Xstrata Finance (Canada) Limited

US$500,000,000

6.90% Notes due 2037

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

Issue price: 99.687%

Interest payable May 15 and November 15

The 6.90% Notes due 2037 (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 be fully and unconditionally guaranteed on a senior, unsecured, and joint and several basis by Xstrata plc ("Xstrata"), Xstrata (Schweiz) AG ("Xstrata Schweiz") and Xstrata Finance (Dubai) Limited ("Xstrata Dubai" and, together with Xstrata and Xstrata Schweiz, 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").

The Notes are being offered subject to various conditions and are expected to be delivered on or about November 20, 2007 through the facilities of the Depository Trust Company ("DTC") and its participants, including Euroclear Bank, S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"), against payment in immediately available funds.

Joint Book-Running Managers

Barclays Capital Citi JPMorgan RBS Greenwich Capital

November 13, 2007

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 the information contained in this Offering Memorandum is correct as at any time subsequent to that date.

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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.

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.

Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Greenwich Capital Markets, Inc. (each, an "Initial Purchaser" and, together, the "Initial Purchasers") reserve the right to withdraw this Notes Issue at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of the Notes sought by a prospective Noteholder. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of the Notes. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. None of the Issuer, the Guarantors, the Initial Purchasers or their respective affiliates or representatives makes any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. 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".

The Notes have not been and will not be qualified for sale under the securities laws of any province or territory of Canada. The Notes are not being offered for sale and may not be offered or sold, directly or indirectly, in Canada, or to any resident thereof, in violation of the securities laws of any province or territory of Canada.

No securities commission or similar authority in Canada has in any way passed upon the merits of the Notes offered hereunder and any representation to the contrary is an offence.

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 Offering Memorandum you should consult an authorized financial adviser.

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. Any representation to the contrary is a criminal offence.

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.

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

As at the date of this Offering Memorandum, Xstrata is exempt from the reporting requirements under the United States Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to Rule 12g3-2(b) thereunder, and accordingly, furnishes copies of its annual reports, half-year result announcements and other filings with the United Kingdom Financial Services

Authority to the SEC. In the event that Xstrata is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, Xstrata has agreed to furnish to the holder of any Notes and to each prospective purchaser designated by any such holder, upon the request of such holder or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Exchange Act.

The information furnished to the SEC has been prepared in accordance with applicable UK disclosure requirements which differs from those in the United States. Prospective Noteholders can read any document furnished to the SEC at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Prospective Noteholders may also obtain copies of the same documents from the public reference room by paying a fee. Prospective Noteholders can call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum and the information incorporated by reference into this Offering Memorandum include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "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.

This Offering Memorandum and the information incorporated by reference into this Offering Memorandum also contain forward-looking statements regarding the acquisition (the "Eland Acquisition") of Eland Platinum Holdings Limited ("Eland") and the proposed acquisition (the "Jubilee Offer") of Jubilee Mines NL, an Australian nickel producer ("Jubilee"), including statements regarding and relating to potential and/or expected synergies and cost savings available to the Xstrata Group in connection with the Eland Acquisition and the Jubilee Offer (if it is successful).

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. Further, actual developments in relation to acquisitions may differ materially from those contemplated by forward-looking statements depending on certain factors which include, but are not limited to, the risks that the Xstrata Group may not realize the anticipated benefits, operational and other synergies and/or cost savings from the Eland Acquisition (if it is completed) and/or the Jubilee Offer (if it is successful) and the Xstrata Group may incur and/or experience unanticipated costs and/or delays and/or difficulties relating to integration of Eland (if the Eland Acquisition is completed) and/or Jubilee (if the Jubilee Offer is successful). 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 (including Eland (if the Eland Acquisition is completed) and/or Jubilee (if the Jubilee Offer is successful)) 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.

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 Dubai is a company incorporated in the United Arab Emirates. 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

Market and industry information

Market data and certain industry forecasts used in this Offering Memorandum were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy or completeness of such information is not guaranteed. Similarly, internal surveys, reports and studies and market research, while believed by the Xstrata Group to be reliable and accurately extracted by the Xstrata Group for the purposes of this Offering Memorandum, have not been independently verified and the Xstrata Group makes no representation as to the accuracy of such information. The industry forecasts are forward-looking statements. See "Special note regarding forward-looking statements".

