358	2011	Renewal Lodged	
	MPL343	2011	Renewal Lodged	
	ML1410	2020	Current	
	ML1476	2021	Current	
	Pt CL382 (sublease)	2012	Current	
Liddell	CL708	2023	Current	
	ML1313	2023	Current	
	ML1552	2008	Renewal lodged	
	ML1597	2028	Current	
Ravensworth Underground	ML1398	2027	Current	
	ML1416	2018	Current	
	ML1477	2021	Current	
	ML1484	2024	Current	
	ML1485	2015	Current	
	ML1495	2022	Current	
Mount Owen	A423	2012	Current	
	A429	2012	Current	
	CL383	2012	Current	
	CCL715	2019	Current	
	EL6254	2014	Current	
	ML1355	2015	Current	
	ML1419	2012	Current	
	ML1453	2020	Current	
	ML1561	2026	Current	
	ML1608	2028	Current	
	ML1629	2030	Current	
Running Stream	AL12	2011	Renewal Lodged	
Ulan	CCL741	2027	Current	
	MPL315	2014	Current	
	ML1341	2015	Current	
	ML1365	2014	Current	
	ML1366	2014	Current	
	ML1467	2021	Current	
	ML1468	2021	Current	
	ML1554	2025	Current	
	ML1511	2023	Current	
United	CCL775	2012	Current	
	A444	2011	Renewal Lodged	
	Part CCL743 (sublease)	2022	Current	
	Part ML1402 (sublease)	2022	Current	
Macquarie Coal Joint Venture	ML1451	2020	Current	
	(West Wallsend/Westside/Teralba/ Cardiff Borehole/Mitchells Flats)	ML1438	2020	Current
	ML1336	2014	Current	
	ML1532	2024	Current	
	CCL760	2021	Current	
	CCL718	2010	Renewal Lodged	
	CCL725	2010	Renewal Lodged	
	CL532	2018	Current	
	MPL323	2015	Current	
	ML1459	2017	Current	

Colliery holding	Lease / licence / authorisation	Expiry date	Status
	Part CCL774 (sublease)	2023	Current
	Part CCL727 (sublease)	2027	Current
	Part CCL764 (sublease)	2021	Current
	Part ML1380 (sublease)	2016	Current
	ML1567	2026	Current
	ML1309	2014	Current
	CCL729	2007	Renewal lodged
	PLL153	2024	Current
	CL371	2012	Current
	ML1342	2015	Current
	ML1399	2017	Current
Narama	CL580	2023	Current
	CL380	2012	Current
	CCL723	2024	Current
	CCL739	2029	Current
	ML1357	2015	Current
	EL7490	2015	Current
Ravensworth East	ML1415	2020	Current
	ML1475	2021	Current
	A268	2011	Renewal in Preparation
	AL8	2013	Current
	EL5297	2014	Current
	ML1393	2027	Current
	ML1576	2027	Current
Mangoola Project	ML1626	2029	Current
	AL9	2014	Current
	EL5552	2014	Current
Tahmoor	CCL 716	2021	Current
	CCL 747	2025	Current
	ML 1308	2014	Current
	ML 1376	2016	Current
	ML 1539	2024	Current
	A206	2010	Renewal Lodged
	A410	2010	Renewal Lodged
	ML1642	2031	Current

Note

(1) Bulga Complex includes Beltana and Blakefield South.

Terms

A	Authorisation	ML	Mining Lease
AL	Assessment Lease	MLA	Mining Lease Application
ALA	Assessment Lease Application	MPL	Mining Purposes Lease
CCL	Consolidated Coal Lease	MPLA	Mining Purposes Lease Application
CL	Coal Lease	PLL	Private Lands Lease
EL	Exploration Licence		

New South Wales mining companies are required by law to submit Mining Operations Plans (“MOPs”) and Annual Environmental Management Reports (“AEMRs”) to the Department of Trade and Investment, Regional Infrastructure and Services (“DTIRIS”). The MOPs outline plans for mining and rehabilitation over a period of between three and seven years and identify the costs associated with the rehabilitation of the site. The AEMRs report the annual progress in relation to the MOPs.

The Xstrata Group has submitted all the required MOPs and AEMRs and has lodged the necessary securities with the relevant DMR. Additional securities are in the process of being negotiated as part of the regular review of the rehabilitation costs undertaken during the MOP process.

Individual mines establish provision for rehabilitation liabilities by accruing a rehabilitation provision per tonne, by obtaining bank guarantees or by a combination of these methods. Rehabilitation provisions are referred to as securities and are specified in the mining leases or during the MOP process.

Queensland coal assets

The Xstrata Group currently holds all necessary leases and licences to cover exploration and mining activities of the Xstrata Coal in Queensland. A summary of the status of these mining leases, licences and exploration permits for Queensland coal assets is set out in the table below. These leases and licences relate to coal mines, projects and longer term prospects. The Xstrata Group has several Mineral Development Licences with renewals pending approval. This status has no effect on the operation of the mines or security of title.

Summary of the Xstrata Group's mining leases, licences and exploration permits in Queensland

<u>Mine</u>	<u>Lease / licence / permit</u>	<u>Expiry date</u>	<u>Status</u>
Oak Creek	ML1832	2020	Current
	ML2004	2014	Current
	ML70241	2020	Current
	MDL163	2011	Renewal lodged
	ML70327	2020	Current
	PL237	2032	Current
	PL324	2020	Current
	MLA70424		Application
Red Rock	EPC839	2008	Not current
	EPC841	2014	Current
	EPC713	2013	Current
	EPC1413	2014	Current
	EPC2040	2016	Current
Newlands	ML4748	2018	Current
	ML4754	2021	Current
	ML4755	2021	Current
	ML4761	2011	Renewal lodged
	ML4771	2026	Current
	ML4774	2008	Renewal lodged
	ML10176	2016	Current
	ML10316	2026	Current
	ML10317	2026	Current
	ML10322	2026	Current
	MDL368	2013	Current
	EPC588	2012	Current
	EPC727	2013	Current
	EPC734	2011	Renewal lodged
	EPC773	2013	Current
	EPC774	2011	Renewal lodged
	EPC964	2013	Current
	EPC976	2011	Renewal lodged
	EPC977	2012	Renewal lodged
		ML10348	
	ML10352		Application
	ML10361		Application
	ML10362		Application

<u>Mine</u>	<u>Lease / licence / permit</u>	<u>Expiry date</u>	<u>Status</u>
Collinsville / Sarum	ML1005	2024	Current
	ML1006	2025	Current
	ML1007	2026	Current
	ML1008	2026	Current
	ML1009	2026	Current
	ML1015	2024	Current
	ML1037	2026	Current
	ML1064	2018	Current
	ML10333	2032	Current
	ML10111	2014	Current
	ML10250	2012	Current
	MLA10336		Application
	EPC1914		Competing application
	MLA10365		Application
Wandoan Project	MDL221	2011	Renewal lodged
	MDL222	2011	Renewal lodged
	MDL223	2011	Renewal lodged
	MDL224	2011	Renewal lodged
	EPC787	2016	Current
	EPC788	2016	Current
	EPC789	2016	Current
	EPC790	2016	Current
	EPC791	2016	Current
	EPC792	2016	Current
	EPC838	2015	Current
	EPC859	2014	Current
	EPC996	2015	Current
	EPC1028	2011	Renewal lodged
	EPC1143	2011	Renewal lodged
	MLA50229		Application
	MLA50230		Application
	MLA50231		Application
	MLA50277		Application
	MLA50279		Application
MLA55002		Application	
EPC1559	2014	Current	
EPC1615	2014	Current	
Rolleston Project	ML70307	2033	Current
	MDL227	2010	Renewal lodged
	EPC538	2011	Renewal lodged
	EPC595	2012	Renewal lodged
	EPC737	2011	Renewal lodged
	EPC885	2011	Renewal lodged
	EPC1463	2015	Current
Pentland	MDL356	2011	Current
	EPC771	2013	Current
	EPC1588	2014	Current
Cook	ML1779	2021	Current
	ML1799	2021	Current
	ML1768	2012	Current
	ML1769	2012	Current
	ML7357	2021	Current

<u>Mine</u>	<u>Lease / licence / permit</u>	<u>Expiry date</u>	<u>Status</u>
Togara North	MDL316	2010	Renewal lodged
	MDL317	2013	Current
	MLA70149		Application
	MLA70162		Application
	EPC550	2008	Renewal lodged
	EPC1968		Competing application (still to be assessed)
Bluff (Oceanic Coal)	ML1744	2011	Current

Terms

ML	Mining Lease	EPC	Exploration Permit Coal
MLA	Mining Lease Application	EPCA PL	Petroleum Lease Coal
MDL	Mineral Development Licence		

Principal terms and conditions for mining concessions relevant to the Queensland mining operations include the requirement to have an Environmental Authority issued by the Environmental Protection Agency ("EPA") and a POO lodged with the EPA.

The POO specifies proposed mining and rehabilitation activities for a term of up to five years. The POO also includes an estimate of the maximum mine rehabilitation liability for the term of the POO and a calculation of the corresponding financial assurance required to be lodged with the DNRM. The level of financial assurance required to be lodged with the government is a percentage of the total rehabilitation liability. The percentage required is dependent on the environmental performance category of the mine which is determined in accordance with EPA guidelines.

The miner calculates the total rehabilitation liability and the EPA may require this figure to be increased (resulting in an increase in the financial assurance). The EPA is not bound by previous estimates and has, in the case of third parties outside the Xstrata Group, significantly altered and increased agreed calculations for total rehabilitation cost of sites operated by the Xstrata Group, but no assurance can be given that this will not occur in the future.

An annual return is required to be lodged with the EPA for each Environmental Authority. The annual return reports on compliance with Environmental Authority conditions. The Xstrata Group has submitted all required POOs and annual returns for Environmental Authorities and has lodged the necessary assurances with the DNRM.

Xstrata Group's South African coal assets

Summary of the Xstrata Group's mining licences and authorisations

Mining Licence Number	Project	Status	Expiry
MP30/5/1/2/2/169MR	Goedgevonden	Granted	28 May 2038
MP30/5/1/2/2/273MR	Spitzkop	Granted	23 Aug. 2030
MP30/5/1/2/2/289MR	Tweefontein	Granted	18 Aug. 2020
MP30/5/1/2/2/288MR	Klippoortjie	Granted	28 July 2024
MP30/5/1/2/2/319MR	Tselentis- Witbank	Granted	23 Aug. 2019
MP30/5/1/2/2/360MR	Zaaiwater East (TWF)	Granted	23 Aug. 2029
MP30/5/1/2/2/375MR	Impunzi	Granted	18 Aug. 2040
MP30/5/1/2/2/272MR	Mooifontein	Granted	Not executed yet
MP30/5/1/2/2/269MR	Sara Buffels "A"	Granted	Not executed yet
MP30/5/1/2/2/271MR	Sterkfontein	Granted	Not executed yet
MP30/5/1/2/2/270MR	Sara Buffels "B"	Granted	Not executed yet
MP30/5/1/2/2/290MR	Bloemfontein	Granted	Not executed yet
MP30/5/1/2/2/313MR	Verkeerdepan	Granted	28 Oct. 2011
MP30/5/1/2/2/311MR	Verkeerdepan (1)	Granted	28 Oct. 2011
MP30/5/1/2/2/312MR	Jagtlust	Granted	28 Oct. 2011
MP30/5/1/2/2/343MR	Oogiesfontein	Granted	28 Oct. 2011
MP30/5/1/2/2/350MR	Zonnebloem	Granted	9 Sept. 2011
MP30/5/1/2/2/351MR	Elandspruit	Granted	28 Oct. 2011
MP30/5/1/2/2/168MR	Zaaiwater West (GGV)	Granted	28 May 2038
MP30/5/1/1/2/166PR	Consbrey A	Granted	12 Feb. 2012
MP30/5/1/1/2/820PR	Consbrey	Granted	12 Feb. 2012
MP30/5/1/1/2/180PR	Trichardsfontein	Granted	12 Feb. 2012
MP30/5/1/1/2/158PR	Amersfoort	Granted	12 Feb. 2012
MP30/5/1/1/2/122PR	Boschmanspoort	Granted	12 Feb. 2012
MP30/5/1/1/2/220PR	Zandbaken	Granted	12 Feb. 2012
MP30/5/1/1/2/78PR	Harwar	Granted	2 Dec. 2012
MP30/5/1/1/2/818PR	Paardekop	Granted	2 Dec. 2012

Under the terms of the MPRDA, which came into force on May 1, 2004, South Africa's mineral resources are the common heritage of all people of South Africa and the state is custodian thereof for the benefit of all South Africans. Xstrata South Africa, either directly or through subsidiaries or through co-arrangements with BECSA, holds mining authorisations and consequently old order mining rights, as defined in the MPRDA, over all of the areas covered in its current life of business plan, with the exception of the Goedgevonden project area, where new order mining rights have been obtained, and a property at Tselentis, over which properties it has acquired new order prospecting rights. An application for a new order mining right has been lodged in accordance with Xstrata South Africa's exclusive right under the Tselentis prospecting right. Xstrata South Africa and BECSA concluded a series of agreements on February 29, 2008, under which the DTJV would be amended in order for the parties to each become a 100% holder of defined discrete portions of the Old Order Mining Rights. The relevant applications under the MPRDA have been lodged.

Xstrata South Africa has a number of initiatives in place to ensure that it complies with the requirements of the MPRDA, allowing it to convert its old order mining rights into new order rights within the maximum five-year transitional period provided by the legislation. Save for the Rietspruit and two of the Tselentis "old order rights", where closure will be applied for, all the remaining applications for the conversion of old order mining rights have already been lodged in accordance with the MPRDA well ahead of the April 30, 2009 deadline for such applications. These old order mining rights continue to remain in force until the date of conversion and registration of the new mining rights, or April 30, 2009 if no application for conversion has been lodged.

Xstrata South Africa has an ongoing freehold acquisition programme to secure surface rights ahead of mining where required. For undeveloped resources, only surface freehold is owned. In most instances, however, title to the mineral rights confers the right to use or acquire the surface freehold as necessary for mining purposes. Xstrata South Africa manages the necessary “old order rights” and freehold properties for its current and projected mining operations.

Xstrata Nickel

Falcondo

Falcondo holds a mining concession and owns mining and mineral processing facilities for the production of ferronickel located near the town of Bonao, approximately 80 kilometres northwest of Santo Domingo, Dominican Republic.

Falcondo has been mining and processing nickel laterite ore in the Dominican Republic since 1971. Falcondo’s Quisqueya No. 1 mining concession covers approximately 22,000 hectares. The Quisqueya No. 1 Concession is located principally within the Provinces of Moñsenor Nouel and La Vega, Dominican Republic. Falcondo owns 4,751 hectares (not including Loma Miranda’s 1,373 hectares), 4,707 of which are inside the mining concession and include the mining areas and the mineral processing facilities, and 44 of which are outside the mining concession and include the townsite of Bonao and the Haina facilities. The term of the mining concession is for an unlimited period.

Raglan

The Raglan property is located 105 kilometres south of the northern tip of the Ungava (Nunavik) Peninsula in the Province of Quebec, approximately 1,800 kilometres north of Montreal. The property comprises 1,234 map-designated claims covering 48,624 hectares and eleven 20-year mining leases covering 995 hectares. The first of the leases expires in June 2016. All are renewable for three 10-year terms, provided that mining has taken place for at least two of the preceding ten years.

Summary of property holdings

Lease No.	MNR File No.	Mineral Area (ha)	Surface Area (ha)	Expiry Date	Area
	20980000000	0.00	10.50	July 31, 2012	Donaldson
	8272700007	0.00	172.50	May 31, 2012	Donaldson
BM836		92.07	0.00	June 11, 2016	Donaldson
BM837		44.04	0.00	June 11, 2016	Zone 3
9697-54		0.00	25.80	February 1, 2012	Katinniq
	8272700011	0.00	20.63	February 1, 2012	Katinniq
BM839		234.45	0.00	June 11, 2016	Katinniq
BM838		30.03	0.00	June 11, 2016	Zone 2
	8272700010	0.00	68.20	March 1, 2012	Katinniq
BM853		28.03	0.00	October 9, 2020	Zone 3
	8272700012	0.00	40.04	March 31, 2012	Zone 3
BM844		12.00	0.00	February 15, 2018	Zone 2
	8272700008	0.00	139.12	May 31, 2012	Zone 3
	8272700009	0.00	166.49	June 1, 2012	Katinniq
37312	8272700002	0.00	30.56	December 31, 2012	Deception Bay
	8272700004	0.00	2.07	July 1, 2012	Deception Bay
35 J/2-1-5	Nunavut	0.00	10.50	February 1, 2012	Deception Bay
	8272700006	0.00	3.13	May 1, 2012	Deception Bay
9697-2		0.00	6.47	April 1, 2012	Deception Bay
	8272700005	0.00	11.20	July 1, 2012	Deception Bay
	17289	0.00	44.76		Deception Bay
	8272700003	0.00	35.08	May 1, 2012	Purtaniq
BM867		16.10	0.00	April 27, 2025	Zone 3
BM859		219.02	0.00	May 2, 2024	Zone 5/8
BM860		197.20	0.00	May 2, 2024	West Boundary
BM861		89.90	0.00	May 2, 2024	East Lake
BM866		31.97	0.00	August 17, 2026	Zone 2
Total area		994.81	783.75		

In addition to the above noted operating assets, there are 1,234 map-designated claims that make up the surrounding Raglan property.

Sudbury

The Xstrata Group and its predecessors have been mining nickel/copper ores in the Sudbury area of northern Ontario since 1929. The Sudbury Mines/Mill principal nickel/copper producing properties in the Sudbury area are located in the townships of Falconbridge, Levack, Garson, Dowling and Blezard. The properties comprise patented land and licences of occupation.

Summary of property holdings

Lindsley Mine

The property comprises six patents covering 919.50 acres of Mineral Rights and 553.79 acres of Surface Rights located in Blezard Township in the Sudbury Mining Division.

Falconbridge and East Mine Area

The property comprises 53 patented mining claims, covering 2115.09 acres of Mineral and Surface Rights located in Falconbridge and Garson Townships in the Sudbury Mining Division. A portion of this property covers the area where the smelter and related infrastructure are located.

Fecunis, North, Stratcona, Longvack South and Fraser Mines

The property comprises 38 patented mining claims covering 1614.91 acres of Mineral and Surface Rights as well as three Licences of Occupation covering 31.10 acres all of which are located in Levack Township in the Sudbury Mining Division. A portion of this property covers the area where the Fraser Mine is located.

Hardy, Onaping and Craig Mines

The property comprises 18 patented mining claims, covering 746.77 acres of Mineral and Surface Rights, as well as one (1) Licence of Occupation covering 3.75 acres, all of which are located in Levack and Dowling Townships in the Sudbury Mining Division. A portion of this property covers the area where the Onaping Mine is located.

Hardy, Onaping and Craig Mines

The property comprises 17 patented mining claims, covering 716.88 acres of Mineral and Surface Rights located in Levack and Dowling Townships in the Sudbury Mining Division. A portion of this property covers the area where Craig Mine is located.

Nickel Rim South Deposit

The property comprises two patented mining claims, covering 89.68 acres of Mineral and Surface Rights located in MacLenan Township in the Sudbury Mining Division.

Lindsley Mine

Parcel	Township	Mining (ha)	Surface (ha)
7 NWS, N 1/2 Lot 5, Con 2	Blezard	160.00	156.03
2243 SES, 7/8 of Lot 6, Con 2	Blezard	280.00	0.00
6055 SES, 7/8 of Lot 6, Con 2	Blezard	0.00	265.91
9070 SES, Lot 5, Con 3	Blezard	319.50	0.00
Deed 107, S 1/2 Lot 5, Con 2	Blezard	160.00	130.39
Deed 110 Pt. Abandoned Road	Blezard	0.00	1.46
Total		919.50	553.79

Note

(1) Parcels 2243 and 6055 cover the same geographical area.

Falconbridge and East Mine Area

<u>Parcel</u>	<u>Claims</u>	<u>Township</u>	<u>Acreage</u>
3009 SES	S-4071	Falconbridge	40.00
3010 SES	S-3936	Falconbridge	39.88
3011 SES	S-3937	Falconbridge	40.00
3028 SES	S-4104	Falconbridge	40.00
3029 SES	S-4078	Falconbridge	37.75
3030 SES	S-4103	Falconbridge	40.00
3031 SES	S-4075	Falconbridge	40.00
3032 SES	S-3939	Falconbridge	40.00
3034 SES	S-3606	Falconbridge	39.88
3035 SES	S-4136	Falconbridge	39.00
3036 SES	S-3607	Falconbridge	39.88
3037 SES	S-3608	Falconbridge	39.88
3038 SES**	S-4009	Falconbridge	40.00
3039 SES**	S-4076	Falconbridge	40.00
3040 SES	S-4008	Falconbridge	40.00
3046 SES**	S-4007	Falconbridge	40.00
3047 SES	S-3938	Falconbridge	40.00
3048 SES	S-4087	Falconbridge	40.00
3049 SES	S-4157	Falconbridge	40.00
3050 SES	S-4156	Falconbridge	39.00
3085 SES	S-4149	Falconbridge	39.85
3086 SES	S-4147	Falconbridge	39.00
3104 SES	S-4120	Falconbridge	39.00
3134 SES	S-4191	Falconbridge	40.00
3135 SES	S-4192	Falconbridge	39.99
3139 SES	S-4226	Falconbridge	40.00
3141 SES	S-4193	Falconbridge	40.00
5968 SES	S-17185	Falconbridge	40.00
5970 SES	S-17186	Falconbridge	40.00
5972 SES	S-17170	Falconbridge	40.00
5973 SES	S-17180	Falconbridge	40.00
5974 SES	S-17187	Falconbridge	40.00
5975 SES	S-17184	Falconbridge	40.00
5976 SES	S-17181	Falconbridge	39.00
5977 SES	S-17402	Falconbridge	39.88
5978 SES	S-17403	Falconbridge	39.88
5979 SES	S-17401	Falconbridge	40.00
5981 SES	S-17182	Falconbridge	39.00
6332 SES	S-17176	Falconbridge	40.00
6333 SES	S-17369	Falconbridge	40.00
6334 SES	S-17373	Falconbridge	39.00
6335 SES	S-17375	Falconbridge	39.88
6341 SES	S-17371	Falconbridge	40.00
6342 SES	S-17370	Falconbridge	40.00
6343 SES	S-17372	Falconbridge	39.00
8120 SES	S-27352	Falconbridge	39.88
32527 SES**	S-4231	Falconbridge	40.00
Total			<u>1,868.59</u>
3133 SES	S-4148	Garson	40.00
3165 SES	S-4144	Garson	40.00
3166 SES	S-4146	Garson	40.00
3167 SES	S-4218	Garson	43.25
3168 SES	S-4217	Garson	43.25
3202 SES	S-4145	Garson	40.00
Total			<u>246.50</u>
Grand Total			<u>2,115.09</u>

** smelter and smelter related infrastructure

Fecunis, North, Strathcona, Longvack South and Fraser Mines

<u>Parcel</u>	<u>Claims</u>	<u>Township</u>	<u>Acreage</u>
574 SES	P	Levack	148.50
1613 SES	P	Levack	146.00
5649 SES	S-3899	Levack	40.00
5650 SES	S-3900	Levack	40.00
5653 SES	S-3898	Levack	37.13
5654 SES	S-3897	Levack	37.13
7395 SES	S-3429	Levack	40.00
7503 SES	S-3426	Levack	40.00
8149 SES	S-18072	Levack	40.00
8150 SES	S-18071	Levack	40.00
8151 SES**	S-18097	Levack	40.00
8152 SES**	S-18096	Levack	40.00
8154 SES	S-18073	Levack	40.00
8894 SES	S-28474	Levack	40.00
8897 SES	S-28485	Levack	40.00
8898 SES	S-28486	Levack	40.00
9164 SES	S-28503	Levack	40.00
9178 SES	S-28501	Levack	40.00
9179 SES	S-28502	Levack	40.00
9302 SES	S-28481	Levack	22.30
9303 SES	S-28480	Levack	22.06
13689 SES	S-2514	Levack	1.04
LO 10551	S-28481	Levack	10.50
5655 SES	S-3901	Levack	40.00
7388 SES	S-2514	Levack	14.15
8163 SES	S-17985	Levack	40.00
8164 SES	S-17986	Levack	40.00
8892 SES	S-28470	Levack	40.00
8893 SES	S-28471	Levack	40.00
8895 SES	S-28272	Levack	40.00
8895A SES	S-28475	Levack	40.00
9176 SES	S-28498	Levack	40.00
9177 SES	S-28499	Levack	40.00
9185 SES	S-28494	Levack	40.00
9271 SES	S-28482	Levack	48.00
9279 SES	S-28484	Levack	44.00
9281 SES	S-28479	Levack	25.00
9282 SES	S-28483	Levack	47.40
9411 SES	S-28476	Levack	22.21
LO 10544	S-28479	Levack	20.00
LO 10546	S-28483	Levack	0.60
Total			1,646.01

** Fraser Mine

Hardy, Onaping and Craig Mines

<u>Parcel</u>	<u>Claims</u>	<u>Township</u>	<u>Acreage</u>
5821 SES	S-2666	Levack	36.25
5822 SES	S-2665	Levack	40.00
8157 SES**	S-18291	Levack	40.88
8158 SES	S-18292	Levack	40.88
8541 SES	S-27814	Levack	39.48
8542 SES	S-31472	Levack	39.48
LO10178	S-2666	Levack	3.75
Total			<u>240.70</u>
5820 SES	S-2657	Dowling	44.00
5823 SES	S-2656	Dowling	43.63
5830 SES	S-2667	Dowling	35.86
8220 SES	S-18263	Dowling	41.00
8490 SES	S-27947	Dowling	36.49
8491 SES	S-27946	Dowling	44.46
8501 SES	S-27845	Dowling	44.00
8586 SES	S-31688	Dowling	44.60
8923 SES	S-28325	Dowling	43.59
8924 SES	S-28329	Dowling	44.40
8936 SES	S-28330	Dowling	44.00
12130 SES	S50254	Dowling	43.79
Total			<u>509.81</u>
Grand Total			<u>750.52</u>

** Onaping Mine

Hardy, Onaping and Craig Mines

<u>Parcel</u>	<u>Claims</u>	<u>Township</u>	<u>Acreage</u>
8144 SES	S-3417	Levack	43.00
8145 SES	S-3416	Levack	43.00
8153 SES	S-18252	Levack	40.88
8155 SES	S-3418	Levack	40.88
8156 SES	S-18191	Levack	40.88
8511 SES**	S-28346	Levack	43.00
8513 SES	S-28344	Levack	43.00
8514 SES	S-28334	Levack	43.00
8515 SES	S-28333	Levack	43.00
8516 SES	S-28337	Levack	40.88
8517 SES	S-28336	Levack	40.88
8518 SES	S-28335	Levack	40.88
8519 SES	S-28332	Levack	40.88
Total			<u>544.13</u>
8694 SES	S-28326	Dowling	43.25
8880 SES	S-28328	Dowling	43.25
8881 SES	S-28331	Dowling	43.25
9340 SES	S-31292	Dowling	43.00
Total			<u>172.75</u>
Grand Total			<u>716.88</u>

** Craig Mine

Nickel Rim South Deposit

<u>Parcel</u>	<u>Claims</u>	<u>Township</u>	<u>Acreage</u>
51180 SES	S-3458	MacLenan	36.18
(formerly 3200 SES)			
51180 SES	S-29278	MacLenan	53.50
(formerly 9094 SES)			
Total			89.68

Note:

All cover Mining and Surface Rights, except for LO 10551, which is for Mining Rights only.

Certain Parcels in Falconbridge and Garson Township are subject to a Joint Venture Agreement. The Xstrata Group holds a 40% interest in the Mining Rights and a 100% interest in the Surface Rights.

Montcalm

The Montcalm nickel mine was brought into production in 2004 and was suspended in 2009 due to unstable ground conditions. It is located 100 kilometres east of the Kidd Metallurgical Site in Montcalm Township in the Province of Ontario and comprises four 21-year leases, covering mining and surface rights over 831 hectares.

Summary of property holdings

<u>Parcel</u>	<u>Claims</u>	<u>Township</u>	<u>Acreage</u>
1847 LC	P437998 et. al.	Montcalm	830.12
1848 LC	P480122 et. al.	Montcalm	375.66
1845 LC	P458302 et. al.	Montcalm	375.66
1846 LC	P393400 et. al.	Montcalm	833.28

Australia

Xstrata Nickel Australasia is based in Perth, Western Australia. It owns and operates the Cosmos and Sinclair Nickel Operations, located in Western Australia.

Cosmos Nickel Operation

Summary of property holdings

<u>Tenement</u>	<u>Grant Date</u>	<u>Expire/Date</u>	<u>Area (hectares)</u>	<u>Project</u>
M36/371	March 4, 1999	March 3, 2020	771.50	Kathleen Valley
M36/127	April 20, 1989	April 19, 2010	606.30	Cosmos South
M36/24	January 17, 1986	January 16, 2028	884.60	Kathleen Valley
M36/632	March 7, 2006	March 6, 2027	364.00	Cosmos South
M36/25	January 17, 1986	January 16, 2028	997.75	Bellevue
M36/349	March 4, 1999	March 3, 2020	796.00	Kathleen Valley
M36/441	May 4, 1999	May 3, 2020	679.15	Kathleen Valley J/V ⁽¹⁾
M36/375	March 4, 1999	March 3, 2020	685.00	Kathleen Valley
M36/376	May 4, 1999	May 3, 2020	121.30	Kathleen Valley J/V ⁽²⁾
L36/172	March 24, 2003	March 23, 2024	43.60	Kathleen Valley
L36/119	March 11, 1999	March 10, 2014	28.00	Kathleen Valley
L36/189	August 16, 2006	August 15, 2027	100.00	Kathleen Valley

Notes

(1) 70% owned by Xstrata Nickel Australasia Operations Pty Ltd

(2) 75% owned by Xstrata Nickel Australasia Operations Pty Ltd

Sinclair Nickel Operation

Summary of property holdings

Tenement	Grant Date	Expire/Date	Area (hectares)	Project
M37/1275	July 30, 2007	July 29, 2028	1,961.00	Bannockburn
L37/175	April 20, 2007	April 19, 2028	83.90	Bannockburn
L36/198	April 20, 2007	April 19, 2028	103.10	Bannockburn

Koniambo

In 1998, Falconbridge entered into a joint venture agreement with Société Minière du Sud Pacifique and its controlling shareholder, Société de Financement et d'Investissement de la Province Nord, for the evaluation and development of the 60,000 tpa nickel through a ferronickel mining and smelting complex.

Concession name	Concession number	Area (ha)	Expiry date
ADVANCE CALDEONIA	556	184.5	-
AS	533	1037.5	-
BALACLAVA	526	392.6	-
BILBOQUET	736	1192	-
BILBOQUET EXT	1797	44.62	April 10, 2031
BILBOQUET EXT. 2	2527	35.97	December 7, 2017
BOUM EXT	2568	34.42	December 7, 2017
BOUM RED PT. A AND B	527	100	-
CAPONET	559	74.49	-
CF	558	576	-
COCO	1538	30.12	-
COINDOU	560	100	-
CONFIANCE 3	2616	83.85	December 16, 2018
CONFIANCE 4	2617	30	December 16, 2018
CONFIANCE RED	528	616.8	-
FREDERIC	631	49.82	-
GUERIOUM	601	2002	-
GUERIOUM EXT	1795	43.83	April 10, 2031
GUERIOUM EST	602	80	-
HORTENSIA	2239	30.13	January 30, 2014
KAFEATE 1	2618	35.81	December 16, 2018
KATAVITI	535	275.36	-
KNOCK	2021	14	January 6, 2036
LA FAUR	2506	16.48	December 7, 2017
LOUISE	742	192.87	-
MANGUEN	676	217.7	-
MARGUERITE CONSOLATION R	990	62.9	-
MEFIANCE PT. 1 AND 2	187	732.6	-
MONT KATEPAHIE	186	200	-
NAMOUNA	1794	322.99	April 10, 2031
REVELATION 1 RED PT. A AND B	563	253.96	-
REVELATION 2	564	546.37	-
REVELATION 3	530	556.3	-
REVELATION 4	2619	7.5	December 16, 2018
REVELATION 5	2620	5.4	December 16, 2018
REVELATION 6	2621	19.5	December 16, 2018
REVELATION 7	2622	32.5	December 16, 2018
SEPTEMBRE	1852	45.02	October 22, 2031
S.M.M.O. 42	1933	407.27	December 27, 2033
S.M.M.O. 82**	2104	45.04	November 25, 2011
THERMIDOR	1572	5	-
TIETA	565	96.87	-
TIETA 4	2623	22.62	December 16, 2018
TIPOUET	566	165.9	-
TIVOLI	537	20	-
TRAZY	991	81.5	-
TRAZY EXT	2240	31.21	January 30, 2014
TRAZY EXT. 2	2635	25	December 16, 2018
VIOLETTE PT. A AND B	2321	86.61	December 11, 2015

Note

** Renewal applied for on May 31, 2011

All concessions without expiry dates are issued in perpetuity.

Kabanga Project, Tanzania

Kabanga Licences

<u>Licence Number</u>	<u>Acquisition Date</u>	<u>Current Status</u>	<u>Next Renewal Date</u>	<u>Expiry Date</u>
RL 0001/2009 (Kabanga)	May 2, 2009	Granted	May 1, 2014	May 1, 2014
PL 2554/2004 (Kihinga)	June 3, 2004	Renewal Pending	n/a	June 2, 2013
PL 2691/2004 (Kivago) ⁽¹⁾	October 2, 2004	Renewal Pending	n/a	October 1, 2011
PL 2693/2004 (Luhuma) ⁽¹⁾	October 2, 2004	Renewal Pending	n/a	October 1, 2011
PL 2893/2004 (Mururama) ⁽²⁾	November 30, 2004	Renewal Pending	n/a	November 29, 2011
PL 4258/2006 (Mururama) ⁽³⁾	November 24, 2006	Renewal Pending	November 23, 2011	November 23, 2013
PL 4259/2006 (Nyanzali) ⁽⁴⁾	November 20, 2006	Renewal Pending	November 19, 2011	November 19, 2013
PL 4260/2006 (Mabawe)	December 14, 2006	Granted	December 13, 2011	December 13, 2013
PL 4261/2006 (Kalinzi)	September 15, 2006	Renewal Pending	n/a	September 14, 2013
PL 4262/2006 (Kivango)	September 15, 2006	Renewal Pending	n/a	September 14, 2013
PL 4263/2006 (Luhuma)	April 2, 2007	Renewal Pending	April 1, 2012	April 1, 2014
Application No. HQ-P21714 (Kalinzi)	Application Submitted May 10, 2010	Pending		

Notes

- (1) Renewal application for a further two year renewal was submitted on August 16, 2011.
- (2) Renewal application was submitted on October 24, 2011.
- (3) Renewal application was submitted on October 21, 2011.
- (4) Renewal application was submitted on October 18, 2011.

Kagera Licences

<u>Licence Number</u>	<u>Acquisition Date</u>	<u>Current Status</u>	<u>Next Renewal Date</u>	<u>Expiry Date</u>
PL 4316/2007 (Kalinzi)	May 9, 2007	Granted	May 8, 2012	May 8, 2014
PL 4319/2007 (Luhuma)	October 20, 2007	Granted	October 19, 2012	October 19, 2014
PL 5820/2009 (Rulenge)	June 12, 2009	Granted	June 11, 2012	June 11, 2014
PL 6875/2011 (Luhuma)	July 13, 2011	Granted	July 12, 2015	July 12, 2020
PL 6170/2009 (Kalinzi)	December 31, 2009	Granted	December 30, 2012	December 30, 2016
Application No. HQ-P17275 (Mururama)	Application Submitted November 30, 2007	Pending		
PL 6173/2009 (Luhuma)	December 31, 2009	Granted	December 31, 2012	December 31, 2016
Application No. HQ-P20475 (Kihinga)	Application Submitted June 3, 2009	Pending		
Application No. HQ-P20755 (Kivango)	Application Submitted September 15, 2009	Pending		
Application No. HQ-P21005 (Nyanzali)	Application Submitted November 19, 2009	Pending		
Application No. HQ-P21102 (Mabawe)	Application Submitted December 14, 2009	Pending		
Application No. HQ-P21512 (Luhuma)	Application Submitted April 6, 2010	Pending		
Application No. HQ-P21551 (Kivango)	Application Submitted April 12, 2010	Pending		
Application No. HQ-P21636 (Luhuma)	Application Submitted April 28, 2010	Pending		
Application No. HQ-P21637 (Nyanzali)	Application Submitted April 28, 2010	Pending		
Application No. HQ-P22760 (Mururama)	Application Submitted November 1, 2010	Pending		

Araguaia, Brazil

In 2005, Xstrata Nickel discovered two new significant nickel laterite deposits on its Araguaia properties in the Para State of northern Brazil. These are grassroots discoveries in an area where the first recorded drilling for base metals was completed by Falconbridge's exploration area in October 2004.

The deposits occur on properties owned by the Xstrata Group or where the Xstrata Group has the right to earn a 100% interest through a series of cash payments with the final payment of US\$2 million scheduled to be made in the first quarter of 2012.

The Xstrata Group has consolidated its ground position over the core property such that it now controls mineral rights over three Exploration Licences, namely Vale De Sonhos, Pau Preto and Serro do Tapa, covering 114 square kilometres (11,486 hectares).

Xstrata Zinc

Mineral rights at the various operations are held through mining licenses. No separate surface rights exist in relation to the properties.

Status of Xstrata Zinc's asset mining licenses:

Mount Isa Mine tenements

The Mount Isa Mine tenements are located in Queensland, Australia.

<u>Tenement</u>	<u>Name</u>	<u>Granted</u>	<u>Expires</u>	<u>Comments</u>	<u>Area (sq km)</u>
ML8058	Mount Isa Consolidated	1/12/1986	30/11/2036	As grant under MIMLA Act	313.4

Lady Loretta Project tenements

The Lady Loretta Project tenements are located north of Mount Isa in Queensland, Australia.

<u>Tenement</u>	<u>Name</u>	<u>Granted</u>	<u>Expires</u>	<u>Comments</u>	<u>Area (sq km)</u>
ML5568	Lady Loretta	26/01/1984	31/01/2026		32.7

Lady Loretta exploration tenements

The Lady Loretta exploration tenements are located in the vicinity of the Lady Loretta Project in Queensland, Australia.

<u>Tenement</u>	<u>Name</u>	<u>Granted</u>	<u>Expires</u>	<u>Comments</u>	<u>Area (sq km)</u>
Lot 1 on Plan UN6	Lady Loretta			Leasehold Property	220.0

Queensland exploration tenements

Xstrata owns in JV with Exco Minerals other exploration tenements located north of Cannington in Queensland, Australia.

<u>Tenement</u>	<u>Name</u>	<u>Granted</u>	<u>Expires</u>	<u>Comments</u>	<u>Area (sq km)</u>
EPM15027	Black Rock	10/03/2006	9/03/2013	65% Xstrata, 35% Exco	386.6

McArthur River Mine tenements

The McArthur River mining tenements are located in Northern Territory, Australia.

<u>Tenement</u>	<u>Name</u>	<u>Granted</u>	<u>Expires</u>	<u>Comments</u>	<u>Area (sq km)</u>
MLN1121	HYC	05/01/1993	04/01/2043	Active mining area	3.7
MLN1122	HYC	05/01/1993	04/01/2043	Active mining area	33.5
MLN1123	HYC	05/01/1993	04/01/2043	Active mining area	38.8
MLN1124	HYC	05/01/1993	04/01/2043	Active mining area	32.8
MLN1125	HYC	05/01/1993	04/01/2043	Active mining area	6.6
MLN1126	Bing Bong	05/01/1993	04/01/2043	Port facility	9.0
MLN582	Reward	01/09/1958	31/12/2019	Historic lease over Reward Pb prospect	0.2
Total mining lease area					124.6

The terms and conditions for mining concessions relevant to Northern Territory mining operations include the requirement to have a Mine Management Plan ("MMP") submitted and accepted by the Department of Business, Industry and Resource Development. The MMP specifies the proposed mining and rehabilitation activities for the McArthur River mine. The Xstrata Group has submitted the required MMP and has lodged the necessary financial assurance.

McArthur River exploration tenements

The McArthur River exploration tenements are located in the vicinity of the McArthur River Mine in Northern Territory, Australia.

<u>Tenement</u>	<u>Name</u>	<u>Granted</u>	<u>Expires</u>	<u>Comments</u>	<u>Area (sq km)</u>
AN366 . . .	Emu Fault	04/06/1992	04/06/2012	X2 areas. Amelia(s) and Coxco (n)	29.6
AN455 . . .	Coxco Valley	21/08/2006	21/08/2011	Authorization northern (expl. License)	19.8
AN456 . . .	Amelia South	21/08/2006	21/08/2011	Authorization northern (expl. License)	6.6
Total exploration lease area					<u>56.0</u>

Brunswick mine

The Brunswick mine is located near Bathurst in New Brunswick, Canada.

<u>Mining Concession</u>	<u>Name</u>	<u>Area (sq km)</u>
Crown Grant No 34300	Brunswick N° 12 mine	3.7
Crown Grant No 35097	Brunswick N° 12 mine	6.6
Crown Grant No 35098	Brunswick N° 6 mine	2.3
Mineral Grant N° 12		33.5
Mineral Grant N° 6		13.5
Total mineral rights area		59.6

The mineral rights to Brunswick Mine No. 12 & 6 have been granted in fee simple under Orders in Council Nos. 62-422 and 70-693, since Xstrata owns the land there is no expiry date.

Matagami Division

The Bell Allard zinc/copper mine commenced commercial production in January 2000, with an anticipated life of approximately five years. As planned, mineral reserves at the Bell Allard mine were depleted in 2004. As a result, the Falconbridge Group ceased operations at the mine during the fourth quarter of 2004.

The Matagami concentrator and other support facilities were placed on care and maintenance to support other potential mining projects such as Persévérance and Bracemac-McLeod in this favorable geological area. The facilities are located 10 kilometers southwest of the town of Matagami in north western Quebec.

Tenement	Type	Zone	Granted	Expires	Area (sq km)
458	Mining Concession	Matagami Mill	13/10/1959	31/01/2012	3.8
460	Mining Concession	Matagami Mill	9/11/1959	31/01/2012	2.5
504	Mining Concession	Matagami Mill	2/12/1963	31/01/2012	0.8
875	Mining Lease	Persévérance	26/06/2008	25/06/2028	1.0
5132505	Mining Claim	Persévérance	8/11/1994	19/10/2012	0.25
5132506	Mining Claim	Persévérance	8/11/1994	19/10/2012	0.07
5132531	Mining Claim	Persévérance	8/11/1994	19/10/2012	0.14
5132532	Mining Claim	Persévérance	8/11/1994	19/10/2012	0.19
5132538	Mining Claim	Persévérance	8/11/1994	19/10/2012	0.10
5132539	Mining Claim	Persévérance	8/11/1994	19/10/2012	0.07
5132546	Mining Claim	Persévérance	8/11/1994	19/11/2012	0.14
5132551	Mining Claim	Persévérance	8/11/1994	7/11/2012	0.16
5132552	Mining Claim	Persévérance	8/11/1994	19/11/2012	0.07
5132554	Mining Claim	Persévérance	8/11/1994	19/11/2012	0.01
5132555	Mining Claim	Persévérance	8/11/1994	19/11/2012	0.06
5132556	Mining Claim	Persévérance	8/11/1994	7/11/2012	0.16
5132560	Mining Claim	Persévérance	8/11/1994	7/11/2012	0.16
5132561	Mining Claim	Persévérance	8/11/1994	7/11/2012	0.16
5132562	Mining Claim	Persévérance	8/11/1994	19/11/2012	0.13
1278154	Mining Claim	Bracemac-McLeod	18/7/1957	25/12/2012	0.13
1278164	Mining Claim	Bracemac-McLeod	18/7/1957	25/12/2012	0.15
1278165	Mining Claim	Bracemac-McLeod	18/7/1957	25/12/2012	0.22
1278171	Mining Claim	Bracemac-McLeod	18/7/1957	25/12/2012	0.21
1278172	Mining Claim	Bracemac-McLeod	18/7/1957	25/12/2012	0.20
1278192	Mining Claim	Bracemac-McLeod	18/7/1957	25/12/2012	0.17
4645181	Mining Claim	Bracemac-McLeod	10/11/1987	25/12/2012	0.16
5244046	Mining Claim	Bracemac-McLeod	11/9/2002	25/12/2012	0.16
5244047	Mining Claim	Bracemac-McLeod	10/9/1999	25/12/2012	0.16
5244048	Mining Claim	Bracemac-McLeod	10/9/1999	25/12/2012	0.16
5244067	Mining Claim	Bracemac-McLeod	6/2/2001	25/12/2012	0.16
5264221	Mining Claim	Bracemac-McLeod	17/1/2003	25/12/2012	0.14
5264334	Mining Claim	Bracemac-McLeod	5/11/2002	25/12/2012	0.16
5264335	Mining Claim	Bracemac-McLeod	5/11/2002	25/12/2012	0.16
5264336	Mining Claim	Bracemac-McLeod	5/11/2002	25/12/2012	0.11
5264337	Mining Claim	Bracemac-McLeod	5/11/2002	25/12/2012	0.16
5244054	Mining Claim	Bracemac-McLeod	11/9/2002	25/12/2012	0.16
5245966	Mining Claim	Bracemac-McLeod	11/9/2002	25/12/2012	0.16
several	Mining Claim	Phelps Dodge 1	14/3/1973	17/2/2013	0.80
several	Mining Claim	Phelps Dodge 1	14/3/1973	18/2/2013	0.48
3318484	Mining Claim	Phelps Dodge 1	14/3/1973	22/3/2013	0.16
3360482	Mining Claim	Phelps Dodge 1	27/4/1973	31/3/2011	0.16
3360491	Mining Claim	Phelps Dodge 1	27/4/1973	1/4/2011	0.16
several	Mining Claim	Phelps Dodge 1	27/4/1973	25/3/2013	0.32
several	Mining Claim	Phelps Dodge 1	27/4/1973	28/3/2013	0.64
several	Mining Claim	Phelps Dodge 1	27/4/1973	31/3/2013	0.32
several	Mining Claim	Phelps Dodge 1	3/7/1973	25/6/2013	3.52
several	Mining Claim	Phelps Dodge 1	18/7/1973	8/7/2011	2.08
several	Mining Claim	Phelps Dodge 1	9/8/1988	4/7/2011	0.80
several	Mining Claim	Phelps Dodge 1	31/8/1988	27/7/2011	0.48
several	Mining Claim	Phelps Dodge 1	31/8/1988	28/7/2011	1.12
several	Mining Claim	Phelps Dodge 1	12/12/1988	11/12/2012	0.32
4586493	Mining Claim	Phelps Dodge 1	13/3/1989	12/3/2012	0.14
4609131	Mining Claim	Phelps Dodge 1	26/8/1991	25/8/2011	0.16
several	Mining Claim	Phelps Dodge 1	17/9/1991	16/9/2011	0.32
several	Mining Claim	Phelps Dodge 1	22/10/1991	21/10/2011	0.24
several	Mining Claim	Phelps Dodge 1	18/2/2000	17/2/2012	0.29
several	Mining Claim	Puiseaux	1/8/2002	31/7/2012	5.92
several	Mining Claim	Puiseaux	9/8/2005	8/8/2011	3.95

Mining Concession validities were extended for one year after making the application and receiving approval from the Ministry.