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

Presentation of financial information

EBITDA and EBIT are not defined under IFRS or Canadian GAAP

Although neither International Financial Reporting Standards as adopted by the Council of the EU ("IFRS") nor accounting principles generally accepted in Canada ("Canadian GAAP") defines 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 or the Falconbridge Group's operating performance or liquidity that is calculated in accordance with Canadian GAAP. As EBITDA and EBIT are not measures of performance defined by IFRS or Canadian GAAP, 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 and the information incorporated by reference into this Offering Memorandum in relation to the Xstrata Group, net profit or loss from continuing operations before interest, taxation, depreciation and amortization. Unless otherwise indicated, EBIT represents earnings before interest and taxation.

"EBITDA (before non-trading items)" and "EBIT (before non-trading 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.

Transition to IFRS

To comply with European Union legislation, the Xstrata Group adopted IFRS from January 1, 2005. The date of transition was January 1, 2004 and as a result the 2004 comparative information has been adjusted from accounting principles generally accepted in the United Kingdom ("UK GAAP") to be restated under IFRS.

Preparation in accordance with IFRS

Each of the Xstrata Annual Financial Information and the Xstrata Interim Financial Information (each defined below) has been prepared in accordance with IFRS unless otherwise stated. IFRS differs in certain significant respects from UK GAAP, US GAAP and Canadian GAAP.

Preparation in accordance with Canadian GAAP

Each of the Falconbridge Annual Financial Information and the Falconbridge Interim Financial Information has been prepared in accordance with Canadian GAAP. Canadian GAAP differs in certain significant respects from IFRS, UK GAAP and US GAAP.

Financial information not prepared in accordance with US GAAP

None of the financial information contained in, or incorporated by reference into, this Offering Memorandum was prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). The audit procedures undertaken in order to express an opinion on the financial information contained in, or incorporated by reference into, this Offering Memorandum or from which the financial information is derived were not conducted in accordance with auditing standards generally accepted in the United States ("US GAAS").

Pro forma financial information

The unaudited pro forma income statement and segmental information of the Xstrata Group for the year ended December 31, 2006, which is included in the Xstrata 2006 Annual Financial Information (as defined below) and incorporated by reference into this Offering Memorandum was prepared to illustrate the effect the Falconbridge Acquisition, the Cerrejón Acquisition and the Tintaya Acquisition (each as defined in this Offering Memorandum), the rights issue announced by Xstrata on October 3, 2007 (the "Rights Issue"), the placing to institutional investors announced by Xstrata on May 17, 2006 (the "Placing") and related debt draw downs, would have had if they had taken place on January 1, 2006.

The pro forma information for 2006 excludes certain exceptional items relating to the Falconbridge Acquisition, so as not to distort the results of the Xstrata Group by these one-off items. The exceptional items excluded include the goodwill impairment and certain restructuring costs.

Currencies

In this Offering Memorandum and the information incorporated by reference into this Offering Memorandum, references to "Argentine pesos" or "ARS" are to the lawful currency of Argentina; references to "Australian dollars", "AUD" or "A$" are to the lawful currency of Australia; references to "Canadian dollars","C$", or "Cdn$" are to the lawful currency of Canada; references to "Chilean peso" or "CLP" are to the lawful currency of Chile; references to "Colombian pesos" are to the lawful currency of Colombia; references to "Euro", "EUR" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; references to "yen" or "JPY" are to the lawful currency of Japan; references to "Kroner" are to the lawful currency of Norway; references to "Peruvian Sol" are to the lawful currency of Peru; references to "CHF" are to the lawful currency of Switzerland; references to "Rand" or "ZAR" are to the lawful currency of South Africa; references to "£", "British pound" or "GBP" are to the lawful currency of the United Kingdom, and references to "US dollars", "US$", "$US", "US¢" or "cents" are to the lawful currency of the United States.

Unless otherwise indicated in this Offering Memorandum and/or the information incorporated by reference into this Offering Memorandum, the financial information contained in this Offering Memorandum and the information incorporated by reference into this Offering Memorandum has been presented in US dollars. In addition, solely for convenience, this Offering Memorandum and the information incorporated by reference into this Offering Memorandum contain translations of relevant currencies to US dollars. These translations should not be construed as representations that the relevant currency could be converted into US dollars at the rate used or at any other rate, and translations into US dollar amounts that have been calculated at November 5, 2007, being the latest practicable date prior to the publication of this Offering Memorandum, 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.