A mining lease covering the Perseverance deposits was granted in June 2008. The deposits are covered by unpatented mining claims.

Ontario Division

Tenement	Type	Zone	Granted	Expires	Area (sq km)
several	Mining Lease	Sturgeon Lake		31/10/2013	1.47
several	Mining Lease	Sturgeon Lake		28/2/2014	0.20
several	Mining Lease	Sturgeon Lake		30/4/2014	0.27
several	Mining Lease	Sturgeon Lake		30/9/2015	1.03
several	Mining Lease	Sturgeon Lake		30/11/2016	1.46
several	Mining Lease	Sturgeon Lake		31/3/2019	3.05
several	Mining Lease	Sturgeon Lake		30/4/2021	2.09
several	Mining Lease	Sturgeon Lake		31/5/2023	5.00
several	Mining Lease	Sturgeon Lake		30/6/2023	4.99
several	Mining Lease	Sturgeon Lake		30/9/2024	5.74
several	Mining Lease	Sturgeon Lake		1/9/2029	5.58
PA1145072	Mining Claim	Sturgeon Lake	22/5/1991	22/5/2015	0.16
PA1195743	Mining Claim	Sturgeon Lake	25/6/1992	25/6/2013	0.64
PA1195858	Mining Claim	Sturgeon Lake	10/8/1992	10/8/2013	0.16
several	Mining Claim	Sturgeon Lake	23/7/2010	23/7/2012	0.56
several	Mining Claim	Sturgeon Lake	24/9/2010	24/9/2012	2.02
S45897		Errington-Vermilion	4/7/1989	1/1/2099	3.21

Hackett River Project

Tenement	Type	Zone	Granted	Expires	Area (sq km)
3017	Mining Lease	Musk	15/9/1980	15/9/2022	2.5
several	Mining Claim	Wishbone area	18/5/2011	18/5/2013	919.2

Furthermore, on October 4, 2011, the Group closed the acquisition of the Hackett River and Wishbone Properties in Nunavut, Canada from Sabina for cash consideration of C\$50 million. The Hackett River Property comprises nine mineral leases totaling 12,250 hectares. The Wishbone Property comprises 132 mineral claims covering 107,227 hectares.

Pallas Green exploration project

The Pallas Green Licence Block consists of ten contiguous Prospecting Licences (PL) located in northeastern County Limerick, with one licence (PL 3467) located partially in southern County Tipperary.

Total surface of the Licence Block is 279.8 square kilometres (including 3908 Licence).

Renewals have been lodged for all the expired tenements and are pending approval. This status has no effect on the exploration being carried out in the project.

Until recently the Pallas Green Licence Block was operated under a joint venture agreement between Xstrata and Minco Plc, with the joint venture split being 76.4% Xstrata and 23.6% Minco Plc. In July 2011, Xstrata Zinc entered into a conditional agreement to purchase Minco Plc's 23.6% interest for a purchase price of US\$19.4 million. This transaction closed on October 28, 2011. Under the agreement, Xstrata Zinc acquired all ten prospecting licenses related to the Pallas Green project.

Xstrata Alloys

An approved prospecting or mining right is required to all prospecting and mining operations in South Africa under Section 5 of the MPRDA. Holders of prospecting and/or mining rights which were in effect prior to the MPRDA coming into effect ("old order rights") are required in terms of the MPRDA to convert such rights into new order prospecting or mining rights, as the case

may be. A number of Xstrata Alloys' old order prospecting and mining rights have been converted into new order mining or prospecting rights under the provisions of the MPRDA and applications for conversion have been made in respect of the remaining old order prospecting and mining rights. New order prospecting rights are granted for a maximum period of 5 years and new order mining rights are granted for a maximum period of 30 years.

Chrome and Vanadium

Wonderkop	Converted Mining Right	MR 274	2038	New Order
		Registration no: 04/2011		
Kroondal	Converted Mining Right No:	MR 250	2037	New Order
Kroondal		245MR	2039	New Order
		Registration no: 16/2010		
Kroondal	Converted Mining Right No:	MR 251	2037	New Order
Kroondal (JV)	Converted Mining Right	MR 273	2038	New Order
Waterval East	Converted Mining Right No:	MR 244	2037	New Order
		244MR		
Waterval East	Converted Mining Right No:	MR 246	2037	New Order
		246MR		
Waterval West	Converted Mining Right No:	MR 157	2037	New Order
		157MR		
Spoornet Area	New Order Mining Right No: 196MR	MR 196	(2013) ⁽¹⁾	New Order
Thornccliffe	New Order Mining Right No	MR 216	2039	New Order
Thornccliffe De Groote Boom	New Order Mining Right No	MR 200	2039	New Order
Rietvly	Converted Mining Right No:23/2007	MR 248	2037	New Order
Rietvly	New Order Mining Right No:26/2007	MR 25	2037	New Order
Rietvly	New Order Mining Right 16/2010	MR 255	2039	New Order
Rustenburg (Ext 9)	Converted Prospecting Right No:278/2007	MR 916	2012	New Order
Anglo Purchase Area	New Order Prospecting Right No: 48/2010	MR 271	2011	New Order
Rhovan	New Order Mining Right No:	MR 87	2027	New Order

Platinum Group Metals

Eland	New Order Prospecting Right No:	30/2006 PR	23 September 2010	New Order Renewed
Eland	New Order Prospecting Right No:	MR 341	2039	New Order
Eland	New Order Prospecting Right No:	MR 341	2039	New Order
Eland	New Order Prospecting Right No:	702/2007 PR NW	February 2012	New Order
Eland	New Order Prospecting Right No:	30/5/1/1/2/1048 PR	February 2012	New Order Renewed
Eland	New Order Prospecting Right No:	703/2007 PR NW	February 2012	New Order Renewed
Eland	New Order Prospecting Right No:	30/5/1/1/2/1046 PR	1 August 2012	New Order
Eland	New Order Prospecting Right No:	NW30/5/1/1/2/1562 PR	31 January 2013	New Order
Eland	New Order Prospecting Right No:	1674 PR NW		
		30/5/1/1/2/1674 PR NW		
Eland	New Order Prospecting Right No:	30/5/1/1/2/1563 PR	1 August 2012	New Order
Eland	New Order Prospecting Right No :	24/2008PR NW	17 June 2011	New Order Renewed
Eland	New Order Prospecting Right No :	633/2007 PR NW	10 June 2012	New Order
Eland	New Order Prospecting Right No :	30/5/1/1/2/869 PR		
Eland	New Order Prospecting Right No :	NW30/5/1/1/2/800 PR	10 June 2012	New Order
Eland	New Order Mining Right No:	NW30/5/1/1/2/800 PR	20 December 2036	New Order
Eland	New Order Prospecting Right	38/2007/MR	20 August 2012	New Order
Eland	New Order Prospecting Right	NW30/5/1/1/2/803 PR	10 June 2013	New Order
Eland	New Order Prospecting Right	NW 30 / 5 / 1 / 1 / 2 / 107		

Notes

(1) Due to the size of the ore body – the DMR granted this right for a period of six years.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The members of Xstrata's Board of Directors are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Sir John Bond	69	Chairman
Mick Davis	52	Chief Executive
Trevor Reid	49	Chief Financial Officer
Santiago Zaldumbide	67	Executive Director, Chief Executive of Xstrata Zinc
David Rough	59	Deputy Chairman, Senior Independent Director
Dr Con Fauconnier	62	Non-executive Director
Ivan Glasenberg†	53	Non-executive Director
Peter Hooley	63	Non-executive Director
Claude Lamoureux	67	Non-executive Director
Aristotelis Mistakidist	49	Non-executive Director
Tor Petersont	46	Non-executive Director
Sir Steve Robson CB	66	Non-executive Director
Ian Strachan	66	Non-executive Director
Secretary Richard Elliston		Secretary

† Glencore International Nominee: see "Business – Relationship with Glencore – Relationship with major shareholder"

The business address for the Directors is Bahnhofstrasse 2, 6301 Zug, Switzerland.

Sir John Bond is Chairman of Xstrata plc, and was appointed in May 2011. He was most recently chairman and non executive director of Vodafone Group Plc from 2006 to 2011. He retired as Group Chairman of HSBC Holdings plc in 2006, having also been its Group Chief Executive from 1993 to 1998. Sir John is a director of A.P. Moller-Maersk A/S (Denmark), the international shipping and investment company and Shui On Land Ltd, a Hong Kong quoted property development company specialising in China. He also holds advisory roles with Northern Trust Corp, USA, and with KKR Asia. He is also a member of various advisory bodies in China: China Development Forum; China Banking Regulatory Commission International Advisory Board, and Tsinghua School of Economics and Management at Tsinghua University. Sir John is also chairman of the Nominations Committee and a member of the Remuneration Committee.

Mick Davis is the Chief Executive of Xstrata and was appointed to the Board of Xstrata in February 2002. Mr. Davis was appointed as Chief Executive of Xstrata AG in October 2001. Previously, Mr. Davis was Chief Financial Officer and an executive director of Billiton Plc, appointed in July 1997, and served as Executive Chairman of Ingwe Coal Corporation Limited from 1995 to 1999. He joined Gencor Limited in early 1994 from Eskom, the South African state-owned electricity utility, where he was an executive director. Mr Davis is also a member of the Health, Safety, Environment and Community Committee.

Trevor Reid is the Chief Financial Officer of Xstrata and was appointed to the Board of Xstrata in February 2002. Mr. Reid joined Xstrata AG in January 2002. Prior to joining Xstrata, he was Global Head of Resource Banking at the Standard Bank Group. He joined the Standard Bank Group in 1997 from Warrior International Limited, a corporate finance boutique specialising in the minerals sector.

Santiago Zaldumbide is an Executive Director of Xstrata, Chief Executive of the Zinc Business and Executive Chairman of Asturiana and was appointed to the Board of Xstrata in February 2002. Mr. Zaldumbide was appointed to the Board of Xstrata in February 2002. He is a previous Chief Executive Officer and Director of Union Explosivos Rio Tinto and of Petroleos del Norte. In 1990, Petroleos del Norte became part of the Repsol Oil Group where Mr. Zaldumbide was responsible for establishing the international structure of the enlarged Repsol Oil Group. From 1994 until 1997 he was Chief Executive Officer of Corporación Industrial de Banesto. In December 1997, he was appointed Chairman and Chief Executive Officer of Asturiana de Zinc.

David Rough was appointed to the Board of Xstrata in April 2002, is Deputy Chairman, the Senior Independent Director and chairman of the Remuneration Committee. He was a director of Legal & General Group Plc before retiring from Legal & General in June 2002. As Group Director (Investments), Mr. Rough headed all aspects of fund group management within Legal & General Investments. Mr. Rough is currently a director of Land Securities Group plc, Brown, Shipley & Co Ltd and LME Holdings Ltd. Mr. Rough is also a member of the Audit Committee, the Nominations Committee and the Health, Safety, Environment and Community Committee.

Dr Con Fauconnier was appointed to the Board of Xstrata in May 2010. Dr Fauconnier worked for Anglo American Corporation, Gencor and JCI Limited prior to joining Iscor in 1995. He was appointed Managing Director of Iscor Mining in 1999, before being appointed as Chief Executive of Kumba Resources Limited from 2001. From 2006 until his retirement in August 2007, he served as Chief Executive Officer of Exxaro Resources Limited. He is an Honorary Professor in the Faculty of Engineering, Built Environment and Information Technology of the University of Pretoria and a Fellow of the Gordon Institute of Business Science ("GIBS"). Dr Fauconnier is a member of the Remuneration Committee and the Health, Safety, Environment and Community Committee

Ivan Glasenberg was appointed to the Board of Xstrata in February 2002. He is Chief Executive Officer of Glencore International plc, which he joined in 1984. Mr. Glasenberg was appointed to the Board of Xstrata in February 2002. He worked in the coal department of Glencore in South Africa for three years and in Australia for two years. From 1989 to 1990, he managed Glencore International's Hong Kong and Beijing offices. In 1991 he became Head of the Glencore Coal Department and in 2002 Chief Executive Officer of Glencore International. He is also currently a director of Minara Resources Limited and United Company Rusal plc.

Peter Hooley was appointed to the Board of Xstrata in May 2009 and is chairman of the Audit Committee. Mr. Hooley held the position of Group Finance Director of Smith & Nephew plc until 2006. He was previously Group Financial Controller of BICC plc. He is a director and Chairman of BSN medical Luxembourg Holdings Sarl.

Claude Lamoureux was appointed to the Board of Xstrata in May 2008. Until December 1, 2007, he was President and CEO of the Ontario Teachers' Pension Plan Board. Previously he spent 25 years as a financial executive with Metropolitan Life in Canada and the US. He is a director of Maple Leaf Foods Inc., Cordiant Capital, Atrium Innovations Inc., the Canadian Institute for Advanced Research, The Learning Partnership and the York University Foundation. Mr. Lamoureux is a member of the Audit Committee and the Health, Safety, Environment and Community Committee.

Aristotelis Mistakidis was appointed to the Board of Xstrata in May 2011. He joined Glencore in 1993 and since 2000 has been the co director of Glencore's zinc/copper/lead commodity department. He is jointly responsible for overseeing the marketing business and industrial assets of the department, including strategy and operations. Before Glencore, Mr. Mistakidis worked at Cargill for six years, where he worked in and gained experience in the non-ferrous metals industry. He is also a director of Katanga Mining Limited and Recylex S.A and chairman of Mopani Copper Mines Plc.

Tor Peterson was appointed to the Board of Xstrata in May 2011. Mr. Peterson joined Glencore in 1992 and since 2002 has been the director of Glencore's coal/coke commodity department. He is responsible for overseeing the global marketing business and industrial assets of the department, including strategy and operations. Before Glencore, Mr. Peterson worked for five years for Phibro-Salomon Inc. as a marketer, being based in New York, London and the Ivory Coast.

Sir Steve Robson CB was appointed to the Board of Xstrata in February 2002. He retired as Second Permanent Secretary at HM Treasury in January 2001. He had joined HM Treasury after leaving university. His early career included a period as Private Secretary to the Chancellor of the Exchequer and a two-year secondment to Investors in Industry plc (3i). From 1997 until his retirement, his responsibilities included the legal framework for regulation of the UK financial services industry, public private partnerships, procurement policy including the private finance initiative and the Treasury's enterprises and growth unit. Sir Steve is a member of the Financial

Reporting Council and a member of KMPG Chairman's Advisory Board. He is also a member of the Remuneration Committee and the Nominations Committee.

Ian Strachan was appointed to the Board of Xstrata in May 2003. He is a director of Rolls Royce Group plc, Transocean Inc. and Caithness Petroleum Ltd. Mr. Strachan was Chairman of Instinet Group Inc from 2003 to 2005 and Chief Executive of BTR plc from 1996 to 1999. Mr. Strachan joined Rio Tinto plc (formerly RTZ plc) as CFO in 1987, and was Deputy Chief Executive from 1991 to 1995. Mr. Strachan is the Chairman of the Health, Safety, Environment and Community Committee and a member of the Audit Committee.

Board composition

Xstrata's Board of Directors consists of 13 Directors. Pursuant to the Relationship Agreement, Glencore International is permitted to nominate a maximum of three directors of Xstrata or (if lower or higher) such number of directors of Xstrata nominated by Glencore International as is equal to one less than the number of independent directors, provided that there is at all times a majority of independent directors (defined in the Relationship Agreement as a director who is free from any business or other relationship with Glencore International) on the Board. As at the date of this document, Glencore International has three nominees to the Board, being Messrs. Glasenberg, Mistakidis and Peterson. See further "Business – Relationship with Glencore – Relationship with major shareholder".

Dr Fauconnier, Mr. Hooley, Mr. Lamoureux, Sir Steve Robson, Mr. Rough and Mr. Strachan are the independent Non-Executive Directors. Mr. Rough is the Senior Independent Director.

At Xstrata's AGM on May 4, 2011, Sir John Bond, Mr. Aristotelis Mistakidis and Mr. Tor Peterson were elected to the Board of Directors. In addition, in accordance with the UK Corporate Governance Code, each of the other Executive and Non-executive Directors of Xstrata in office retired, and each such Executive or Non-Executive Director then in office, save for Willy Strothotte, sought re-election, and each such Executive and Non-executive Director was duly re-elected.

Senior management

In addition to the Executive Directors, Messrs. Davis, Reid and Zaldumbide, Xstrata's senior management consists of the following executive officers who are responsible for the business and administrative departments indicated below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Peter Freyberg	51	Chief Executive, Xstrata Coal
Benny Levene	47	Chief Legal Counsel of Xstrata
Thras Moraitis	47	Executive General Manager, Group Strategy and Corporate Affairs
Peet Nienaber	60	Chief Executive, Xstrata Alloys
Ian Pearce	53	Chief Executive, Xstrata Nickel
Charlie Sartain	49	Chief Executive, Xstrata Copper

The business address for the Senior Executives is Bahnhofstrasse 2, 6301 Zug, Switzerland.

Peter Freyberg, born in 1959, is Chief Executive of Xstrata Coal. Mr. Freyberg began his career as a trainee official with Anglo American Corporation in South Africa in 1978 and completed his B.Sc. Mining Engineering degree in 1983. He gained his experience working in both underground and open pit coal operations in a variety of roles, including operations management and technical support. After leaving Anglo American in 1991, he embarked on an international career, including working with Kaltim Prima Coal in Indonesia; Hamersley Iron in Perth, Copelmi Mineração in Brazil; and Carbones del Cerrejón in Colombia. He joined Glencore following the acquisition of the Duiker assets in South Africa and was subsequently appointed Chief Operating Officer for Xstrata Coal South Africa after Xstrata's purchase of the Glencore assets in 2002. Mr. Freyberg became the Director of Operations for Xstrata Coal in April 2006. On January 1, 2008, Mr. Freyberg was appointed Chief Executive of the Coal Business.

Benny Levene, born in 1964, is the Chief Legal Counsel of Xstrata. Mr. Levene holds the degrees of Bachelor of Commerce, Bachelor of Laws and Master of Laws. Mr. Levene began his career at

Werksmans Attorneys in South Africa in 1989, where he became a partner in 1993 specialising in local and international mergers and acquisitions and equity and debt capital raising. While at Werksmans Attorneys Mr. Levene assisted with the initial acquisitions by Xstrata of its Ferroalloys assets, and subsequently joined Xstrata AG in Switzerland in 1997. Mr. Levene was involved in the structuring of the cross-border merger of Xstrata AG into Xstrata simultaneously with the listing of Xstrata on the London and Swiss Stock Exchanges in March 2002.

Thras Moraitis, born in 1963, is Executive General Manager, Group Strategy and Corporate Affairs. Mr. Moraitis joined Xstrata in 2003 and is responsible for the Xstrata Group's strategic development, post-acquisition integration, external affairs and investor relations as well as the Xstrata Group's technology businesses. Mr. Moraitis began his career as an engineer on the Winkelhaak Gold Mine, Gencor. He then became a Global Partner in the strategy and merchant banking firm, Monitor, where he was responsible for their European, Middle East and African operations, advising governments and corporations around the world and was involved in Monitor's private equity and venture capital activities.

Peet Nienaber, born in 1950, is the Chief Executive of Xstrata Alloys. Mr. Nienaber holds both a Bachelor and Honours degree in Engineering. Mr. Nienaber started his career as an Iscor bursary holder at Iscor Steelworks in Newcastle and worked for 15 years in the ferroalloy industry at both Samancor and CMI until 1988, when he became one of the founder members of what is now the Chrome Business. In 1997, Mr. Nienaber was appointed Chief Executive of Xstrata's South African alloys operations.

Ian W. Pearce, born in 1957, is the Chief Executive of Xstrata Nickel. Mr. Pearce joined Falconbridge in August 2003 as Senior Vice-President, Projects & Engineering, leading the advancement and completion of major projects such as Koniambo and Nickel Rim, and holds a bachelor degree in Science from University of Witwatersrand in South Africa. He also attended the Management Advancement Programme at the same institution. Mr. Pearce has over 26 years of professional experience in metallurgy and mining. Prior to joining Falconbridge, Mr. Pearce acquired project management experience in the United States, Indonesia, Chile and South Africa. Among numerous assignments, he worked as the Executive Project Director of Muskeg River Oil Sands Project in Alberta for Fluor Daniel Canada Inc.

Charlie Sartain, born in 1961, is the Chief Executive of Xstrata Copper and was appointed in January 2004. He holds an Honours degree in Mining Engineering. Mr. Sartain worked with MIM for more than 20 years in a range of engineering then senior management roles in both Australia and Latin America prior to taking up his current position. Mr. Sartain is also a director of the Australian Government's Council on Australian-Latin American Relations, the Sustainable Minerals Institute at the University of Queensland and the International Copper Association.

There is no family relationship between any of Xstrata's directors or senior management.

SIGNIFICANT SHAREHOLDERS

Interests of significant shareholders

As at November 3, 2011 (being the latest practicable date prior to the publication of this Offering Memorandum), notifications had been received of the following interests in 3% or more of Xstrata's issued ordinary share capital:

<u>Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued ordinary share capital</u>
Glencore International plc ⁽¹⁾	1,010,403,999	34.08%
BlackRock, Inc.	184,002,078	6.21%

Note:

(1) The voting rights comprised in this interest are directly controlled by Finges Investment BV, a wholly-owned subsidiary of Glencore International. Xstrata understands that a substantial portion of this holding is subject to collateral or similar arrangements related to the provision of finance to Glencore.

Save as disclosed above, the Xstrata Directors are not aware of any person who as at November 3, 2011 (being the latest practicable date prior to the publication of this Offering Memorandum), directly or indirectly, has a holding which exceeds the threshold of 3% or more of the total voting rights attaching to the issued ordinary share capital of the Company.

Save as disclosed above, as at November 3, 2011 (being the latest practicable date prior to the publication of this Offering Memorandum), the Company was not aware of any person or persons who directly, indirectly, jointly or severally, exercise or could exercise control over the Company nor is it aware of any arrangements the operation of which may, at a subsequent date, result in a change in control of the Company.

None of the Company's major shareholders has, or will have, different voting rights attached to the Ordinary Shares they hold.

Relationship with controlling shareholder

On March 20, 2002, Glencore International and Xstrata entered into the Relationship Agreement, which regulates the ongoing relationship between them. See "Business – Relationship with Glencore – Relationship with major shareholder" for further information.

DESCRIPTION OF OTHER INDEBTEDNESS

General

As at June 30, 2011, the total gross indebtedness of the Xstrata Group was US\$9,795 million, of which US\$220 million was secured indebtedness and therefore effectively ranks senior to the Notes.

As at June 30, 2011, the Xstrata Group's net indebtedness excluding derivative financial instruments used to provide an economic hedge of capital markets notes was US\$8,441 million and its net indebtedness including such financial instruments was US\$8,131 million.

Principal indebtedness

As at June 30, 2011, the Xstrata Group's principal indebtedness comprised:

- US\$1,300 million under the Existing Facilities; and
- US\$7,787 million outstanding under unsecured private placements of capital markets notes with maturities between November 2011 and November 2037,

in each case as described in "Operating and Financial Review – Liquidity reserves".

On October 28, 2011, the Xstrata Group cancelled the Existing Facilities in favour of the Syndicated Facility. As at November 3, 2011, the Xstrata Group had US\$1,900 million outstanding under the Syndicated Facility.

DESCRIPTION OF THE ISSUER AND THE GUARANTORS

The Issuer

The Issuer was incorporated on October 10, 2006 as a private company in Ontario, Canada under the Business Corporations Act (Ontario), with Ontario corporation number 1712237.

The Issuer has no subsidiaries other than Xstrata Canada Financial.

The Issuer was incorporated, among other things, to facilitate the financing activities of the Xstrata Group. The objects and powers of the Issuer, which are set out in its articles of incorporation, are unrestricted.

As at June 30, 2011, the Issuer had outstanding: (i) the USD-denominated 5.50% fixed rate notes due November 2011 with a nominal value (as at June 30, 2011) of US\$719 million; (ii) the EUR-denominated 4.875% fixed rate notes due June 2012 with a nominal value (as at June 30, 2011) of US\$675 million; (iii) the USD-denominated 5.80% fixed rate notes due November 2016 with a nominal value (as at June 30, 2011) of US\$1,000 million; (iv) the USD-denominated 5.50% fixed rate notes due June 2017 with a nominal value (as at June 30, 2011) of US\$250 million; and (v) the USD-denominated 6.90% fixed rate notes due November 2037 with a nominal value (as at June 30, 2011) of US\$500 million. Additionally, it is a guarantor of (i) the EUR-denominated 6.25% fixed rate notes due May 2015 with a nominal value (as at June 30, 2011) of US\$939 million issued by Xstrata Canada Financial; and (ii) the GBP-denominated 7.375% fixed rate notes due May 2020 with a nominal value (as at June 30, 2011) of US\$985 million issued by Xstrata Canada Financial.

As at the date of this Offering Memorandum, the only issued capital of the Issuer is the one common share owned by 1184760 Alberta Limited, a wholly-owned indirect subsidiary of Xstrata.

Xstrata

For information on Xstrata, see "Summary – Overview of the Xstrata Group" and "Business". Xstrata is a guarantor of all of the Group's outstanding capital markets notes.

Xstrata Schweiz

Xstrata Schweiz was incorporated on December 27, 2001 as a private company limited by shares in Switzerland under the laws of Switzerland with registered number CH-170.3.025.302-8.

Xstrata Schweiz is the holding company for each member of the Xstrata Group (other than Xstrata Capital Corporation A.V.V., Xstrata Dubai and Xstrata Commodities Middle East LLC) and is a wholly-owned subsidiary of Xstrata.

Xstrata Schweiz was incorporated, among other things, to facilitate the financing activities of the Xstrata Group. The purpose of Xstrata Schweiz, which is set out in its articles of association, is to acquire and administer equity interests. In this regard, Xstrata Schweiz may:

- conduct financial, investment, trading and fiduciary transactions and any services pertaining to those transactions;
- exploit, utilize and administer all forms of proprietary rights;
- set up branch establishments;
- acquire, sell and administer real property; and
- provide to its direct or indirect parent companies, as well as to the latter's or Xstrata's direct or indirect sister companies, loans and other financing and grant security for obligations of such other companies, including by means of pledges or fiduciary transfers of Xstrata's assets, or by means of guarantees of any kind.

Xstrata Schweiz has engaged in certain trading and financing activities in pursuit of the above objects.

As at June 30, 2011, Xstrata Schweiz had no outstanding issued notes or bonds, although it is a guarantor of (i) the USD-denominated 5.50% fixed rate notes due November 2011 with a nominal value (as at June 30, 2011) of US\$719 million issued by the Issuer; (ii) the EUR-denominated 4.875% fixed rate notes due June 2012 with a nominal value (as at June 30, 2011) of US\$675 million issued by the Issuer; (iii) the EUR-denominated 6.25% fixed rate notes due May 2015 with a nominal value (as at June 30, 2011) of US\$939 million issued by Xstrata Canada Financial; (iv) the USD-denominated 5.80% fixed rate notes due November 2016 with a nominal value (as at June 30, 2011) of US\$1,000 million issued by the Issuer; (v) the USD-denominated 5.50% fixed rate notes due June 2017 with a nominal value (as at June 30, 2011) of US\$250 million issued by the Issuer; (vi) the GBP-denominated 7.375% fixed rate notes due May 2020 with a nominal value (as at June 30, 2011) of US\$985 million issued by Xstrata Canada Financial; and (vii) the USD-denominated 6.90% fixed rate notes due November 2037 with a nominal value (as at June 30, 2011) of US\$500 million issued by the Issuer.

Xstrata Canada Financial

Xstrata Canada Financial was incorporated on April 23, 2008 as a private company in Ontario, Canada under the Business Corporations Act (Ontario), with Ontario corporation number 2170552.

Xstrata Canada Financial was incorporated, among other things, to facilitate the financing activities of the Group. The objects and powers of Xstrata Canada Financial, which are set out in its articles of incorporation are unrestricted. As at the date of this Offering Memorandum, the only issued capital of Xstrata Canada Financial is the 1,000 common shares owned by the Issuer.

The registered office of Xstrata Canada Financial (and its principal place of business) is 100 King Street West, Suite 6900, Toronto, Canada M5X 1E3 and the telephone number of the registered office is +1 416 775 1500.

As at June 30, 2011, Xstrata Canada Financial had outstanding (i) the EUR-denominated 6.25% fixed rate notes due May 2015 with a nominal value (as at June 30, 2011) of US\$939 million; and (ii) the GBP-denominated 7.375% fixed rate notes due May 2020 with a nominal value (as at June 30, 2011) of US\$985 million.

Xstrata Dubai

Xstrata Dubai was incorporated on January 15, 2006 as a company limited by shares in Dubai under the Companies Law, DIFC Law No. 3 of 2006, with registered number 127.

Xstrata Dubai was incorporated to facilitate the financing activities of the Xstrata Group. The objects of Xstrata Dubai, which are set out in its articles of association, are to:

- act as a finance company, and to finance directly or indirectly, or to act as an intermediary in respect of, or otherwise to facilitate the financing of the activities of Xstrata, Xstrata Schweiz and the Xstrata Group; and
- do all other lawful acts and activities.

As at June 30, 2011, Xstrata Dubai had no outstanding issued notes or bonds, although it is a guarantor of (i) the USD-denominated 5.50% fixed rate notes due November 2011 with a nominal value (as at June 30, 2011) of US\$719 million issued by the Issuer; (ii) the EUR-denominated 4.875% fixed rate notes due June 2012 with a nominal value (as at June 30, 2011) of US\$675 million issued by the Issuer; (iii) the EUR-denominated 6.25% fixed rate notes due May 2015 with a nominal value (as at June 30, 2011) of US\$939 million issued by Xstrata Canada Financial; (iv) the USD-denominated 5.80% fixed rate notes due November 2016 with a nominal value (as at June 30, 2011) of US\$1,000 million issued by the Issuer; (v) the USD-denominated 5.50% fixed rate notes due June 2017 with a nominal value (as at June 30, 2011) of US\$250 million issued by the Issuer; (vi) the GBP-denominated 7.375% fixed rate notes due May 2020 with a nominal value (as at June 30, 2011) of US\$985 million issued by Xstrata Canada Financial; and (vii) the USD-denominated 6.90% fixed rate notes due November 2037 with a nominal value (as at June 30, 2011) of US\$500 million issued by the Issuer.

Xstrata Dubai is a majority-owned subsidiary of Xstrata with 90% of Xstrata Dubai's shares directly held by Xstrata and the remaining 10% held by Xstrata Schweiz.

DESCRIPTION OF THE NOTES AND GUARANTEES

The following is a summary of the material provisions of the Notes, the Guarantees and the Indenture. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Notes, the Guarantees and the Indenture. Copies of the Indenture will be available for inspection during normal business hours at any time after the Closing Date at the offices of the Trustee currently located at 101 Barclay Street, Floor 4E New York, NY 10286. Any capitalized term used herein but not defined shall have the meaning assigned to such term in the Notes, the Guarantees or the Indenture.

General

The Notes and the Guarantees will be issued pursuant to the Indenture to be dated as of November 10, 2011, among the Issuer, Xstrata, Xstrata Schweiz, Xstrata Canada Financial and Xstrata Dubai, as guarantors, and The Bank of New York Mellon, as trustee, principal paying agent, registrar and transfer agent.

The Notes will not be registered under the Securities Act and may not be sold or otherwise transferred except pursuant to registration under the Securities Act or in accordance with Rule 144A or Rule 904 of Regulation S thereunder or in a resale transaction that is otherwise exempt from such registration requirements and will bear a legend to this effect.

The Indenture is not required to be nor will it be qualified under the Trust Indenture Act and will not incorporate by reference all of the provisions of the Trust Indenture Act.

References to the "Notes" include the Guarantees. References to the "Agents" are to the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent and the Transfer Agent, collectively. References to the "Noteholders" are to the registered holders of the Notes.

The Notes will be in registered form in denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof. The Notes will be issued in the form of Global Notes in registered form and may be exchanged into Definitive Notes only in the circumstances described in the Indenture and Global Notes.

Principal, maturity and interest

The Notes will be unsecured and unsubordinated obligations of the Issuer and will be unconditionally guaranteed on a senior, unsecured and joint and several basis by the Guarantors. The 2014 Notes are initially issuable in an aggregate principal amount not to exceed US\$800,000,000 and will mature on November 10, 2014. The 2017 Notes are initially issuable in an aggregate principal amount not to exceed US\$700,000,000 and will mature on January 15, 2017. The 2021 Notes are initially issuable in an aggregate principal amount not to exceed US\$1,000,000,000 and will mature on November 15, 2021. The 2041 Notes are initially issuable in an aggregate principal amount not to exceed US\$500,000,000 and will mature on November 15, 2041.

The 2014 Notes will bear interest at 2.850% per annum, the 2017 Notes will bear interest at 3.600% per annum, the 2021 Notes will bear interest at 4.950% per annum and the 2041 Notes will bear interest at 6.000% per annum, each from the date of the initial issue of the Notes or from the most recent interest payment date to which interest has been paid or provided for, payable semi-annually in arrears on May 10 and November 10 commencing on May 10, 2012 for the 2014 Notes, on January 15 and July 15 commencing on January 15, 2012 for the 2017 Notes and on May 15 and November 15 commencing on May 15, 2012 for the 2021 Notes and the 2041 Notes, to the person in whose name the relevant Note is registered at the close of business on the day 15 calendar days prior to each respective interest payment date (whether or not a Business Day) immediately preceding such interest payment date, notwithstanding any transfer or exchange of such Notes subsequent to the record date and prior to such interest payment date. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. If the date on which any interest payment or principal payment is to be made is not a Business Day in New York City or the place of payment of such interest or principal, such payment will be made on the next day which is a Business Day in New York City and the place of payment of such interest or principal without any further interest or other amounts being paid or payable in connection therewith.

Notwithstanding the foregoing, if and to the extent the Issuer shall default in the payment of the interest due on an interest payment date and the applicable grace period shall have expired, such defaulted interest may at the option of the Issuer be paid to the persons in whose names the Notes are registered at the close of business on a subsequent record date (which shall not be less than five days which are Business Days in New York City prior to the date of payment of such defaulted interest) established by notice given as provided in the Notes by or on behalf of the Issuer to the Noteholders not less than 15 days preceding such subsequent record date.

Further Issuances

The Issuer may from time to time without the consent of the Noteholders issue further securities having identical terms and conditions as any of the Notes, in all respects except for the first payment of interest on such further securities so that any further issue is consolidated and forms a single series of securities with such Notes.

Status of the Notes and the Guarantees

The Notes will be unsecured and unsubordinated obligations of the Issuer. Upon issue, the Guarantors will unconditionally guarantee, on a senior, unsecured and joint and several basis, the due and punctual payment (and not collectability) of the principal of and interest on the Notes (and the payment of additional amounts described below in the section headed "Payment of Additional Amounts") when and as the same shall become due and payable, whether at stated maturity, by declaration of acceleration, call for redemption or otherwise. The obligations of a Guarantor are limited to the maximum amount that will result in its obligations under the relevant Guarantee not constituting a fraudulent conveyance or fraudulent transfer under applicable law. Each Guarantee will be an unsecured and unsubordinated obligation of the relevant Guarantor and will rank *pari passu* in right of payment with other unsecured and unsubordinated indebtedness of such Guarantor except that any liability of Xstrata Schweiz with respect to any obligations of Xstrata and Xstrata Dubai under any Guarantee is limited as described below.

Ranking and other indebtedness

As at June 30, 2011, the total gross indebtedness of the Xstrata Group was US\$9,795 million.

As at June 30, 2011, the Xstrata Group had approximately US\$220 million of secured financial indebtedness which effectively ranks senior to the Notes and the Guarantees. Except as set forth below all remaining financial indebtedness of the Xstrata Group has either been issued or guaranteed by the Issuer and the Guarantors on a senior basis and therefore ranks *pari passu* with the Notes and the Guarantees except that any liability of Xstrata Schweiz with respect to any obligations of Xstrata and Xstrata Dubai is limited as described below.

As at June 30, 2011, the Xstrata Group had approximately US\$2.0 billion of outstanding indebtedness assumed by the Group through the acquisition of the Falconbridge Group. All of the assumed indebtedness is structurally senior to the Notes with respect to the cash flows and assets of the Falconbridge Group.

Any liability of Xstrata Schweiz with respect to any obligations of Xstrata and Xstrata Dubai under any Guarantee as set forth in the Indenture is (to the extent that there still is a limitation requirement of the applicable law in force at the relevant time) limited to a sum equal to the maximum amount of Xstrata Schweiz's profits available for distribution as dividend (being the balance sheet profits and any reserves made for this purpose, in each case in accordance with art. 675(2) and art. 671(1) and (2) no. 3, of the Swiss Code of Obligations), provided that such limitations shall not free Xstrata Schweiz from payment obligations under the Indenture in excess of its distributable profits, but merely postpone the payment date of those obligations until such time as payment is permitted notwithstanding such limitations. Any payment made by Xstrata Schweiz with respect to any obligations of Xstrata and Xstrata Dubai may (i) require certain corporate formalities to be completed prior to payment including but not limited to obtaining an audit report, shareholder resolutions and board resolutions approving payment, and (ii) be subject to Swiss withholding taxes on dividends (the present rate of which is 35%).

For further information in relation to the Xstrata Group's outstanding indebtedness, see "Risk factors – Risks relating to the structure of the Notes", "Business of the Xstrata Group – Recent developments" and "Description of other indebtedness".

Payment of Additional Amounts

All payments by the Issuer in respect of the Notes and by the Guarantors under the Guarantees will be made without withholding or deduction for or on account of any and all present or future tax, levy, impost or other governmental charge whatsoever ("Taxes") imposed, assessed, levied or collected by or for the account of the Relevant Jurisdiction (as defined below) unless such withholding or deduction is required by law. See "Taxation".

If such a withholding or deduction is required by the law of a Relevant Jurisdiction, the Issuer and the Guarantors (pursuant to the terms of the applicable Guarantee) will pay, in respect of any payment on the Notes or any payment pursuant to the applicable Guarantee, to a Noteholder or beneficial owner thereof such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by such Noteholder or beneficial owner, after deduction or withholding for any Taxes whatsoever imposed, assessed, levied or collected by or for the account of or as a result of such payment by the Relevant Jurisdiction, will not be less than the amount such Noteholder would have received if such Taxes had not been withheld or deducted; provided, however, that none of the Issuer or the Guarantors shall be required to pay any Additional Amounts for or on account of:

- (i) any Taxes that would not have been so imposed, assessed, levied or collected but for the fact that the holder of the Note or Guarantee (or a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Noteholder, if such Noteholder is an estate, trust, partnership or corporation) is or has been a domiciliary, national or resident of, or engaging or having been engaged in a trade or business or maintaining or having maintained a permanent establishment or being or having been physically present in the jurisdiction by which such Taxes have been imposed, assessed, levied or collected, or otherwise having or having had some connection with such jurisdiction, other than the mere holding or ownership of, or the collection of principal of, and interest on, an applicable Note or the enforcement of the applicable Guarantee, as the case may be;
- (ii) any Taxes that would not have been so imposed, assessed, levied or collected but for the fact that the holder of the applicable Note or Guarantee at any time did not deal at arm's length with the Issuer or such Guarantor;
- (iii) any Taxes, to the extent it would not have been so imposed, assessed, levied or collected but for the fact that, where presentation is required in order to receive payment, the applicable Note or Guarantee was presented more than 30 days after the date on which such payment became due and payable or was provided for, whichever is later;
- (iv) any estate, inheritance, gift, transfer, personal property or similar Tax;
- (v) any Taxes that are payable otherwise than by deduction or withholding from payments on or in respect of the applicable Note or Guarantee;
- (vi) any Taxes that would not have been so imposed, assessed, levied or collected but for the failure by the Noteholder or the beneficial owner of the applicable Note or Guarantee to comply (following a written request addressed to the Noteholders or beneficial owner, as applicable), with any certification, identification or other reporting requirements concerning the nationality, residence or identity of such Noteholder or beneficial owner or its connection with the Relevant Jurisdiction if compliance is required by statute, regulation or administrative practice of the Relevant Jurisdiction, as a condition to relief or exemption from such Tax;
- (vii) any withholding or deduction imposed on a payment to an individual that is required to be made pursuant to European Union Directive 2003/48/EC, any law implementing this Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000, on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such directive;

- (viii) any withholding or deduction that is imposed on the applicable Note or Guarantee that is presented for payment, where presentation is required, by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the applicable Note or Guarantee to another paying agent; or
- (ix) any combination of the Taxes described in (i) through (viii) above,

nor will Additional Amounts be paid in respect of any payment to any Noteholder or beneficial owner of the applicable Notes or Guarantees that is a fiduciary or partnership or any person other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Relevant Jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to such Noteholder or a beneficial owner and such beneficiary or settlor would not have been entitled to such amounts had such beneficiary or settlor been the holder of such Notes or Guarantees.

“Issuer Jurisdiction” means any of the jurisdictions of incorporation or residence for tax purposes of the Issuer or any successor entity, or any political subdivision or taxing authority thereof or therein.

“Guarantor Jurisdiction” means any of the jurisdictions of incorporation or residence for tax purposes of a Guarantor or any successor entity, or any political subdivision or taxing authority thereof or therein.

“Relevant Jurisdiction” means an Issuer Jurisdiction and/or a Guarantor Jurisdiction.

If the Issuer or a Guarantor becomes subject at any time to any taxing jurisdiction other than an Issuer Jurisdiction or a Guarantor Jurisdiction, as the case may be, references to “Issuer Jurisdiction” or “Guarantor Jurisdiction”, as the case may be, shall for these purposes be construed as references to the Issuer Jurisdiction or Guarantor Jurisdiction, as the case may be, and such other jurisdiction.

Optional redemption

The Notes may be redeemed, in whole or in part, at the Issuer’s option, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) as determined by the Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months or in the case of an incomplete month, the number of days elapsed) at the Treasury Rate plus 37.5 basis points in the case of the 2014 Notes, plus 40 basis points in the case of the 2017 Notes, plus 45 basis points in the case of the 2021 Notes and plus 50 basis points in the case of the 2041 Notes, together with, in each case, accrued and unpaid interest on the principal amount of the Notes to be redeemed to the Redemption Date. In connection with such optional redemption of Notes the following defined terms apply:

- “Treasury Rate” means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as at the third Business Day immediately preceding that Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date;
- “Comparable Treasury Issue” means the United States Treasury security selected by the Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes;
- “Comparable Treasury Price” means, with respect to any Redemption Date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding that Redemption Date, as set forth in the daily statistical release designated H.15 (519) (or any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for US Government Notes” or (ii) if such release (or any successor

release) is not published or does not contain such prices on such Business Day, (A) the average of the Reference Treasury Dealer Quotations for that Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations or (B) if the Independent Investment Banker for the Notes obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such Quotations;

- “Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Issuer to act as the “Independent Investment Banker”;
- “Reference Treasury Dealer” means each of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and RBS Securities Inc. and other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Issuer; provided, however, that if any of the foregoing shall cease to be a primary US Government securities dealer in New York City (a “Primary Treasury Dealer”), the Issuer shall substitute therefor another nationally recognized investment banking firm that is a Primary Treasury Dealer;
- “Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that Redemption Date; and
- “Remaining Scheduled Payments” means, with respect to the Note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related Redemption Date but for such redemption; provided, however, that if that Redemption Date is not an interest payment date with respect to such Note, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that Redemption Date.

The redemption price of the Notes shall be calculated by the Independent Investment Banker and the Issuer, and the Trustee shall be entitled to rely on such calculation.

Notice of any redemption will be given at least 30 days but not more than 60 days before the Redemption Date to each holder of any Notes to be redeemed. On and after any Redemption Date, interest will cease to accrue on the Notes or any portion thereof called for redemption.

Upon presentation of any Note redeemed in part only, the Issuer will execute and the Trustee will authenticate and deliver to or on the order of the holder thereof, at the expense of the Issuer, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

On or before any Redemption Date, the Issuer shall deposit with the relevant Paying Agent money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on such date. If less than all the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

Maturity

Unless previously purchased or redeemed by the Issuer or the Guarantors or any of their Subsidiaries, the principal amount of the 2014 Notes will mature and become due and payable on November 10, 2014 with accrued and unpaid interest to such date, the principal amount of the 2017 Notes will mature and become due and payable on January 15, 2017 with accrued and unpaid interest to such date, the principal amount of the 2021 Notes will mature and become due and payable on November 15, 2021 with accrued and unpaid interest to such date and the principal amount of the 2041 Notes will mature and become due and payable on November 15, 2041 with accrued and unpaid interest to such date.

Reacquisition

There is no restriction on the ability of the Issuer or the Guarantors or any of their Subsidiaries to purchase or repurchase Notes.

Redemption for tax reasons

The Notes are also redeemable by the Issuer, in whole but not in part, in an amount equal to their respective principal amounts with accrued and unpaid interest to the applicable Redemption Date without reduction for any applicable withholding taxes imposed by the Relevant Jurisdiction, at the Issuer's option at any time prior to their maturity if due to a Change in Tax Law (as defined below) (i) the Issuer or a Guarantor, in accordance with the terms of the Notes or the Guarantees, respectively, has, or would, become obligated to pay to the Noteholder or beneficial owner of any Note any Additional Amounts; (ii) in the case of a Guarantor, (A) such Guarantor would be unable, for reasons outside its control, to procure payment by the Issuer or (B) the procuring of such payment by the Issuer would be subject to withholding taxes imposed by the Relevant Jurisdiction; and (iii) such obligation otherwise cannot be avoided by the Issuer or such Guarantor taking reasonable measures available to them. In such case the Issuer may redeem the Notes as a whole but not in part, upon not less than 30 nor more than 60 days' notice in accordance with the requirements for notice as set forth in the Indenture, in an amount equal to their respective principal amounts with accrued and unpaid interest to the Redemption Date without reduction for any applicable withholding taxes imposed by the Relevant Jurisdiction; provided that, (a) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or such Guarantor would be obligated to pay any such Additional Amounts were a payment in respect of the Notes or the Guarantees, as applicable, then due and (b) at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. The Issuer's right to redeem the Notes shall continue as long as the Issuer or a Guarantor, as the case may be, is obligated to pay such Additional Amounts, notwithstanding that the Issuer or such Guarantor shall have made payments of Additional Amounts. Prior to the giving of any such notice of redemption, the Issuer must deliver to the Trustee (1) a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent counsel of recognized standing selected by the Issuer or the Guarantors, as applicable, to the effect that the Issuer or the Guarantors has, or would, become obligated to pay such Additional Amounts as a result of such Change in Tax Law.

For purposes hereof, "Change in Tax Law" shall mean (i) any change in, or amendment to, any law of an Issuer Jurisdiction or a Guarantor Jurisdiction (including any regulations or rulings promulgated thereunder) or any amendment to or change in the application or official interpretation (including judicial or administrative interpretation) of such law, which change or amendment is announced, if applicable, and becomes effective on or after November 10, 2011 or (ii) if the Issuer or a Guarantor consolidates or merges with, or transfers or leases its assets substantially as an entirety to, any Person that is incorporated or tax resident under the laws of any jurisdiction other than an Issuer Jurisdiction or a Guarantor Jurisdiction, respectively, and as a consequence thereof such Person becomes the successor obligor to the Issuer or such Guarantor in respect of Additional Amounts that may become payable (in which case, for purposes of this redemption provision, all references to the Issuer or such Guarantor hereunder, as applicable, shall be deemed to be and include references to such Person), any change in, or amendment to, any law of the jurisdiction of incorporation of such Person or any successor entity or any amendment to or change in the application or official interpretation (including judicial or administrative interpretation) of such law, which change or amendment becomes effective on or after the date of such consolidation, merger or other transaction.