Exchange rate data

The Falconbridge Group historically published its consolidated financial statements in Canadian dollars. Effective July 1, 2003, the Falconbridge Group began reporting its financial results in US dollars.

The following table sets forth, for each period indicated, information concerning the exchange rates between US dollars and Canadian dollars based on 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 (the "noon buying rate"). The table illustrates how many Canadian dollars it would take to buy one United States dollar.

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
			(in C$)		
Low	1.2923	1.1775	1.1507	1.1982	1.0989
High	1.5750	1.3970	1.2703	1.2703	1.726
Average[1]	1.3916	1.2984	1.2083	1.2354	1.1311
Period end	1.2923	1.2034	1.1656	1.2256	1.1150

Note

(1) The average of the daily noon buying rates on the last business day of each month during the applicable period.

Accounting for acquisitions

The acquisitions completed in 2006 have been consolidated in the Xstrata 2006 Annual Financial Information from their respective dates of acquisition: (i) Cerrejón as of April 20, 2006, (ii) Tintaya copper operation as of June 21, 2006, and (iii) Falconbridge Limited as of August 15, 2006.

Ore reserve and mineral resource reporting – basis of preparation

Unless otherwise indicated in this Offering Memorandum and/or the information incorporated by reference into 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 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 and/or the information incorporated by reference into this Offering Memorandum 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 and/or the information incorporated by reference into 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;

- was compiled and verified by Chester Moore, Principal Geologist, Scott Wilson Mining Group, a member of the Professional Geoscientists of Ontario with over 30 years' experience as a geologist and a qualified person as defined in NI 43-101;

- is shown on a 100% basis; and

- used the long-term mineral price assumptions: nickel at US$3.35/lb, copper at US$0.90/lb and cobalt at US$6.00/lb and exchange rates (US$:C$ = 1:1.50) except in the current Sudbury mines, which due to short-term mine lives, used nickel at US$8.22, copper at US$2.58 and cobalt at US$8.83, and an exchange rate of US$:C$ 1:1.15.

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 B: Definitions and glossary of technical terms". The JORC Code recognizes 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 Ore Reserves and Mineral Resources Report published by Xstrata on March 6, 2007 and included in "Ore reserves and mineral resources information – Xstrata Ore Reserves and Mineral Resources Report" and such information is reported as at June 30, 2006 or as at December 31, 2006.

Ore reserves and mineral resources information reported in this Offering Memorandum in respect of Cerrejón has been compiled in accordance with the SAMREC Code, December 2004 edition and is reported as at June 30, 2006.

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 included in the reserve and resource estimates in "Business of the Xstrata Group".

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 categorization 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.

Resources and reserves, production and sales

In this Offering Memorandum, certain references to resources and reserves are to attributable resources and attributable reserves. Attributable resources means that part of the resources from a mine in which the Xstrata Group has an economic interest. Attributable reserves means that part of the reserves from a mine in which the Xstrata Group has an economic interest. Attributable resources and attributable reserves therefore exclude resources and reserves attributable to minority interests in controlled subsidiaries and the interests of joint venture partners. Unless otherwise indicated, in this Offering Memorandum, reserves are a subset of resources and are included in resource estimates.

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.

Metric/imperial conversion table

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

Wherever referred to in this Offering Memorandum:	Metric unit	Metric symbol	Imperial equivalent
"kg" means kilogram	Ton	mt	1.102311 tons
"lb" means pound	Kilogram	kg	2.20462 pounds
"oz" means troy ounces	Gram	g	0.032151 troy ounces
"ton" or "mt" means 1,000 kilograms	Meter	m	3.2808 feet
	Cubic meter	m^3	35.315 cubic feet
	Kilometer	km	0.6214 miles
	Hectare	ha	2.4711 acres

Rounding

Certain figures included in, or incorporated by reference into, 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, or incorporated by reference into, this Offering Memorandum is intended as a profit forecast and no statement in, or incorporated by reference into, 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.