Certain definitions

Set forth below is a summary of certain of the defined terms used in the Notes and the Indenture. You should refer to the Notes and the Indenture for the full definition of all defined terms.

"Attributable Debt" means as to any particular lease under which any Person is liable at the time as lessee, and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (including any period for which such lease has been extended or may, at the option of the lessor, be extended), discounted from the respective due dates thereof to such date at a rate per annum equivalent to the rate inherent in such lease (as determined by the

Xstrata Directors) compounded semi-annually, excluding amounts required to be paid on account of or attributable to operating costs and overhead charges and including, in certain circumstances, any termination penalty in the case of a lease terminable by the lessee.

“Business Day” means any day which is not, in London, England, New York City, or the place or payment of such interest or principal a Saturday, Sunday, a legal holiday or a day on which banking institutions are authorized or obligated by law, regulation or executive order to close.

“Consolidated Net Tangible Assets” means the aggregate amount of assets (less applicable provisions) after deducting therefrom (1) all current liabilities (excluding any portion thereof constituting Funded Debt); and (2) all intangible assets, all as set forth on the most recent consolidated balance sheet of the Xstrata Group and computed in accordance with IFRS.

“Funded Debt” means, as applied to any Person, all Indebtedness created or assumed by such Person maturing after, or renewable or extendable at the option of such Person beyond, 12 months from the date of creation thereof.

“Government Obligations” means money or obligations issued by the United States government.

“IFRS” means International Financial Reporting Standards.

“Indebtedness” means all obligations for borrowed money represented by notes, bonds, debentures or similar evidence of indebtedness and obligations for borrowed money evidenced by credit, loan or other like agreements.

“Mortgage” means any mortgage, deed of trust, pledge, hypothecation, lien, encumbrance, charge or security interest of any kind.

“Nonrecourse Indebtedness” means Indebtedness of a Project Company, none of which retains the benefit of any guarantee, bond, security (other than third party security over shares in or debts or other obligations of a Project Company solely to secure that Indebtedness), indemnity or other commitment from another member of the Xstrata Group to assure the repayment of, or indemnify against loss in respect of non-payment of, that Indebtedness.

“Person” means any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Principal Property” means the interest of Xstrata or any Restricted Subsidiary in any (a) mineral property or (b) manufacturing or processing plant, building, structure, dam or other facility, together with the land upon which it is erected and fixtures comprising a part thereof, whether owned as of the date of the Indenture or thereafter acquired or constructed by Xstrata or any Restricted Subsidiary, of which interest the net book value in each case, on the date as of which the determination is being made, is an amount which exceeds 10% of Consolidated Net Tangible Assets. As of the date of this Offering Memorandum no property of the Xstrata Group is a Principal Property.

“Project Company” means any member of the Xstrata Group (which is not the Issuer or a Guarantor) whose sole activity is or will be the ownership and development and/or operation of a project including without limitation:

- (i) the discovery, mining, extraction, transportation or development (in each case whether directly or indirectly) of metals or minerals; or
- (ii) the development or operation of processing facilities (in each case whether directly or indirectly) related to natural resources including, without limitation, metals smelting, processing and refining.

“Restricted Subsidiary” means (1) any Subsidiary which owns or leases a Principal Property; and (2) any Subsidiary engaged primarily in the business of owning or holding securities of Restricted Subsidiaries.

“Sale and Leaseback Transactions” mean any arrangement with a bank, insurance company or other lender or investor (other than Xstrata or a Restricted Subsidiary) providing for the leasing by Xstrata or any such Restricted Subsidiary of any Principal Property which has been or is to be sold or transferred, more than 270 days after the later of the acquisition, completion of construction or commencement of full operation thereof by Xstrata or such Restricted Subsidiary to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of that property or asset.

“Shareholders’ Equity” means the aggregate amount of shareholders’ equity of the Xstrata Group as shown on the most recent audited annual consolidated balance sheet of the Xstrata Group and computed in accordance with IFRS.

“Subsidiary” means, at any relevant time, any person of which the voting shares or other interests carrying more than 50% of the outstanding voting rights attached to all outstanding voting shares or other interests are owned, directly or indirectly, by or for Xstrata and/or one or more Subsidiaries of Xstrata.

“Significant Subsidiary” means, any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

Repurchase on Change of Control Repurchase Event

Unless the Notes are otherwise subject to redemption as described under “– Optional redemption” above or “– Redemption for tax reasons” above and the Issuer has elected to exercise its right to redeem the Notes, if a Change of Control Repurchase Event occurs, the Issuer will make an offer to each Noteholder to repurchase all or any part of such Noteholder’s Notes (in minimum denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof) at a repurchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased plus any accrued and unpaid interest on the principal amount of the Notes repurchased to the date of repurchase.

Within:

- 30 days of a Change of Control Repurchase Event; or
- at the Issuer’s option, prior to a Change of Control,

but after the public announcement of an impending Change of Control, the Issuer shall give notice to each Noteholder, with a copy to the Trustee, describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase Notes on the payment date specified in the notice (the “Repurchase Payment Date”), which date will be no earlier than 30 days and no later than 60 days from the date on which such notice is despatched. The notice shall, if given prior to the Change of Control, state that the offer to repurchase is conditional on the Change of Control Repurchase Event occurring on or prior to the Repurchase Payment Date.

The Issuer shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with “Repurchase on Change of Control Repurchase Event” provision in the Indenture, the Issuer shall comply with the applicable securities laws and regulations and shall be deemed not to have breached its obligations under the “Change of Control Repurchase Event” provision by virtue of such conflict.

On the Repurchase Payment Date, the Issuer shall, to the extent lawful:

- accept for payment all Notes or portions of Notes (in minimum denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof) properly tendered pursuant to its offer;
- deposit with the relevant Paying Agent money sufficient to pay the repurchase price of and accrued interest on the Notes or portions of Notes so properly tendered; and

- deliver or cause to be delivered to the Trustee an officers' certificate stating the aggregate principal amount of Notes being purchased by it.

Upon presentation of any Note repurchased in part only, the Issuer will execute and the Trustee will authenticate and deliver to or on the order of the Noteholder thereof, at the expense of the Issuer, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

The Issuer shall not be required to make an offer to repurchase the Notes upon the occurrence of a Change of Control Repurchase Event if a third party makes an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Issuer, and such third party purchases all Notes properly tendered, and not withdrawn, under its offer.

In connection with such repurchase of Notes the following defined terms apply:

- a "Below Investment Grade Rating Event" occurs once the Notes are rated below Investment Grade by each Rating Agency on any date from 30 days prior to the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by a Rating Agency);
- each of the following constitutes a "Change of Control":
 - (i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of consolidation, amalgamation or merger), in one or a series of related transactions, of the Xstrata Group's properties or assets as an entirety or substantially as an entirety to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act), other than to a member of the Xstrata Group; or
 - (ii) the consummation of any transaction (including, without limitation, any consolidation, amalgamation or merger) the result of which is that (a) any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of the Voting Stock; or (b) any of the outstanding Voting Stock is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the aggregate voting power of the voting stock of the surviving Person immediately after giving effect to such transaction; or
 - (iii) the first day on which a majority of the members of the Board of Directors are not Continuing Directors;
- a "Change of Control Repurchase Event" occurs once a Change of Control and a Below Investment Grade Rating Event have both occurred;
- "Continuing Directors" means, as of any date of determination, any member of the Board of Directors:
 - (i) who was a member of such Board of Directors on the date of the issuance of the Notes; or
 - (ii) who was nominated for election or elected to the Board of Directors with the approval of a majority of the Continuing Directors who were members of the Board of Directors at the time of such nomination or election;
- "Investment Grade" means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating categories of Moody's) and a rating of BBB- or better by S&P (or its equivalent under any successor rating categories of S&P); or the equivalent investment grade credit rating from any additional Rating Agency or Rating Agencies selected by the Issuer;
- "Moody's" means Moody's Investors Service Inc.;

- “Rating Agency” means:
 - (i) each of Moody’s and S&P; and
 - (ii) if any of Moody’s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control, a “nationally recognized statistical rating organization” (having the meaning used in Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act), selected by the Issuer as a replacement agency for Moody’s or S&P, as the case may be;
- “S&P” means Standard & Poor’s Ratings Services, a division of McGraw-Hill, Inc.; and
- “Voting Stock” means Xstrata’s issued ordinary share capital.

Covenants of the Issuer and the Guarantors

Negative pledge

Each of the Issuer and the Guarantors will covenant under the Indenture that for so long as any of the Notes are outstanding under the Indenture, and subject to the provisions of the Indenture, they will not, and they will not permit any Restricted Subsidiary to, create, incur, issue, assume or otherwise have outstanding any Mortgage on or over any Principal Property now owned or hereafter acquired by Xstrata or a Restricted Subsidiary to secure any Indebtedness, or on shares of stock or Indebtedness of any Restricted Subsidiary now owned or hereafter acquired by Xstrata or a Restricted Subsidiary to secure any Indebtedness, unless at the time thereof or prior thereto the Notes then outstanding under the Indenture (together with, if and to the extent the Issuer and the Guarantors so determine, any other Indebtedness then existing or thereafter created) are secured equally and rateably with (or prior to) any and all such Indebtedness for so long as such Indebtedness is so secured by such Mortgage; *provided, however,* such negative pledge will not apply to or operate to prevent or restrict the following permitted encumbrances:

- (1) any Mortgage on property, shares of stock or Indebtedness of any Person existing at the time such Person becomes a Restricted Subsidiary or created, incurred, issued or assumed in connection with the acquisition of any such Person;
- (2) any Mortgage on any Principal Property created, incurred, issued or assumed at or prior to the time such property became a Principal Property or existing at the time of acquisition of such Principal Property by Xstrata or a Restricted Subsidiary, whether or not assumed by Xstrata or such Restricted Subsidiary; *provided that* no such Mortgage will extend to any other Principal Property of Xstrata or any Restricted Subsidiary;
- (3) any Mortgage on all or any part of any Principal Property (including any improvements or additions to improvements on a Principal Property) hereafter acquired, developed, expanded or constructed by Xstrata or any Restricted Subsidiary to secure the payment of all or any part of the purchase price, cost of acquisition or cost of development, expansion or construction of such Principal Property or of improvements or additions to improvements thereon (or to secure any Indebtedness incurred by Xstrata or a Restricted Subsidiary for the purpose of financing all or any part of the purchase price, cost of acquisition or cost of development, expansion or construction thereof or of improvements or additions to improvements thereon) created prior to, at the time of, or within 360 days after the later of, the acquisition, development, expansion or completion of construction (including construction of improvements or additions to improvements thereon), or commencement of full operation of such Principal Property; *provided that* no such Mortgage will extend to any other Principal Property of Xstrata or a Restricted Subsidiary other than, in the case of any such construction, improvement, development, expansion or addition to improvement, all or any part of any other Principal Property on which the Principal Property so constructed, developed or expanded, or the improvement or addition to improvement, is located;
- (4) any Mortgage on any Principal Property of any Restricted Subsidiary to secure Indebtedness owing by it to Xstrata or to another Restricted Subsidiary;

- (5) any Mortgage on any Principal Property of Xstrata to secure Indebtedness owing by it to a Restricted Subsidiary;
- (6) any Mortgage on any Principal Property or other assets of Xstrata or any Restricted Subsidiary existing on the date of the Indenture, or arising thereafter pursuant to contractual commitments entered into prior to the date of the Indenture;
- (7) any Mortgage on any Principal Property or other assets of Xstrata or any Restricted Subsidiary created for the sole purpose of extending, renewing, altering or refunding any of the foregoing Mortgages, *provided that* the Indebtedness secured thereby will not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal, alteration or refunding, plus an amount necessary to pay fees and expenses, including premiums, related to such extensions, renewals, alterations or refundings, and that such extension, renewal, alteration or refunding Mortgage will be limited to all or any part of the same Principal Property and improvements and additions to improvements thereon and/or shares of stock and Indebtedness of a Restricted Subsidiary which secured the Mortgage extended, renewed, altered or refunded or either of such property or shares of stock or Indebtedness;
- (8) Mortgages on any Principal Property subject to Sale and Leaseback Transactions described below in Clauses (1) or (3) of the section headed "Limitation on Sale and Leaseback Transactions";
- (9) Mortgages in relation to the financing of long-term industrial projects based upon a non-recourse financial structure where project debt and equity used to finance the project are paid back from the cash flow generated by the project;
- (10) Mortgages constituted by rights of set-off or netting in the ordinary course of the Issuer's, any Guarantor's or any Restricted Subsidiary's banking arrangements or for the provision of clearing bank facilities or overdraft facilities for the purpose of netting debt and credit balances (other than cash collateral); or
- (11) any Mortgage on any Principal Property or on any shares of stock or Indebtedness of any Restricted Subsidiary created, incurred, issued or assumed to secure Indebtedness of Xstrata or any Restricted Subsidiary, which would otherwise be subject to the foregoing restrictions, in an aggregate amount which, together with the aggregate principal amount of other Indebtedness secured by Mortgages on any Principal Property or on any shares of stock or Indebtedness of any Restricted Subsidiary then outstanding (excluding Indebtedness secured by Mortgages permitted under the foregoing exceptions) and the Attributable Debt in respect of all Sale and Leaseback Transactions entered into after the date of the Indenture (not including Attributable Debt in respect of any such Sale and Leaseback Transactions described below in Clauses (1) or (3) of the section headed "Limitation on Sale and Leaseback Transactions") would not then exceed the greater of US\$5.3 billion or 10% of Consolidated Net Tangible Assets.

Limitation on Sale and Leaseback Transactions

Sale and Leaseback Transactions by Xstrata or any Restricted Subsidiary of any Principal Property are prohibited by the Indenture unless (1) such transaction involves a lease or right to possession or use for a temporary period not to exceed three years following such transaction, by the end of which it is intended that the use of such property by the lessee will be discontinued; (2) immediately prior to the entering into of such transaction, Xstrata or such Restricted Subsidiary could create a Mortgage on such Principal Property securing Indebtedness in an amount equal to the Attributable Debt with respect to the particular Sale and Leaseback Transaction; or (3) the proceeds of such transaction within 180 days after such transaction, are applied to either the payment of all or any part of the purchase price, cost of acquisition, cost of development, cost of expansion or cost of construction of a Principal Property or cost of improvements or additions to improvements thereon or the prepayment (other than mandatory prepayment) of Funded Debt of Xstrata or a Restricted Subsidiary (other than Funded Debt held by Xstrata or any Restricted Subsidiary).

Provision of financial information

For so long as the Notes are outstanding, Xstrata shall deliver to the Trustee copies of its annual reports, half year result announcements and other filings it forwards to the United Kingdom Financial Services Authority within 15 days after it forwards such documents to the United Kingdom Financial Services Authority.

Consolidation, amalgamation and merger and sale of assets

Each of the Issuer and the Guarantors may not consolidate or amalgamate with or merge into with any other Person, or, directly or indirectly, convey, transfer or lease their respective properties and assets as an entirety or substantially as an entirety to any Person, unless:

- the Person formed by or continuing from such consolidation or amalgamation or into which the Issuer or such Guarantor is merged or the Person which acquires or leases the Issuer's or such Guarantor's properties and assets as an entirety or substantially as an entirety is organized and existing under the laws of the United States, any state thereof or the District of Columbia, the laws of Canada or any province or territory thereof, the United Kingdom or Switzerland or the United Arab Emirates or any other country that is a member of the Organization for Economic Cooperation and Development or, if such consolidation, amalgamation, merger or other transaction would not impair the rights of the Noteholders under the Indenture, in any other country, provided that, if such successor person is organized under the laws of a jurisdiction other than the United States, any state thereof or the District of Columbia, or the laws of Canada or any province or territory thereof, the United Kingdom or Switzerland or the United Arab Emirates or any other country that is a member of the Organization for Economic Cooperation and Development the successor person assumes the Issuer's or such Guarantor's obligations under the Notes and the Indenture to pay Additional Amounts (as defined above under the section headed "Payment of additional amounts");
- the successor Person expressly assumes or assumes by operation of law all of the Issuer's or such Guarantor's obligations under the Notes and under the Indenture;
- immediately before and after giving effect to such transaction, no Event of Default (as defined below) and no event which, after notice or lapse of time or both, would become an Event of Default, will have happened and be continuing; and
- certain other conditions are met.

If, as a result of any such transaction, any of the Issuer's or such Guarantor's Principal Properties become subject to a Mortgage, then, unless such Mortgage could be created pursuant to the Indenture provisions described above in the section headed "Negative pledge" without equally and ratably securing the Notes, the Issuer or such Guarantor, simultaneously with or prior to such transaction, will cause the Notes to be secured equally and ratably with or prior to the Indebtedness secured by such Mortgage.

The Notes will not contain covenants or other provisions to afford protection to Noteholders in the event of a highly leveraged transaction or a change in control of the Issuer or the Guarantors except as provided above.

Upon certain mergers or consolidations involving the Issuer or the Guarantors, or upon certain sales or conveyances of the respective properties of the Issuer or the Guarantors as an entirety or substantially as an entirety, the obligations of the Issuer or the Guarantors, as the case may be, under the Notes or the Guarantees, as the case may be, shall be assumed by the Person formed by such merger or consolidation or which shall have acquired such property and upon such assumptions such Person shall succeed to and be substituted for the Issuer or the Guarantors, as the case may be, and then the Issuer or the Guarantors, as the case may be, will be relieved from all obligations under the Notes and the Guarantees, as the case may be. The terms "Issuer", "Guarantor" and "Guarantors", as used in the Notes and the Indenture, also refer to any such successors or assigns so substituted.

Events of Default

The following will be Events of Default (each an "Event of Default") with respect to any series of Notes:

- (i) default in the payment of any installment of interest (excluding Additional Amounts) upon any series of Notes as and when the same shall become due and payable, and continuance of such default for 30 days;
- (ii) default in the payment of the Additional Amounts as and when the same shall become due and payable, and continuance of such default for a period of 30 days;
- (iii) default in the payment of all or any part of the principal of or premium, if any, on any series of Notes as and when the same shall become due and payable either at maturity, upon any redemption, by declaration or otherwise;
- (iv) default in the performance or breach of any covenant or warranty of the Issuer or the Guarantors in respect of any series of Notes or the Indenture (other than those described in paragraphs (i), (ii) and (iii) above), and continuance of such default or breach for a period of 60 days after there has been given written notice to the Issuer, the Guarantors and the Trustee by the holders of at least 25% in principal amount of such series of Notes;
- (v) any present or future Indebtedness other than Nonrecourse Indebtedness of the Issuer, a Guarantor or any Restricted Subsidiary other than the Notes, having a then outstanding principal amount in excess of \$100,000,000 is accelerated by any holder or holders thereof or any trustee or agent acting on behalf of such holder or holders in accordance with any agreement or instrument evidencing such Indebtedness;
- (vi) the Issuer, a Guarantor or any Restricted Subsidiary that is a Significant Subsidiary admits in writing that it is unable to pay its debts generally; or a resolution is passed by the board of directors of the Issuer or a Guarantor to be wound up or dissolved; or
- (vii) certain events in bankruptcy, insolvency or reorganization involving the Issuer, a Guarantor or any Restricted Subsidiary that is a Significant Subsidiary ("Bankruptcy Events" as defined therein).

If an Event of Default occurs and is continuing, then and in each and every such case (other than certain Events of Default specified in paragraph (vii) above with respect to the Issuer or a Guarantor), unless the principal of such series of Notes shall have already become due and payable, the Noteholders of not less than 25% in aggregate principal amount of such series of Notes then outstanding (each such series voting as a separate class), by notice in writing to the Issuer, the Guarantors and the Trustee, may declare the entire principal amount of such series of Notes and interest accrued and unpaid thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If certain Events of Default described in paragraph (vii) above occur with respect to the Issuer or a Guarantor and are continuing, the principal amount of and accrued and unpaid interest on all the Notes shall become immediately due and payable, without any declaration or other act on the part of any Noteholder. Under certain circumstances, the Noteholders of a majority in aggregate principal amount of the Notes of a series affected by the default, each series voting as a separate class, by written notice to the Issuer, the Guarantors and the Trustee, may waive defaults and rescind and annul declarations of acceleration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impart any right consequent thereon.

Defeasance

The Issuer will have the option either (a) to be deemed (together with the Guarantors) to have paid and discharged the entire indebtedness represented by, and obligations under, the Notes and the Guarantees and to have satisfied all the obligations under the Indenture, the Notes and the Guarantees (except for certain obligations, including those relating to the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain paying agencies) on the 91st day after the

conditions described below have been satisfied or (b) to cease (together with the Guarantors) to be under any obligation to comply with the covenants described above in the section headed "Negative pledge – Limitation on Sale and Leaseback Transactions" and "Negative pledge – Provision of financial information" and the condition relating to the absence of any events of default above in the section headed "Consolidation, amalgamation and mergers and sale of assets" under the Notes, and non-compliance with such covenants and the occurrence of certain events described above in the section headed "Events of Default" will not give rise to any Event of Default under the Notes, at any time after the conditions described below have been satisfied.

In order to exercise either defeasance option, the Issuer must (i) deposit with a defeasance agent, irrevocably in trust, money or Government Obligations for the payment of principal and interest on the outstanding Notes to and including the Redemption Date irrevocably designated by the Issuer on or prior to the date of deposit of such money or Government Obligations; (ii) comply with certain other conditions, including delivering to a defeasance agent either an opinion of US counsel or a ruling received from or published by the United States Internal Revenue Service, to the effect that Noteholders will not recognize income, gain or loss for United States federal income tax purposes as a result of the exercise of such option and will be subject to United States federal income tax on the same amount and in the same manner and at the same time as would have been the case if such option had not been exercised and which, in the case of (a) above, is based on a change of law after the Closing Date; and (iii) pay in full all other amounts due and owing under the Indenture.

Modification and waiver

Without consent of Noteholders

The Indenture contains provisions for convening meetings of Noteholders to consider any matters affecting their interests.

The Issuer, the Guarantors and the Trustee may, without the consent of the Noteholders, from time to time and at any time, enter into an agreement:

- to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Notes any property or assets;
- to evidence the succession of another Person to the Issuer or the Guarantors, as the case may be, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer or the Guarantors, as the case may be, pursuant to the Indenture;
- to evidence and provide for the acceptance of appointment of a successor Trustee, Principal Paying Agent, Registrar or Transfer Agent, as the case may be;
- to add to the covenants of the Issuer and the Guarantors, as the case may be, such further covenants, restrictions, conditions or provisions as the Issuer and the Guarantors, as the case may be, shall certify to be for the protection of the holders of the Notes issued pursuant to the Indenture, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Notes or Guarantees; provided that, in respect of any such additional covenant, restriction, condition or provision, the relevant agreement may provide for a particular period of grace after default (which may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the right of the Noteholders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;
- to modify the restrictions on, and procedures for, resale and other transfers of the Notes pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;

- to cure any ambiguity or to correct or supplement any provision contained in the Notes which may be defective or inconsistent with any other provision contained therein or to make such other provision in regard to matters or questions arising under the Notes as the Issuer or Guarantors may deem necessary or desirable and which will not adversely affect the interests of the Noteholders in any material respect; and
- to issue further securities having identical terms and conditions in all respects (or in all respects except for the first payment of interest on such further securities) as the Notes so that the further issue is consolidated and forms a single series with the Notes.

With consent of Noteholders

The Issuer, the Guarantors and the Trustee may, with the consent of the Noteholders of not less than a majority in aggregate principal amount of the Notes of all series affected by the amendment or modification at the time outstanding (voting as one class) (including consents obtained in connection with a tender offer or exchange offer for such series of Notes), from time to time and at any time, enter into an agreement to add any provisions to or change in any manner or eliminate any of the provisions of the Notes or the Indenture or to modify in any manner the rights of the Noteholders; provided that, no such amendment of the Notes or the Indenture may, without the consent of the holders of each of the Notes so affected:

- change the stated maturity of the principal of or the date for payment of any installment of interest on such series of Notes;
- reduce the principal amount of or interest on such series of Notes or Additional Amounts payable with respect thereto or reduce the amount payable thereon in the event of redemption or default;
- change the currency of payment of principal of or interest on such series of Notes or Additional Amounts payable with respect thereto;
- change the obligation of the Issuer or any Guarantor, as the case may be, to pay Additional Amounts;
- impair the right to institute suit for the enforcement of any such payment on or with respect to such series of Notes; or
- reduce the above stated aggregate principal amount of such series of Notes outstanding necessary to modify or amend the Indenture or any such Notes or to waive any future compliance or past default or reduce the quorum requirements or the percentage of aggregate principal amount of such series of Notes outstanding required for the adoption of any action at a meeting of holders of such Notes or reduce the percentage of the aggregate principal amount of such series of Notes outstanding necessary to rescind or annul any declaration of the principal of and all accrued and unpaid interest on such series of Notes to be due and payable;

provided that no consent of any Noteholder shall be necessary to permit the Trustee, the Issuer and the Guarantors to execute a supplemental Indenture described above in the section headed "Modification and waiver – Without consent of Noteholders".

Any modifications, amendments or waivers to the Indenture or to any series of Notes will be conclusive and binding on all Noteholders of such series, whether or not they have consented to such action or were present at the meeting at which such action was taken, and on all future Noteholders of the affected series, whether or not notation of such modifications, amendments or waivers is made upon such Notes. Any instrument given by or on behalf of any Noteholder of such a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent registered Noteholders.

Consent to service

Each of the Issuer and the Guarantors will accept service of process in any legal suit, action or proceeding arising out of or relating to the performance of its obligations under the Notes or

the Guarantees brought in any state or federal court in the Borough of Manhattan, the City of New York, by, among other methods, mail or facsimile, and will irrevocably submit (but for those purposes only) to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding.

Governing law

The Notes, the Guarantees and the Indenture shall be governed by and construed in accordance with the laws of the State of New York.

The Indenture also contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

BOOK-ENTRY, DELIVERY AND FORM

The Notes that are initially offered and sold in the United States to QIBs will be represented by beneficial interests in one or more Rule 144A Global Notes in registered form without interest coupons, which will be deposited on or about the Closing Date with the Custodian and registered in the name of Cede & Co. as nominee of DTC.

The Notes that are offered and sold in reliance on Regulation S will be represented by beneficial interests in one or more Regulation S Global Notes in registered form without interest coupons, which will be deposited on or about the Closing Date with the Custodian, and registered in the name of Cede & Co., as nominee of DTC, for credit to Euroclear and Clearstream. Investors may hold their interests in the Global Notes directly through DTC if they are participants or indirectly through organizations which are DTC participants. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are participants in DTC.

So long as DTC or its nominee is the registered holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the applicable Global Note for all purposes under the Indenture and the Notes (except as the context otherwise requires in respect of Additional Amounts). The Notes (including beneficial interests in the Global Notes) will be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear a legend regarding such restrictions as set forth under "Transfer Restrictions". Under certain circumstances, transfers may be made only upon receipt by the Transfer Agent of a written certification (in the form set out in the Indenture).

Owners of beneficial interests in a Global Note will be entitled to have certificates registered in their names and to receive physical delivery of the Notes only in the limited circumstances described below under "– Transfers or exchanges from a Global Note to Definitive Notes".

Transfers within Global Notes

Subject to the procedures and limitations described herein, transfers of beneficial interests within a Global Note may be made without delivery to the Issuer, the Guarantors or the Trustee of any written certifications or other documentation by the transferor or transferee.

Transfers between the Global Notes

A beneficial interest in a Rule 144A Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Regulation S Global Note only upon receipt by the Transfer Agent of a written certification (in the form set out in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or, in the case of an exchange occurring following the expiration of the restricted period as defined in Rule 144 under the Securities Act.

Prior to the expiration of the 40-day distribution compliance period, a beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Rule 144A Global Note only upon receipt by the Transfer Agent of a written certification (in the form set out in the Indenture) from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A purchasing for its own account or for the account of a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. After the expiration of the distribution compliance period, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to applicable transfer restrictions under the Securities Act and the laws of any state of the United States and other jurisdictions.

Any beneficial interest in a Rule 144A Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other applicable Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other applicable Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

Transfers or exchanges from a Global Note to Definitive Notes

No Global Note may be exchanged in whole or in part for Definitive Notes unless:

- DTC notifies the Issuer that it is unwilling or unable to hold the applicable Global Note or DTC ceases to be a clearing agency registered under the Exchange Act, and in each case the Issuer does not appoint a successor depository that is registered under the Exchange Act within 90 days; or
- a payment default has occurred and is continuing; or
- in the event of a bankruptcy default, the Issuer fails to make payment on the Notes when due; or
- the Issuer shall have determined in its sole discretion that the Notes shall no longer be represented by the Global Notes.

The holder of a Definitive Note may transfer such Note by surrendering it at the specified office of the Registrar or any Transfer Agent. Upon the transfer, exchange or replacement of Definitive Notes bearing the applicable legend set forth under “Transfer Restrictions”, or upon specific request for removal of such legend on a Definitive Note, the Issuer will deliver only Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Each such Definitive Note will be endorsed with the Guarantees from the Guarantors in the form set out in the Indenture and will include terms substantially in the form of those set forth in the Indenture. Except as set forth in this paragraph, no Global Note may be exchanged in whole or in part for Definitive Notes.

Clearing and settlement

The information set out below in connection with DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information about DTC set forth below has been obtained from sources that the Issuer and the Guarantors believe to be reliable, but none of the Issuer, the Guarantors or any of the Initial Purchasers takes any responsibility for the accuracy of the information. None of the Issuer, the Guarantors or any of the Initial Purchasers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in Notes held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC has advised the Issuer and the Guarantors as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC participants and to facilitate the clearance and settlement of transactions among DTC participants through electronic book entry changes in accounts of DTC participants, thereby eliminating the need for physical movement of certificates. DTC participants include certain of the Initial Purchasers, securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organizations. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly (“indirect DTC participants”).

Under the rules, regulations, and procedures creating and affecting DTC and its operations (the “Rules”), DTC is required to make book-entry transfers of Notes among DTC participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system as described below (the “DTC Notes”) and to receive and transmit distributions of the nominal amount and interest on the DTC Notes. DTC participants and indirect DTC participants with which beneficial owners of DTC Notes (“Owners”) have accounts with respect to the DTC Notes

similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through DTC participants or indirect DTC participants will not possess Notes, the Rules by virtue of the requirements described above, provide a mechanism by which such Owners will receive payments and will be able to transfer their interests with respect to the Notes.

Transfers of ownership or other interests in the Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers. Beneficial Owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

So long as DTC, or its nominee, is the registered holder of a Global Note, payments on the Notes will be made in immediately available funds to DTC. DTC's practice is to credit DTC participants' accounts on the applicable payment date in accordance with their respective holdings shown on its records, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices, and will be the responsibility of the DTC participants and not of DTC, or any other party, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the Trustee. Disbursement of payments for DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of the beneficial interests to pledge Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

DTC will take any action permitted to be taken by an Owner only at the direction of one or more DTC participants to whose account with DTC such Owner's DTC Notes are credited. Additionally, DTC has advised the Issuer that it will take such actions with respect to any percentage of the beneficial interest of Owners who hold Notes through DTC participants or Indirect Participants only at the direction of and on behalf of DTC participants whose account holders include undivided interests that satisfy any such percentage.

To the extent permitted under applicable law and regulations, DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC participants whose account holders include such undivided interests.

Ownership of interests in the Rule 144A Global Notes and the Regulation S Global Notes will be shown on, and the transfer of that ownership will be effected only through records maintained by, DTC, the DTC participants and the indirect DTC participants, including Euroclear and Clearstream. Transfers between participants in DTC, as well as transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with DTC rules.

Subject to compliance with the transfer restrictions applicable to the Notes, cross market transfers between DTC, on the one hand, and participants in Euroclear or Clearstream on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream as the case may be. Such cross market transactions, however, will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving payment in accordance with DTC's Same-Day Funds Settlement System. Euroclear participants and Clearstream participants may not deliver instruction directly to the depositories for Euroclear or Clearstream.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, an Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Owners will be the responsibility of Direct and Indirect Participants.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at anytime. None of the Issuer, the Guarantors or the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial settlement in relation to DTC notes

Upon the issue of a Global Note deposited with DTC or a custodian for DTC, DTC or its custodian, as the case may be, will credit, on its internal system, the respective nominal amount of the individual beneficial interest represented by such relevant DTC Note or Notes to the accounts of participants who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Initial Purchasers. Ownership of beneficial interest in a DTC Note will be limited to DTC participants, including Euroclear and Clearstream or indirect DTC participants. Ownership of beneficial interests in DTC Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC participants (with respect to interests of indirect DTC participants).

Investors that hold their interests in a DTC Note will follow the settlement procedures applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Secondary market trading in relation to DTC Notes

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date. Although DTC has agreed to the following procedures in order to facilitate transfers of interests in Global Notes deposited with DTC or a custodian for DTC among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Under such circumstances, in the event that a successor securities depository is not obtained, Security

certificates are required to be printed and delivered. Neither the Issuer nor any agent of the Issuer will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Secondary market trading between DTC participants will be settled using the procedures applicable to global bond issues in same-day funds.

Payments

So long as any of the Notes remains outstanding, the Issuer and the Guarantors will maintain in New York City, an office or agency: (i) where the Notes may be presented for payment (pursuant to the Guarantees in the case of the Guarantors); (ii) in the case of the Issuer, where the Notes may be presented for registration of transfer and for exchange; and (iii) where notices and demands to or upon the Issuer or the Guarantors in respect of the Notes, the Guarantees or the Indenture may be served. The Issuer and the Guarantors will give the Trustee written notice of the location of any such office or agency and of any change of location thereof. The Issuer and the Guarantors will initially designate The Bank of New York Mellon in New York City for such purposes.

The Issuer will be required to maintain a Paying Agent in a specified member state that will not be obliged to withhold or deduct tax pursuant to any law implementing EC Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000.

The Issuer and the Guarantors may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes or where such notices or demands may be served and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Issuer or the Guarantors of any obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Issuer and the Guarantors shall give written notice to the Trustee of any such designation or rescission and of any such change in the location of any other office or agency.

A Noteholder may transfer or exchange Notes in accordance with their terms. The relevant Registrar and Transfer Agent for the Notes will not be required to accept for registration or transfer any Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer and the Guarantors may from time to time agree with such Registrar and Transfer Agent.

Notwithstanding any statement herein, the Issuer and the Guarantors reserve the right to impose or remove such transfer, certification, substitution or other requirements, and to require such restrictive legends on the Notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws or as may be required by any stock exchange on which the Notes are listed.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes and any other expenses (including the fees and expenses of the Agents). No service charge will be made for any such transaction.

The Registrars and Transfer Agents will not be required to exchange or register a transfer of: (i) any Notes for a period of 15 calendar days ending the due date for any payment of principal in respect of the Notes or the first mailing of any notice of redemption of Notes to be redeemed; or (ii) any Notes selected, called or being called for redemption.

The Notes will be issued in registered form without coupons and transferable in denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof.

The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Global Notes is limited to such extent.

TAXATION

US taxation

The following discussion is a summary based on present law of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only US Holders who purchase Notes in the original offering at the original offering price, hold the Notes as capital assets and use the US Dollar as their functional currency. This discussion is not a complete description of all US tax considerations relating to the Notes. It does not address the tax treatment of prospective purchasers that will hold the Notes in connection with a permanent establishment or other qualified business unit outside of the United States. It also does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers, traders that elect to mark-to-market, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, US expatriates, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction.

THE FOLLOWING STATEMENTS ABOUT US FEDERAL TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF CANADA, SWITZERLAND, DUBAI, THE UNITED STATES AND THEIR CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "US Holder" is a beneficial owner that is, for purposes of US federal income taxation, (i) a citizen or individual resident of the United States, (ii) a corporation, partnership or other business entity created or organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

If a partnership acquires or holds the Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership that acquires or holds the Notes should consult its own tax advisors.

Interest

Interest on the Notes, including any Additional Amounts, generally will be includible in the gross income of a US Holder in accordance with its regular method of tax accounting. The interest on the Notes generally will be ordinary income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

A US Holder of a Note issued with original issue discount ("OID") must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments. A Note will have been issued with OID if its stated redemption price exceeds its issue price by as much as 0.25% of the stated redemption price multiplied by the number of complete years to maturity. The OID to be taken into account is the amount by which the Note's stated redemption price at maturity exceeds its issue price. The issue price of the Notes is the initial offering price at which a substantial amount of the Notes are sold to persons other than brokers and others for resale. The stated redemption price at maturity is the sum of all payments due on a Note other than payments of qualified stated interest. The Issuer believes that interest on the Notes should be qualified stated interest.

Prospective purchasers of the Notes should consult their own tax advisors about the possibility that the Issuer's optional redemption right could cause the Notes to be treated as contingent payment debt instruments for purposes of making OID accruals.

Disposition

A US Holder generally will recognize gain or loss on the sale, redemption or other disposition of a Note in an amount equal to the difference between the amount realized (less any accrued but unpaid interest, which will be taxable as ordinary interest income to the extent not previously

included in income) and the holder's adjusted tax basis in the Note. A US Holder's adjusted tax basis in a Note generally will be the cost of such Note, increased by the amount of any OID included in income with respect to the Note and reduced by any principal payments previously received by the holder.

Gain or loss on disposition of a Note generally will be treated as capital gain or loss from US sources. Any capital gain or loss will be long-term capital gain or loss if the US Holder has held the Note for more than one year. The long-term capital gains of non-corporate US Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

Reporting and backup withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the US Internal Revenue Service unless the holder establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its US federal income tax returns. A US Holder can claim a credit against its US federal income tax liability for the amount of any backup withholding tax and a refund of any excess. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Recently enacted legislation requires certain US Holders to report information to the Internal Revenue Service with respect to their investment in Notes not held through an account with a financial institution (and the account itself may be reportable if maintained by a foreign financial institution). Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

United Kingdom taxation

The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs practice. They are not intended to be, nor should they be construed to be, legal or tax advice and are included below solely for information purposes. The comments below relate only to the position of corporate Noteholders within the charge to UK corporation tax who are the absolute beneficial owners of their Notes and coupons. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person and may not apply to certain classes of persons such as dealers or certain professional investors or persons who are connected with the Issuer. Prospective Noteholders should consult their own professional advisers as to the United Kingdom tax consequences of holding and disposing of Notes and receiving payments of interest or principal under the Notes, as well as if they are in any doubt as to their own technical position.

Xstrata's place of effective management is in Switzerland, and it is accordingly treated as resident in Switzerland, and not in the United Kingdom, for the purposes of Swiss and United Kingdom taxation and for the purposes of the United Kingdom-Switzerland double tax treaty. This position will, however, be reviewed from time to time and it is possible that Xstrata could in the future become resident for the purposes of taxation in the United Kingdom or elsewhere.

This section is written on the basis that Xstrata is and remains resident in Switzerland and, as is the case in respect of the other Guarantors, is a non-United Kingdom resident company. It will therefore be subject to the Swiss tax regime and not (save in respect of United Kingdom source income) the United Kingdom tax regime. This section is also written on the basis that the Issuer is a non-United Kingdom resident company.

Interest-withholding and information reporting requirements

Payments of interest on the Notes made by the Issuer may be made without any withholding or deduction on account of United Kingdom tax. As it cannot be ruled out that guarantee

payments made by Xstrata may be subject to withholding or deduction on account of United Kingdom tax, where such payments fall to be made by it, Xstrata may make alternative arrangements for such payments, including where appropriate, arranging for such payments to be made via the Issuer.

Persons in the United Kingdom paying interest to, or receiving interest on behalf of, an individual may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

Corporate Noteholders within the charge to United Kingdom corporation tax

The tax treatment of Noteholders within the charge to United Kingdom corporation tax will in most cases depend on their respective statutory accounting treatment so long as such accounting treatment is in accordance with IFRS or UK generally accepted accounting practice. The accounting treatment will affect the tax treatment of holding or disposing of the Notes. Noteholders within the charge to United Kingdom corporation tax should therefore consult their own accounting and tax advisers concerning the tax liabilities that may arise in respect of the Notes.

Stamp duty and stamp duty reserve tax

No stamp duty, stamp duty reserve tax or similar tax or duty should be imposed in the United Kingdom on the issue, transfer or redemption of the Notes.

Canadian taxation

The following is a summary of the principal Canadian considerations under the *Income Tax Act* (Canada) (the "Canadian Tax Act"), as of the date hereof, generally applicable to a Noteholder that purchases Notes pursuant to this Offering Memorandum and who, at all relevant times, for the purposes of the Canadian Tax Act: (i) is not and is not deemed to be a resident of Canada; (ii) deals at arm's length with the Issuer, the Guarantors, the Initial Purchasers and any transferee resident (or deemed resident) in Canada to whom the Noteholder disposes of Notes; and (iii) does not use or hold and is not deemed to use or hold the Notes in the course of carrying on business in Canada (a "Non-Resident Noteholder"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Noteholder that is an insurer that carries on an insurance business in Canada and elsewhere. Such Non-Resident Noteholders are advised to consult with their own tax advisors.

This summary is based on the current provisions of the Canadian Tax Act, the regulations thereunder in force as of the date hereof (the "Regulations") and an understanding of the current published administrative policies and practices of the Canada Revenue Agency publicly available prior to the date hereof. This summary also takes into account all specific proposals to amend the Canadian Tax Act and the Regulations which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign income tax considerations which may differ from the Canadian federal income tax considerations described in this summary.

This summary is not exhaustive of all Canadian federal income tax considerations that may be relevant to a particular Non-Resident Noteholder. This summary is not intended to be, and should not be interpreted as, legal or tax advice to any particular Non-Resident Noteholder, and no representation with respect to the income tax consequences to any particular Non-Resident Noteholder is made. Accordingly, prospective Non-Resident Noteholders should consult their own tax advisers with respect to their individual circumstances.

Amounts paid or credited, or deemed to be paid or credited, as, on account or in lieu of payment of, or in satisfaction of the principal of the Notes or premium or interest on the Notes by the Issuer or a Guarantor to a Non-Resident Noteholder, including in respect of a required offer to purchase the Notes, will be exempt from Canadian withholding tax.

No other taxes on income (including taxable capital gains) will be payable under the Canadian Tax Act by a Non-Resident Noteholder in respect of the acquisition, ownership or disposition of the Notes.

Swiss taxation

According to the current practice of the Swiss Federal Tax Administration, payments in respect of the Notes should not be subject to Swiss withholding tax. Any payment made by Xstrata Schweiz pursuant to its Guarantee may be subject to Swiss withholding taxes on dividends (the present rate of which is 35 per cent.).

United Arab Emirates (“UAE”) taxation

The following summary of the anticipated tax treatment in the UAE in relation to the payments on the Notes is based on the taxation law and practice in force at the date of this Offering Memorandum, and does not constitute legal or tax advice and prospective Noteholders should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective Noteholders should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of distributions (whether or not on a winding-up) with respect to such Notes under the laws of the jurisdiction in which they may be liable to taxation.

There is legislation currently in force in the Emirates of Abu Dhabi and Dubai establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is however not enforced save in respect of oil and gas producing companies and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of accrued return or principal on debt securities.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a Federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The Issuer and its employees, in accordance with Article 14 (Tax Relief) of Dubai Law 9 of 2004 (With Respect to the Dubai International Financial Centre) is subject to a zero rate of tax until 2054. Article 14 also provides for zero tax on any transfers of assets, profits or salaries to any person outside the DIFC.

The UAE has entered into double taxation arrangements with approximately 47 countries. Each prospective Noteholder should consult a taxation professional to confirm whether there is a UAE double taxation arrangement applicable to that prospective Noteholder.

European Savings Directive

Under EC Council Directive 2003/48/EC (the “Savings Directive”) on the taxation of savings income, member states are required to provide to the tax authorities of another member state details of payments of interest and other similar income paid by a person within their jurisdiction to, or for the benefit of, an individual or certain other persons resident in that other member state. However, for a transitional period only (which will end after agreement on exchange of information is reached between the European Union and certain non-European Union States) each of Luxembourg and Austria is instead required (unless during such period that member state elects otherwise) to operate a withholding system in relation to such payments unless the Noteholder authorizes the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing an exemption from the withholding tax requirement.

On November 13, 2008 the European Commission published a proposal to amend the Savings Directive. The proposal has been considered by the European Parliament and is under discussion by the European Council. If adopted, the proposal may amend or broaden the scope of the requirements described above.

A number of non-EU countries, and certain dependent or associated territories of certain member states, have adopted measures equivalent to those laid down in the Savings Directive in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual or certain other persons resident in a member state. These measures take the form either of provision of information arrangements or, for example in the case of Switzerland, transitional withholding arrangements. In addition, the member states have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a member state to, or collected by such a person for, an individual or certain other persons resident in one of those territories.

PLAN OF DISTRIBUTION

Pursuant to the Purchase Agreement dated November 3, 2011, the Initial Purchasers (who are named below) have severally agreed with the Issuer, subject to the satisfaction of certain conditions, to purchase the principal amount of Notes set forth opposite their names below:

<u>Initial Purchasers</u>	<u>Principal amount of 2014 Notes</u>	<u>Principal amount of 2017 Notes</u>	<u>Principal amount of 2021 Notes</u>	<u>Principal amount of 2041 Notes</u>
	<i>US\$</i>			
Barclays Capital Inc.	114,667,000	100,334,000	143,334,000	71,667,000
Citigroup Global Markets Inc.	114,667,000	100,334,000	143,334,000	71,667,000
J.P. Morgan Securities LLC	114,667,000	100,333,000	143,333,000	71,667,000
Deutsche Bank Securities Inc.	114,667,000	100,333,000	143,333,000	71,667,000
HSBC Securities (USA) Inc.	114,666,000	100,333,000	143,333,000	71,666,000
RBS Securities Inc.	114,666,000	100,333,000	143,333,000	71,666,000
Commerz Markets LLC . . .	16,000,000	14,000,000	20,000,000	10,000,000
Crédit Agricole Securities (USA) Inc.	16,000,000	14,000,000	20,000,000	10,000,000
Lloyds Securities Inc.	16,000,000	14,000,000	20,000,000	10,000,000
Mitsubishi UFJ Securities (USA), Inc.	16,000,000	14,000,000	20,000,000	10,000,000
Mizuho Securities USA Inc.	16,000,000	14,000,000	20,000,000	10,000,000
RBC Capital Markets, LLC	16,000,000	14,000,000	20,000,000	10,000,000
Santander Investment Securities Inc.	16,000,000	14,000,000	20,000,000	10,000,000
Total	800,000,000	700,000,000	1,000,000,000	500,000,000

Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and RBS Securities Inc. are acting as joint book-running managers for the Notes Issue. Commerz Markets LLC, Crédit Agricole Securities (USA) Inc., Lloyds Securities Inc., Mitsubishi UFJ Securities (USA), Inc., Mizuho Securities USA Inc., RBC Capital Markets, LLC and Santander Investment Securities Inc. are acting as co-managers for the Notes Issue.

The Purchase Agreement entitles the Initial Purchasers to terminate the issue of the Notes in certain circumstances prior to payment to the Issuer. The Issuer and the Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities in connection with the offer and sale of the Notes and may be required to contribute to payments the Initial Purchasers may be required to make in respect thereof.

The Initial Purchasers initially propose to offer the Notes at the offering price set forth on the cover page hereof. After the initial Notes Issue, the offering price may from time to time be varied by the Initial Purchasers.

Each of the Issuer and the Guarantors has agreed with the Initial Purchasers that neither it nor any person acting on its behalf will, without the prior written consent of the Initial Purchasers, for the period from and including the date of the Purchase Agreement through and including the Closing Date, offer, sell, contract to sell or otherwise dispose of any debt securities (other than the Notes) of, or guaranteed by, the Issuer or the Guarantors and having a tenor of more than one year.

The Notes are new issues of securities with no established trading market.

The Initial Purchasers are not obligated to make a market in the Notes and accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes.

In connection with the Notes Issue, Initial Purchasers may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the date of issue of the Notes. However, there may be no obligation on Initial Purchasers to do this. Such stabilising, if commenced, may be discontinued at any time.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or the possession, circulation or distribution of any material relating to the Issuer or the Guarantors in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may any offering material or advertisement in connection with the Notes (including this Offering Memorandum and any amendment or supplement hereto) be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Certain of the Initial Purchasers and their affiliates have performed and may continue to perform certain investment and commercial banking or financial advisory services for the Issuer, the Guarantors and their affiliates from time to time, for which they have received customary fees and commissions, and they expect to provide these services to the Issuer, the Guarantors and their affiliates in the future, for which they expect to receive customary fees and commissions. The proceeds of this Notes Issue will be used to repay part of the amounts outstanding under the maturing indebtedness and for general corporate purposes. Some of the Initial Purchasers and/or their affiliates are lenders under such indebtedness and will receive a portion of the proceeds from the Notes Issue.

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("Regulation S").

Each Initial Purchaser has agreed that, except as permitted by the Purchase Agreement, it will not offer, sell or delivery the Notes and the Guarantees (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Initial Purchaser to which it sells Notes and the Guarantees during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantees within the United States or to, or for the account or benefit of U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantees, an offer or sale of Notes or Guarantees within the United States by an Initial Purchaser that is not participating in the offering may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State"), each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “Financial Instruments and Exchange Act”). Accordingly, each Initial Purchaser has represented and agreed that it has not directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Hong Kong

Each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (A) to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571) of Hong Kong (the “SFO”) and any rules made under the SFO or (B) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Chapter 32) of Hong Kong (the “CO”) or which do not constitute an offer to the public within the meaning of the CO, and (ii) it has not issued, or had in its possession for the purpose of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “Professional Investors” as defined in the SFO (Chapter 571) and any rules made under the SFO.

South Africa

Each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that (i) this Offering Memorandum will not be registered as a prospectus in terms of the South

African Companies Act, 1973 in South Africa and as such, any offer of the Notes in South Africa may only be made if it shall not be capable of being construed as an offer to the public as envisaged by such Act (ii) any offer or sale of the Notes shall be subject to compliance with South African exchange control regulations.

United Arab Emirates

This Offering Memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

No marketing of any financial products or services has been or will be made or within the UAE and no subscription to any securities, financial products or financial services may or will be consummated within the UAE.

The Issuer is not a licensed broker or dealer or investment advisor under the laws applicable in the UAE, and does not advise individuals resident in the UAE as to the appropriateness of investing or purchasing or selling securities or other financial products.

Where the Notes are offered to any person located in the Dubai International Financial Centre, the Notes may only be issued to persons who are "Professional Investors" as defined in the Dubai International Financial Centre Law Markets Law (DIFC Law 12 of 2004, as amended) and "Professional Clients" as defined in the Offered Securities Rule Module of the Dubai Financial Services Authority Rulebook.

The following should appear prominently on the front page of any exempt offer statement:

"This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to Persons of a type specified in those rules. It must not be delivered to, or relied on by, any other Person.

The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it.

The Securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers or the Securities offered should conduct their own due diligence on the Securities.

If you do not understand the contents of this document you should consult an authorised financial adviser."

Switzerland

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

TRANSFER RESTRICTIONS

The following restrictions will apply to the Notes (including the Guarantees). Prospective Noteholders are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an effective registration statement or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (i) to QIBs in accordance with Rule 144A, and (ii) to persons other than U.S. persons "Foreign Purchasers," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S. As used herein, the terms "offshore transactions," "United States" and "U.S. person" have the respective meanings given to them in Regulation S.

In addition, until 40 days after the later of the commencement of the Notes Issue and the Closing Date an offer or sale of the Notes within the United States by a dealer (whether or not participating in the Notes Issue) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of the Notes offered hereunder (other than each of the Initial Purchasers) will be deemed to have represented and agreed as follows (terms used in this section that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (a) it is purchasing the Notes (including the Guarantees) for its own account or an account with respect to which it exercises sole investment discretion, and it and any such account (i) is a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (ii) is a Foreign Purchaser and is aware that the sale is being made in accordance with Regulation S;
- (b) it understands that the Notes (including the Guarantees) have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States;
- (c) it agrees to, and each subsequent Noteholder is required to, notify any purchaser of the Notes from it of the resale restrictions referred to in clause (c) above, if then applicable;
- (d) if it is a person other than a Foreign Purchaser, it understands and agrees that Notes initially offered to QIBs in reliance on Rule 144A will be represented by the Rule 144A Global Note;
- (e) if it is a Foreign Purchaser, it understands and agrees that the Notes initially offered in offshore transactions under Regulation S will be represented by the Regulation S Global Note;
- (f) it understands that the Notes being sold pursuant to Rule 144A will bear a legend to the following effect:

NEITHER THIS NOTE, THE GUARANTEES NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF XSTRATA FINANCE (CANADA) LIMITED (THE "ISSUER"), AND XSTRATA PLC, XSTRATA (SCHWEIZ) AG, XSTRATA CANADA FINANCIAL CORP. AND XSTRATA FINANCE (DUBAI) LIMITED (TOGETHER THE "GUARANTORS"), AND ANY OF THEIR SUCCESSORS IN INTEREST, THAT THIS NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED

ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTORS, AND ANY OF THEIR SUCCESSORS IN INTEREST, THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

- (g) it understands that the Notes being sold in reliance on Regulation S will bear a legend to the following effect:

NEITHER THIS NOTE, THE GUARANTEES NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF XSTRATA FINANCE (CANADA) LIMITED (THE "ISSUER"), AND XSTRATA PLC, XSTRATA (SCHWEIZ) AG, XSTRATA CANADA FINANCIAL CORP. AND XSTRATA FINANCE (DUBAI) LIMITED (TOGETHER THE "GUARANTORS") AND ANY OF THEIR SUCCESSORS IN INTEREST, THAT PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE LATEST CLOSING DATE ("DISTRIBUTION COMPLIANCE PERIOD"), THIS NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

- (h) it acknowledges that prior to any proposed transfer of Notes or beneficial interests in Global Notes (in each case other than pursuant to an effective registration statement) the Noteholders or beneficial interests in Global Notes may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Notes; and
- (i) it acknowledges that the Issuer, the Guarantors, the Initial Purchasers, the Trustee and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by virtue of its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, the Guarantors, the Initial Purchasers and the Trustee. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

For further information in relation to the requirements (including the presentation of transfer certificates) under the Notes and the Indenture to effect exchanges or transfer of interests in Global Notes, see "Book-entry, Delivery and Form".

No representation can be made as to the availability of the exemption provided by Rule 144 for resale of the Notes.

VALIDITY OF THE NOTES AND GUARANTEES

The validity of the Notes and the Guarantees and certain other matters governed by Canadian law will be passed upon for the Issuer and Xstrata Canada Financial by Davies Ward Phillips & Vineberg LLP, Canadian counsel to the Issuer and Xstrata Canada Financial. The validity of the Guarantees and certain other matters governed by US federal and New York state law will be passed upon for the Issuer and each of the Guarantors by Freshfields Bruckhaus Deringer LLP, US counsel to the Issuer and the Guarantors. The validity of the Guarantees and certain other matters governed by English law will be passed upon for Xstrata Plc by Freshfields Bruckhaus Deringer, English counsel to Xstrata Plc. The validity of the Guarantees and certain other matters governed by DIFC law will be passed upon for Xstrata Dubai by Afridi & Angell, DIFC counsel to Xstrata Dubai. The enforceability of the Guarantees and certain other matters governed by Swiss law will be passed upon for Xstrata Schweiz by Bär & Karrer, Swiss counsel to Xstrata Schweiz. Certain matters governed by US federal and New York state law will be passed upon for the Initial Purchasers by Linklaters LLP, US counsel to the Initial Purchasers.

INDEPENDENT AUDITORS

The annual consolidated financial statements of Xstrata as at and for the years ended December 31, 2009 and December 31, 2010 incorporated by reference into this Offering Memorandum have been audited by Ernst & Young LLP, independent auditors. The Xstrata 2011 Interim Financial Information as at and for the six months ended June 30, 2011 has been reviewed by Ernst & Young LLP, independent auditors.

ANNEX A: DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

"2011 Fixed Rate Notes"	US\$750,000,000 5.500% notes due 2011 issued by the Issuer
"2012 Fixed Rate Notes"	€500,000,000 4.875% notes due 2012 issued by the Issuer
"2014 Notes"	US\$800,000,000 2.850% notes due 2014 issued by the Issuer
"2016 Fixed Rate Notes"	US\$1,000,000,000 5.800% notes due 2016 issued by the Issuer
"2017 Fixed Rate Notes"	€500,000,000 5.250% notes due 2017 issued by the Issuer
"2017 Notes"	US\$700,000,000 3.600% notes due 2017 issued by the Issuer
"2021 Notes"	US\$1,000,000,000 4.950% notes due 2021 issued by the Issuer
"2037 Fixed Rate Notes"	US\$500,000,000 6.900% notes due 2037 issued by the Issuer
"2041 Notes"	US\$500,000,000 6.000% notes due 2041 issued by the Issuer
"Alloys Business"	the business of the Xstrata Group comprising its chrome, vanadium and platinum operations
"AEMRs"	Annual Environmental Management Reports
"Anglo American"	Anglo American Plc
"Antamina"	Compañía Minera Antamina S.A., a company incorporated in Peru with limited liability
"Anvil Hill"	Anvil Hill (now called Mangoola) Coal Project
"Argentine peso" or "ARS"	the lawful currency of Argentina
"ARM"	African Rainbow Minerals Limited, a company incorporated in South Africa with limited liability
"ARM Coal"	ARM Coal (Proprietary) Limited, a company incorporated in South Africa with limited liability
"Asturiana"	Asturiana de Zinc, S.A., a company incorporated in Spain with limited liability
"ATP"	Adaptation to Technical Progress
"Austral"	Austral Coal Limited
"Austral Acquisition"	the acquisition of Austral
"Australia"	the Commonwealth of Australia
"Australian dollars" or "AUD" or "A\$"	the lawful currency of Australia
"Barrick"	Barrick Gold Corporation
"BCL"	Bamangwato Concessions Limited
"BECSA"	BHP Energy Coal South Africa (pty) Ltd.
"BEE"	Black Economic Empowerment
"BHP Billiton"	BHP Billiton plc and/or BHP Billiton Limited as the context may acquire
"Boliden"	Boliden Limited
"British pound" or "sterling" or "£" or "GBP" or "pence" or "p"	the lawful currency of the United Kingdom

<i>"Business Day"</i>	any day which is not a Saturday, a Sunday or a bank or public holiday in England and Wales or in the Swiss Canton of Zug and Zurich
<i>"Calculation Agent"</i>	The Bank of New York Mellon
<i>"Canada"</i>	Canada, its territories and its possessions
<i>"Canadian dollars" or "C\$" or "Cnd\$" or "CAD"</i>	the lawful currency of Canada
<i>"Canada Tax Act"</i>	the Income Tax Act (Canada)
<i>"CCR refinery"</i>	Canadian Copper Recycling refinery
<i>"CDM"</i>	Clean Development Mechanism
<i>"Centennial"</i>	Centennial Coal Company Limited
<i>"Cerrejón"</i>	the Cerrejón coal mining operation in Colombia carried on by the Cerrejón Operating Companies
<i>"Cerrejón Acquisition"</i>	the acquisition, which completed on May 12, 2006, by the Xstrata Group of the Cerrejón Business pursuant to the Cerrejón Acquisition Agreement
<i>"Cerrejón Acquisition Agreement"</i>	the sale and purchase agreement dated March 1, 2006 (as amended on March 15, 2006) between Glencore International and Xstrata (Schweiz) AG, which became effective on March 15, 2006, in relation to the Cerrejón Acquisition, pursuant to which the Cerrejón Purchasers purchased, and the Cerrejón Vendors sold, and procured the transfer of, the entire issued share capital of the Cerrejón Xstrata Group Companies and the share held by a Glencore nominee in one of the Cerrejón Operating Companies
<i>"Cerrejón Business"</i>	the Xstrata Group's one-third interest in Cerrejón held through the Cerrejón Xstrata Group Companies
<i>"Cerrejón Operating Companies"</i>	CMC Coal Marketing Ltd, Cerrejón Zona Norte S.A., Carbones del Cerrejón LLC and Cerrejón Coal (Bermuda) Limited
<i>"Cerrejón Purchasers"</i>	Xstrata Coal South America and Xstrata Coal Marketing
<i>"Cerrejón Vendors"</i>	Glencore International and Seez Trading
<i>"Cerrejón Xstrata Group Companies"</i>	Tironimus AG, Xstrata Cerrejón Limited and Perly Ltd.
<i>"CEZ"</i>	Noranda Income Fund's Canadian Electrolyte Zinc Limited
<i>"Chairman"</i>	the chairman for the time being of Xstrata
<i>"CHF" or "Swiss Francs"</i>	the lawful currency of Switzerland
<i>"Chilean pesos" or "CLP"</i>	the lawful currency of Chile
<i>"Chrome Business"</i>	the business of the Xstrata Group comprising its chrome operations
<i>"Clearstream"</i>	Clearstream Banking, S.A.

<i>“Closing Date”</i>	November 10, 2011
<i>“Club Facility”</i>	the US\$2,000 million multi-currency revolving facility entered into by Xstrata Schweiz and certain other subsidiaries of Xstrata on October 8, 2007
<i>“CMA”</i>	common monetary area consisting of South Africa, Lesotho, Namibia and Swaziland
<i>“CO”</i>	Companies Ordinance (Chapter 32) of Hong Kong
<i>“Coal Business”</i>	the business of the Xstrata Group comprising its coal operations
<i>“Collahuasi”</i>	Compañía Minera Doña Inés de Collahuasi S.C.M., a company incorporated in Chile with limited liability
<i>“Colombian pesos”</i>	The lawful currency of Colombia
<i>“Combined Code”</i>	the UK Combined Code on Corporate Governance issued by the Financial Reporting Council and dated June 2008, as amended from time to time
<i>“Competent Persons”</i>	competent persons as defined in and required by both the JORC Code and the SAMREC Code
<i>“Copper Business”</i>	the business of the Xstrata Group comprising its copper operations
<i>“CPI”</i>	consumer price index
<i>“Cumnock” or “Cumnock Coal”</i>	Cumnock Coal Limited, a company incorporated under the laws of Australia with limited liability
<i>“Custodian”</i>	The Bank of New York Mellon
<i>“Definitive Notes”</i>	Notes in definitive registered form
<i>“DIFC”</i>	Dubai International Finance Center
<i>“Directors” or “Xstrata Directors” or “Board” or “Board of Directors”</i>	the Executive Directors and Non-Executive Directors of Xstrata as at the date of this Offering Memorandum
<i>“DMR”</i>	Department of Mineral Resources
<i>“DNRM”</i>	Department of Natural Resources
<i>“DTC”</i>	The Depository Trust Company
<i>“DTJV”</i>	Douglas/Tavistock joint venture
<i>“Duiker”</i>	Duiker Mining (Proprietary) Limited, a company incorporated in South Africa with limited liability
<i>“EBIT”</i>	earnings before interest and taxation
<i>“EBITDA”</i>	unless otherwise indicated, when used in relation to the Xstrata Group, net profit or loss from continuing operations before interest, tax, depreciation and amortization.
<i>“EIS”</i>	Environmental Impact Statement

<i>"Eland"</i>	Eland Platinum Holdings Limited
<i>"Eland Acquisition"</i>	the acquisition of Eland Platinum Holdings Limited
<i>"Enex"</i>	Enex Resources Limited (now known as the Coal Business Investments Australia Pty Limited), a company incorporated in Australia with limited liability
<i>"EPA"</i>	Environmental Protection Agency
<i>"Eskom"</i>	Eskom Holding Limited, the South African State-owned electricity utility
<i>"EU"</i>	the European Union
<i>"EU ETS"</i>	EU emissions trading scheme
<i>"Euro" or "EUR" or "€"</i>	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
<i>"Euro Medium Term Notes"</i>	the 2012 Fixed Rate Notes and the 2017 Fixed Rate Notes
<i>"Euroclear"</i>	Euroclear System
<i>"Exchange Act"</i>	the United States Securities Exchange Act of 1934, as amended
<i>"Executive Directors"</i>	the executive Directors of Xstrata
<i>"Existing Facilities"</i>	(i) the US\$4,000 million multi-currency revolving syndicated loan facility entered into by Xstrata Schweiz on September 17, 2010 with a number of banks as arrangers and bookrunners, Royal Bank of Scotland plc as facility agent and various other banks as original lenders and (ii) the US\$4,680 million multi-currency revolving facility entered into by Xstrata Schweiz on July 25, 2007 with Barclays Capital and The Royal Bank of Scotland plc as arrangers and bookrunners, Barclays Bank plc as facility agent and various other banks as original lenders
<i>"Falconbridge"</i>	Xstrata Canada Corporation (formerly Falconbridge Limited; name change effective October 22, 2007), a corporation amalgamated under the laws of the Province of Ontario, Canada with limited liability
<i>"Falconbridge Acquisition"</i>	the acquisition by Xstrata, through a wholly-owned subsidiary, of all of the issued and outstanding common shares in the capital of Falconbridge, completed in November 2006
<i>"Falcondo"</i>	Falconbridge Dominicana, S.A., a company incorporated in the Dominican Republic with limited liability
<i>"FIEL"</i>	Financial Instruments and Exchange Law of Japan
<i>"Finges"</i>	Finges Investment BV, a wholly-owned subsidiary of Glencore
<i>"Foreign Purchaser"</i>	person other than a US person
<i>"FSMA"</i>	the Financial Services and Markets Act 2000, as amended

<i>“Glencore”</i>	Glencore International AG and, with effect from May 24, 2011, Glencore International plc and, in each case, their subsidiaries and affiliates or, as the context requires, any subsidiary or affiliate thereof
<i>“Glencore International”</i>	Glencore International AG, a company incorporated in Switzerland and with limited liability that became a wholly owned subsidiary of Glencore International plc on May 24, 2011
<i>“Global Notes”</i>	the Regulation S Global Note and the Rule 144A Global Note
<i>“Guarantees”</i>	the guarantees relating to the Notes
<i>“Guarantors”</i>	Xstrata, Xstrata Canada Financial, Xstrata Dubai and Xstrata Schweiz
<i>“Hanmer”</i>	Hanmer BV, a wholly-owned subsidiary of Glencore
<i>“HDSAs”</i>	historically disadvantaged South Africans
<i>“Helios”</i>	Helios Australia Pty Limited
<i>“HMRC”</i>	UK HM Revenue & Customs
<i>“HSBC”</i>	HSBC Bank plc
<i>“IFRS”</i>	International Financial Reporting Standards as adopted by the Council of the EU
<i>“Inco”</i>	Vale Canada Limited, formerly Inco Limited, a corporation incorporated under the laws of Canada with limited liability
<i>“Indenture”</i>	the indenture under which the Notes will be issued
<i>“Ingwe”</i>	Ingwe Collieries Limited, a South African subsidiary of BHP Billiton
<i>“Initial Purchaser”</i>	each of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., RBS Securities Inc., Commerz Markets LLC, Crédit Agricole Securities (USA) Inc., Lloyds Securities Inc., Mitsubishi UFJ Securities (USA), Inc., Mizuho Securities USA Inc., RBC Capital Markets, LLC and Santander Investment Securities Inc.
<i>“Interest Act (Canada)”</i>	Interest Act (Canada) R.S. 1985, C. I-15
<i>“Issuer”</i>	Xstrata Finance (Canada) Limited
<i>“JORC Code”</i>	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
<i>“Jubilee”</i>	Jubilee Mines NL
<i>“Jubilee Acquisition”</i>	the acquisition of Jubilee
<i>“Kagiso”</i>	Kagiso Trust Investments (Proprietary) Limited, a company incorporated in South Africa with limited liability
<i>“KPV”</i>	Kagiso Platinum Venture (Proprietary) Limited, a company incorporated in South Africa with limited liability
<i>“Kroner”</i>	the lawful currency of Norway
<i>“Legal & General”</i>	Legal & General Group Plc

<i>“LIBOR”</i>	London Inter Bank Offering Rate
<i>“LionOre”</i>	LionOre Mining International Ltd
<i>“London Stock Exchange”</i>	London Stock Exchange plc
<i>“Lonmin”</i>	Lonmin plc
<i>“Market Advisory Agreement”</i>	the agreement entered into between Xstrata Coal Marketing AG and Xstrata Schweiz, on the one hand, and Glencore International, on the other hand, whereby Glencore International acts as the Xstrata Group’s market advisor with respect to export production of coal, as described in “Business – Relationship with Glencore”
<i>“Member States”</i>	member states of the European Economic Area
<i>“Merafe”</i>	Merafe Resources Limited, a company incorporated in South Africa with limited liability
<i>“MIM”</i>	MIM Holdings Limited, now known as Xstrata Queensland Limited, a company incorporated in Australia with limited liability which was acquired by the Xstrata Group in 2003
<i>“Mitsui & Co”</i>	Mitsui & Co. Limited
<i>“MMDSA”</i>	Mitsui Minerals Development South Africa
<i>“MMP”</i>	Mine Management Plan
<i>“MOPs”</i>	Mining Operations Plans
<i>“Mototolo Joint Venture”</i>	the unincorporated joint venture in respect of platinum group metal resources in Mpumalanga Province in South Africa
<i>“Mount Isa Act”</i>	Mount Isa Mines Limited Agreement Act 1985
<i>“MPRDA”</i>	the South African Mineral and Petroleum Resources Development Act 28 of 2002
<i>“MRM”</i>	McArthur River Mine
<i>“n/a”</i>	not applicable
<i>“Native Title Act”</i>	the Native Title Act 1933 (Cth) of Australia
<i>“NCA”</i>	Newlands-Collinsville-Abbot Point
<i>“new order rights”</i>	the new forms of prospecting and mining rights contemplated by the MPRDA
<i>“Nickel Business”</i>	the business of the Xstrata Group comprising its nickel operations
<i>“Nikkelverk”</i>	Xstrata Nikkelverk, AS, (name change from Falconbridge Nickkelverk AS) a company incorporated in Norway with limited liability
<i>“Non-executive Directors”</i>	the non-executive Directors of Xstrata
<i>“noon buying rate”</i>	the noon buying rate in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York

<i>“Noranda”</i>	Noranda Inc., a corporation incorporated under the laws of the Province of Ontario, Canada with limited liability (predecessor company of Falconbridge under June 2005 merger)
<i>“NorFalco”</i>	NorFalco Inc., a company incorporated in Delaware, United States with limited liability
<i>“Noteholders”</i>	prospective holders of Notes
<i>“Notes”</i>	US\$800,000,000 2.850% Notes due 2014, US\$700,000,000 3.600% Notes due 2017, US\$1,000,000,000 4.950% Notes due 2021, US\$500,000,000 6.000% Notes due 2041
<i>“Notes Issue”</i>	the issue of Notes, on the terms and subject to the conditions set out or referred to in “Description of the Notes and Guarantees”, “Book-entry, Delivery and Form” and “Plan of Distribution”
<i>“NYSE”</i>	New York Stock Exchange
<i>“OCJV”</i>	Oaky Creek Joint Venture
<i>“Offering Memorandum”</i>	this offering memorandum relating to the Notes offered hereby
<i>“Official List”</i>	the Official List of the Financial Services Authority
<i>“old order rights”</i>	the prospecting and mining rights currently held at common law and under the Minerals Act
<i>“Ordinary Shares”</i>	the ordinary shares of Xstrata
<i>“Paying Agent”</i>	The Bank of New York Mellon
<i>“PCI”</i>	pulverized coal injection
<i>“Peruvian Sol”</i>	the lawful currency of Peru
<i>“PGM”</i>	Platinum Group Metals
<i>“Phelps Dodge”</i>	Phelps Dodge Corporation
<i>“POO”</i>	Plan of Operation
<i>“Principal Paying Agent”</i>	The Bank of New York Mellon
<i>“Prodeco”</i>	the Prodeco coal mining operation (and associated infrastructure) in Colombia carried on by the Prodeco Operating Companies and Ferrocarriles del Norte de Colombia S.A.
<i>“Prodeco Acquisition”</i>	the acquisition by the Group of Prodeco from Glencore, subject to the option for Glencore to repurchase Prodeco from the Group pursuant to the Call Option Agreement
<i>“Prospectus Directive”</i>	Directive 2003/71/EC
<i>“PSV”</i>	Pooling and Sharing Venture
<i>“Purchase Agreement”</i>	agreement between the Initial Purchasers and the Issuer in relation to this Notes Issue
<i>“Qualified Institutional Buyer” or “QIB”</i>	means “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act

<i>“Qualified Investors”</i>	qualified investors within the meaning of Article 2(1)(E) of the Prospectus Directive (Directive 2003/71/EC) and related implementation measures in member states
<i>“Rand” or “ZAR”</i>	the lawful currency of South Africa
<i>“REACH”</i>	the European Union regulation for the Regulation, Evaluation and Authorization of Chemicals
<i>“Redemption Date”</i>	the date, if any, fixed for redemption of the Notes, as described in “Description of the Notes and Guarantees – Optional redemption” and “Description of the Notes and Guarantees – Redemption for tax reasons”
<i>“Registrar”</i>	The Bank of New York Mellon
<i>“Regulation S”</i>	Regulation S under the Securities Act
<i>“Regulation S Global Note”</i>	the global note representing Notes sold to persons other than US persons
<i>“Relationship Agreement”</i>	the agreement entered into by Glencore International and Xstrata on March 20, 2002 which regulates the ongoing relationship between them
<i>“Relevant Implementation Date”</i>	date on which the Prospectus Directive was implemented in a relevant member state
<i>“Relevant Member State”</i>	a member state of the European Economic Area which has implemented the Prospectus Directive
<i>“Relevant Persons”</i>	persons who have professional experience in matters relating to investments falling within articles 19(1) and 19(5) of the financial Services and Markets Act 2000 (Financial Promotion) Order 2005, and other persons to whom it may otherwise lawfully be communicated
<i>“Resource Pacific”</i>	Resource Pacific Holdings Limited
<i>“Resource Pacific Acquisition”</i>	the acquisition of Resource Pacific
<i>“Rule 144A”</i>	Rule 144A under the Securities Act
<i>“Rule 144A Global Note”</i>	the global note representing the Notes being sold within the United States to QIBs in reliance on the exemption from registration provided by Rule 144A
<i>“Samancor”</i>	Samancor Limited, a major South African ferrochrome producer
<i>“SAMREC Code”</i>	the South African Code for Reporting of Mineral Resources and Mineral Reserves
<i>“SARS”</i>	South African Revenue Service
<i>“SEC”</i>	the United States Securities and Exchange Commission
<i>“Securities Act”</i>	the US Securities Act of 1933, as amended
<i>“SFO”</i>	Securities and Futures Ordinance (Chapter 571) of Hong Kong
<i>“South Africa”</i>	the Republic of South Africa

<i>“special purpose website”</i>	the website containing the information incorporated by reference into this Offering Memorandum and having the address www.Xstrata.com/restricted/2011_us_bond/
<i>“Syndicated Facility”</i>	the US\$6,000 million multi-currency revolving syndicated loan facility entered into by Xstrata Schweiz on October 28, 2011 with a number of banks as arrangers and bookrunners, Royal Bank of Scotland plc as facility agent and various other banks as original lenders
<i>“Teck Cominco”</i>	Teck Resources Limited (formerly Teck Cominco Limited), a corporation incorporated under the laws of Canada with limited liability
<i>“TFR”</i>	Transnet Freight Rail
<i>“Tintaya”</i>	Xstrata Tintaya S.A. (formerly BHP Billiton Tintaya S.A.), a company incorporated under the laws of Peru with limited liability
<i>“Transfer Agent”</i>	The Bank of New York Mellon
<i>“Trustee”</i>	The Bank of New York Mellon
<i>“United Kingdom” or “UK”</i>	the United Kingdom of Great Britain and Northern Ireland
<i>“United Kingdom Financial Services Authority”</i>	the Financial Services Authority of the UK acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA
<i>“United States” or “US” or “USA”</i>	the United States of America, its territories and possessions and any state of the United States and the District of Columbia
<i>“US dollars” or “US Dollars” or “US\$” or “\$US” or “US¢” or “cents”</i>	the lawful currency of the United States
<i>“US\$m”</i>	millions of US Dollars
<i>“US GAAS”</i>	auditing standards generally accepted in the United States
<i>“US person”</i>	has the meaning given in Regulation S under the Securities Act
<i>“Vanadium Business”</i>	the business of the Xstrata Group comprising the mining, production and conversion of vanadium
<i>“XCOSA”</i>	Xstrata Coal South Africa
<i>“XNIL”</i>	Xstrata Nickel International Limited
<i>“XPS”</i>	Xstrata Process Support
<i>“Xstrata”</i>	Xstrata plc, a public limited company incorporated in England and Wales
<i>“Xstrata 2009 Annual Financial Information”</i>	the audited financial statements of the Xstrata Group prepared in accordance with IFRS as at and for the year ended December 31, 2009.

<i>"Xstrata 2010 Annual Financial Information"</i>	the audited financial statements of the Xstrata Group prepared in accordance with IFRS as at and for the year ended December 31, 2010.
<i>"Xstrata AG"</i>	Xstrata AG, a company formerly incorporated in Switzerland with limited liability which was dissolved at the time of the Xstrata Merger
<i>"Xstrata AG Shares"</i>	ordinary bearer shares in the capital of Xstrata AG with a nominal value of 10 Swiss Francs
<i>"Xstrata Alberta"</i>	1184760 Alberta Limited, a wholly-owned indirect subsidiary of Xstrata and a corporation incorporated in the Province of Alberta, Canada with limited liability
<i>"Xstrata Annual Financial Information"</i>	the Xstrata 2009 Annual Financial Information and the Xstrata 2010 Annual Financial Information
<i>"Xstrata Canada Financial"</i>	Xstrata Canada Financial Corp., a corporation incorporated under the laws of the Province of Ontario, Canada
<i>"Xstrata Coal Marketing"</i>	Xstrata Coal Marketing AG, a company incorporated in Switzerland with limited liability
<i>"Xstrata Copper Service Agreement"</i>	an agreement entered into between Xstrata Copper and Glencore on January 1, 2007 for a period of three (thereafter evergreen) years under the terms of which Glencore provides advice and assistance with respect to pricing and structural issues regarding hedging and the optimisation of internal flows of raw materials. Xstrata Copper is required to pay US\$2.4 million per annum in fees under this agreement
<i>"Xstrata Dubai"</i>	Xstrata Finance (Dubai) Limited, a corporation incorporated in the Dubai International Financial Centre
<i>"Xstrata Group" or "Group"</i>	Xstrata and its subsidiaries and subsidiary undertakings, and where the context requires, its associated undertakings, including the Falconbridge Group from the date of the Falconbridge Acquisition
<i>"Xstrata Interim Financial Information"</i>	Xstrata plc Half-Yearly Report 2011 for the six months ended June 30, 2011, which contains the unaudited financial statements of Xstrata for the six months ended June 30, 2010 and June 30, 2011 prepared in accordance with IFRS
<i>"Xstrata Schweiz"</i>	Xstrata (Schweiz) AG, a company incorporated in Switzerland with limited liability
<i>"Xstrata South Africa"</i>	Xstrata South Africa (Proprietary) Limited, a company incorporated in South Africa with limited liability
<i>"yen" or "JPY"</i>	the lawful currency of Japan
<i>"YMAD"</i>	a state-owned corporation in Argentina
<i>"Zinc Business"</i>	the business of the Xstrata Group comprising its zinc operations
<i>"Zinc Service Agreement"</i>	the service agreement between Asturiana and Glencore

GLOSSARY OF TECHNICAL TERMS

<i>“agglomeration”</i>	binding fine particles together to create coarse particles as part of a mineral processing activity
<i>“anode”</i>	a rectangular plate of metal cast in a shape suitable for refining by the electrolytic process. An anode is the finished product of the copper smelting process
<i>“anthracite”</i>	a hard coal containing a high percentage of fixed carbon and a low percentage of volatile material
<i>“attributable production”</i>	that part of mine or operation production in which the relevant person has an economic interest. It therefore excludes production attributable to minority interests in controlled subsidiaries and the interests of joint venture partners
<i>“attributable reserves”</i>	that part of reserves from a mine in which the relevant person has an economic interest. It therefore excludes reserves attributable to minority interests in controlled subsidiaries and the interests of joint venture partners
<i>“attributable resources”</i>	that part of resources from a mine in which the relevant person has an economic interest. It therefore excludes resources attributable to minority interests in the controlled subsidiaries and the interests of joint venture partners
<i>“attributable sales”</i>	that part of sales from a mine or operation in which the relevant person has an economic interest. It therefore excludes sales attributable to minority interests in controlled subsidiaries and the interests of joint venture partners
<i>“bankable feasibility study”</i>	a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as a basis for a financial decision by a financial institution to finance the development of the deposit for mineral production
<i>“bituminous”</i>	a measure of coal rank. It is a measure of the degree of metamorphosis or change from the original plant or vegetative state
<i>“blister copper”</i>	a crude form of copper (assaying about 99%) produced in a smelter, which requires further refining before being used for industrial purposes
<i>“brownfield”</i>	brownfield development projects are expansions to existing operations with proximity to existing infrastructure and known geological composition
<i>“calcine”</i>	zinc oxide produced from the roasting of zinc concentrates
<i>“calorific value”</i>	the heat of combustion of a unit quantity of coal. It is expressed in British Thermal Units per pound (Btu/Lbi), kilocalories per kilogram (kcal/kg) or mega joules per kilogram (MJ/kg). The gross calorific value includes all heat of vaporization of water. Net calorific value assumes that all water is in the vapor phase
<i>“capacity”</i>	the design number of units that can be produced in a given time period based on operations with a normal number of shifts and maintenance interruptions

<i>“cathode”</i>	a rectangular plate of metal, produced by electrolytic refining, which is melted into commercial shapes such as billets, ingots, etc. A cathode is typically the finished product of the copper refining process
<i>“chromite”</i>	FeCr ₂ O ₄ , the principal chromium ore
<i>“chromitite”</i>	a rock composed chiefly of chromite
<i>“CIM Definition Standards on Mineral Resources and Reserves”</i>	standards for the classification of MRMR estimates into various categories. The category to which a resource or reserve estimate is assigned depends on the level of confidence in the geological information available on the mineral deposit; the quality and quantity of data available on the deposit; the level of detail of the technical and economic information which has been generated about the deposit, and the interpretation of the data. The CIM Definition Standards on Mineral Resources and Reserves were approved by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000, and updated on November 14, 2004, for the reporting of exploration information, mineral resources and mineral reserves in Canada and are incorporated by reference into NI 43-101
<i>“CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines”</i>	guidelines intended to assist a Qualified Person in the planning, supervision, preparation and reporting of MRMR estimates. All MRMR estimation work from which public reporting will ensue must be designed and carried out under the direction of a Qualified Person in accordance with NI 43-101. Disclosure of MRMR estimates is to be made in accordance with industry standard definitions approved by the Canadian Institute of Mining, Metallurgy and Petroleum which have been incorporated by reference into NI 43-101
<i>“coal mine”</i>	an operating mine producing coal
<i>“coke”</i>	bituminous coal from which the volatile components have been removed
<i>“coking coal”</i>	coal used to create coke – which is consumed in the steel reduction process
<i>“COMEX”</i>	The New York Commodity Exchange
<i>“concentrate”</i>	material that has been processed to increase the content of contained material or mineral relative to the contained waste
<i>“continuous miner”</i>	mining machine designed to remove coal from the face with the use of cutting machines and to load that coal into shuttle cars or onto conveyors
<i>“dilution”</i>	the contamination of ore with barren wall rock. The assay of the ore after mining is frequently lower than when sampled in place
<i>“dmt”</i>	dry metric tons
<i>“doré”</i>	a gold-silver alloy, an intermediate product from certain gold mines
<i>“ferrochrome”</i>	an alloy of iron and chromium primarily used as an input to stainless steel making

<i>“ferronickel”</i>	an alloy containing nickel and iron (approximately 38% nickel and 62% iron in the case of ferronickel produced by Falcondo). The volumes produced are expressed in terms of the nickel contained
<i>“ferrovanadium”</i>	an alloy of iron and vanadium
<i>“FeV”</i>	Ferrovanadium
<i>“FOB”</i>	free on board
<i>“grade”</i>	the quality of an ore, alloy or metal, usually expressed as a percentage of the primary element
<i>“greenfield”</i>	greenfield development projects are expansions to areas where the Xstrata Group does not currently operate
<i>“IAI”</i>	International Aluminum Institute
<i>“inferred mineral resource”</i>	part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
<i>“inferred resources”</i>	a mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
<i>“indicated mineral resource”</i>	part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed
<i>“IsaMills”</i>	a high intensity stirred grinding mill developed by Xstrata Technology that significantly increases the efficiency of mineral grinding
<i>“ISASMELT”</i>	a smelting process developed by Xstrata Technology that has applications for primary and secondary copper and lead smelting, converting, copper/nickel smelting, and treatment of scraps and residues
<i>“ISAPROCESS”</i>	a permanent cathode technology developed by Xstrata Technology for the copper refining industry
<i>“JORC Code”</i>	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
<i>“kg”</i>	kilogram
<i>“Kidd Process”</i>	a permanent cathode technology developed by the Falconbridge Group for the copper refining industry

"kt"	thousand
"ktpa"	tons thousand tons per annum
"lb"	English pound equivalent to 0.4536 kilograms
"LME"	London Metal Exchange
"longwall"	mining method in which a coal face is mined using a shearer mounted on an armored chain conveyor that runs along the full length of the coal face. Hydraulic jacks support the roof over the worked-out area. As the longwall face advances, the roof behind the jacks is allowed to cave
"managed", "managed basis" or "managed tonnage basis"	in respect of the Coal Business operations, the commodities managed by the Coal Business on a total mine basis in respect of those mines that the Xstrata Group operates and manages regardless of the Xstrata Group's attributable interest in them, except for the Douglas/Tavistock joint venture managed by Ingwe in respect of which only the Xstrata Group's attributable interest of 16% is included
"matte"	a mixture of metal sulfides enriched with nickel, cobalt, copper, silver, gold and platinum group metals
"measured mineral resource"	part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity
"measured resources"	the resources for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence
"mill"	a plant where ore is ground and undergoes physical or chemical treatment to extract and produce a concentrate of the valuable minerals
"mineral reserve"	economical mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined
"mineral resource"	a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade of quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge

<i>“mineral rights”</i>	the ownership of the minerals on or under a given surface with the right to remove the said minerals
<i>“MRMR”</i>	mineral resource and mineral reserve
<i>“Mt”</i>	million tons
<i>“Mtpa”</i>	million tons per annum
<i>“MW”</i>	mega watt
<i>“MWh”</i>	mega watt hour
<i>“NI 43-101”</i>	Canadian National Instrument 43-101 – “Standards of Disclosure for Mineral Projects” of the Canadian Securities Administrators
<i>“open-cut” or “open-pit”</i>	method of mining where overlying strata overburden is removed, and ore is extracted directly, without the use of underground workings as the primary means of extraction
<i>“ore”</i>	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction commercially profitable
<i>“oz”</i>	troy ounces
<i>“PCI coals”</i>	pulverized coal injection coals
<i>“PGM” or “platinum group metals”</i>	platinum, palladium, rhodium and related metals present in some nickel/ copper ores
<i>“pillar”</i>	a portion of a metal or coal deposit left in place in an underground mine to provide support for the roof
<i>“plant”</i>	fixed or moveable equipment required in the process of winning or processing the ore
<i>“pound”</i>	Imperial pound, equivalent to 0.4536 kilograms
<i>“probable mineral reserve”</i>	economical mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified
<i>“probable reserves”</i>	measured and/or indicated resources which are not yet proven but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
<i>“proved reserves”</i>	measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
<i>“project”</i>	a coal deposit which is in the pre-operating phase of development and, subject to capital investment, feasibility investigations, statutory and management approvals and business considerations, may be commissioned as a coal mine

<i>“prospecting permit”</i>	permission to prospect for minerals from a mineral rights area
<i>“Qualified Person”</i>	defined in NI 43-101 as “an individual who is an engineer or geoscientist with at least five (5) years of experience in mineral exploration, mine development, mine operation, project assessment or any combination of these; has experience relevant to the subject matter of the mineral project and technical report; and is a member in good standing of a professional association”
<i>“recoverable reserves” or “recovery”</i>	where relating to coal, the tonnages of in-situ reserves that are expected to be recovered. i.e. that portion of the seam which will be extracted
<i>“reductant”</i>	an additive used specifically to drive off oxygen in a metallurgical conversion process
<i>“reef(s)”</i>	a layer, vein or lode containing economic mineralization
<i>“refinery”</i>	a plant where concentrates or matte are processed into one or more refined metals
<i>“reserves”</i>	those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
<i>“resources”</i>	all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future and excludes minor mineral occurrences
<i>“rights” or “surface rights”</i>	the ownership of the surface land under which minerals occur
<i>“roaster”</i>	a furnace which, by applying super-heated air to an ore or concentrate, causes oxidation to take place, allowing the ore or concentrate to be successfully treated
<i>“ROM” or “ROM Reserves” or “run-of-mine”</i>	as mined reserves, taking into account geological losses, mining losses, contamination and as mined moisture adjustments
<i>“royalty”</i>	a share of the product or profit reserved by the owner for permitting another to exploit the property
<i>“SAG-ball grinding”</i>	semi-autogenous grinding and ball milling, a process to reduce rock-sized ore to a suitable size to liberate individual minerals before separation
<i>“saleable reserves”</i>	reserves adjusted for yield losses in the preparation plant (if applicable) and converted to a saleable moisture basis
<i>“SAMREC Code”</i>	South African Code for Reporting of Mineral Resources and Mineral Reserves
<i>“shaft”</i>	a vertical or inclined excavation, commonly from the surface, of limited cross-sectional area compared to its depth. It is used for mining, draining water, ventilation, lowering and hoisting men, product and waste and lowering materials

<i>"SHG"</i>	special high grade, zinc ingot of 99% purity
<i>"skarn"</i>	a mineral deposit at or near a contact between an intrusive body and its host rock
<i>"smelter"</i>	a plant in which concentrates are processed into an upgraded product
<i>"smelting"</i>	thermal processing whereby molten metal is liberated from beneficiated ore or concentrate with impurities speared as lighter slag
<i>"Söderberg"</i>	a type of electrode used for smelting in electric furnaces
<i>"spot price"</i>	the current price of a metal for immediate delivery
<i>"subsidence"</i>	the sinking or settling of material, especially over an underground mining operation
<i>"SX-EW"</i>	solvent extraction-electrowinning is a metallurgical technique, so far applied only to copper ores, in which metal is dissolved from the rock by organic solvents and recovered from solution by electrolysis
<i>"tailings"</i>	finely ground rock from which valuable minerals have been extracted by milling
<i>"thermal coal"</i>	coal used in generating steam for electricity production
<i>"t" or "ton"</i>	1,000 kilograms, equivalent to 2,204.62 pounds
<i>"tonnage"</i>	number of tons
<i>"tpa"</i>	tons per annum
<i>"TSX"</i>	Toronto Stock Exchange
<i>"UG2"</i>	a chromitite layer in the Bushveld Complex in Mpumalanga, South Africa, which contains economically viable concentrations of PGM
<i>"V2O5"</i>	vanadium pentoxide
<i>"waste"</i>	rock lacking sufficient grade and/or other characteristics or ore to be economic
<i>"winze"</i>	a shaft or an inclined passage sunk from one level to another but not rising to the surface
<i>"wmt"</i>	wet metric tons
<i>"zinc concentrate"</i>	product of flotation process typically ranging in zinc content between 45% and 60%

The Issuer

**Registered office and principal place of business of
Xstrata Finance (Canada) Limited**
100 King Street West
Suite 6900
Toronto, Ontario M5X 1E3
Canada

The Guarantors

Registered office of Xstrata plc
4th Floor Panton House
25/27 Haymarket
London SW1Y 4EN
United Kingdom

Registered office of Xstrata (Schweiz) AG
Bahnhofstrasse 2
P.O. Box 102
6301 Zug
Switzerland

**Registered office and principal place of business of
Xstrata Canada Financial Corp.**
100 King Street West
Suite 6900
Toronto, Ontario M5X 1E3
Canada

**Registered office of
Xstrata Finance (Dubai) Limited**
P.O. Box 506721
Unit 9, Level 2
Gate Village 1, DIFC
Dubai
United Arab Emirates

Legal Advisers

*To the Issuer and the Guarantors
as to English law and United States law*
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kingdom

*To the Issuer and Xstrata Canada
Financial as to Canadian law*
Davies Ward Phillips & Vineberg LLP
44th Floor
1 First Canadian Place
Toronto
Ontario M5X 1B1
Canada

*To Xstrata Dubai
as to DIFC law*
Afridi & Angell
P.O. Box 9371
Dubai
United Arab Emirates

*To Xstrata Schweiz
as to Swiss law*
Bär & Karrer AG
Brandschenkestrasse 90
8027 Zurich
Switzerland

To the Initial Purchasers as to United States law
Linklaters LLP
1345 Avenue of the Americas
New York, NY 10105
United States of America

**Trustee, Paying Agent, Registrar and
Transfer Agent**
The Bank of New York Mellon
101 Barclay Street, 4E
New York, NY10286
United States of America

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom



IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") UNDER RULE 144A OR (2) NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES AS DEFINED IN REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE OFFERING MEMORANDUM AND THE OFFER OF THE NOTES ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) AND RELATED IMPLEMENTATION MEASURES IN MEMBER STATES ("QUALIFIED INVESTORS"). IN ADDITION, IN THE UNITED KINGDOM THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLES 19(1) AND 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AND OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER REFERRED TO AS "RELEVANT PERSONS"). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OTHER THAN THE UNITED KINGDOM, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. IN ADDITION, NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY, WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (the "FSMA"), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO US.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act, as amended (the "Securities Act")) or (2) non-US persons (within the meaning of Regulation S under the Securities Act) outside the U.S. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) not U.S. persons and that the electronic mail address that you gave us and to which this Offering Memorandum has been delivered is not located in the U.S., and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person. You will not transmit this Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the initial purchasers.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., RBS Securities Inc., Commerz Markets LLC, Crédit Agricole Securities (USA) Inc., Lloyds Securities Inc., Mitsubishi UFJ Securities (USA), Inc., Mizuho Securities USA Inc., RBC Capital Markets, LLC and Santander Investment Securities Inc. nor any person who controls any of these nor any director, officer, employee nor agent of any of these or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., RBS Securities Inc., Commerz Markets LLC, Crédit Agricole Securities (USA) Inc., Lloyds Securities Inc., Mitsubishi UFJ Securities (USA), Inc., Mizuho Securities USA Inc., RBC Capital Markets, LLC and Santander Investment Securities Inc.

This Offering Memorandum is not an offer to sell the Notes and is not soliciting an offer to buy the Notes in any jurisdiction where the offer or sale is not permitted.