INFORMATION INCORPORATED BY REFERENCE

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

- the audited consolidated financial statements of the Xstrata Group prepared in accordance with IFRS as at and for the year ended December 31, 2006, including the Xstrata Pro Forma Consolidated Financial Information (as defined below) (the "Xstrata 2006 Annual Financial Information");
- the audited consolidated financial statements of the Xstrata Group prepared in accordance with IFRS as at and for the year ended December 31, 2005, including unaudited comparative financial information as at and for the year ended December 31, 2004 as adjusted from the audited UK GAAP financial statements to be restated under IFRS (the "Xstrata 2005 Annual Financial Information", and together with the Xstrata 2006 Annual Financial Information, the "Xstrata Annual Financial Information");
- the unaudited consolidated pro forma income statement prepared in accordance with IFRS for the year ended December 31, 2006 (the "Xstrata Pro Forma Consolidated Financial Information");
- the unaudited consolidated financial statements of the Xstrata Group prepared in accordance with IFRS as at and for the six months ended June 30, 2007, including comparative financial information as at and for the six months ended June 30, 2006 (the "Xstrata Interim Financial Information");
- the audited consolidated financial statements of the Falconbridge Group prepared in accordance with Canadian GAAP as at and for the years ended December 31, 2003, December 31, 2004 and December 31, 2005 (the "Falconbridge Annual Financial Information"); and
- the unaudited consolidated financial statements of the Falconbridge Group prepared in accordance with Canadian GAAP as at and for the six months ended June 30, 2006, including comparative financial information as at and for the six months ended June 30, 2005 (the "Falconbridge Interim Financial Information", and together with the Falconbridge Annual Financial Information, the "Falconbridge Financial Information").

All of these documents may be accessed from www.xstrata.com/financialinformation (the "special purpose website"). The special purpose website contains only the foregoing information and is not part of Xstrata's 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

Overview

The Xstrata Group is the fifth largest diversified mining group in the world with top four industry positions in copper, thermal coal, ferrochrome, zinc, nickel and vanadium, and a top five industry position in coking coal. In addition the Xstrata Group has recycling facilities, additional exposures to platinum, gold, cobalt, lead and silver and a suite of global technologies, many of which are industry leaders.

The Xstrata Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, New Caledonia, Norway, Papua New Guinea, Peru, The Philippines, South Africa, Spain, Tanzania, the United Kingdom and the United States.

The Xstrata Group had revenues of approximately US$17.6 billion for the year ended December 31, 2006 and US$14.2 billion for the six months ended June 30, 2007. As at June 30, 2007, the Xstrata Group had approximately US$22.4 billion in equity. The ordinary shares of Xstrata (the "Ordinary Shares") are traded on London Stock Exchange plc (the "London Stock Exchange") and the SWX Swiss Exchange ("SWX"). As at November 12, 2007, the market capitalization of Xstrata was approximately US$66 billion. Xstrata is a member of the FTSE 100, an index that comprises the 100 largest publicly traded companies by market capitalization on the main market of the London Stock Exchange.

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

Copper: The Xstrata Group is the world's fourth largest producer of mined copper with mining and processing operations in five countries. The Xstrata Group's copper business (the "Copper Business") is a fully-integrated producer of copper metal and concentrate. The Xstrata Group operates two mines, a smelter and a refinery in an integrated division in Queensland, Australia. In South America, the Copper Business operates mines and processing facilities in three countries: in Argentina, with the Minera Alumbrera mine and associated processing facilities; 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 mine and processing facilities (including an SX-EW refinery). The Copper Business includes the Xstrata Group's 33.75%-owned Antamina copper and zinc mine in Peru and its 44% stake in the Collahuasi copper mine and processing facilities in Chile. In North America, the Xstrata Group operates the Kidd copper and zinc mine in Canada as well as smelting, refining and recycling facilities in Canada and the United States.

Coal: On a managed basis, the Xstrata Group is one of the world's largest producers of export thermal coal, one of the largest producers of export semi-soft/PCI coal and among the top five producers of export coking coal. The Xstrata Group's coal business (the "Coal Business") has interests in 34 operating coal mines, 20 of which are located in Australia, 13 in South Africa and one in Colombia.

Nickel: The Xstrata Group is the fourth largest producer of refined nickel in the world, and one of the largest recyclers and processors of nickel and cobalt-bearing materials. The operations of the Xstrata Group's nickel business (the "Nickel Business") include mines and processing facilities in Canada, Norway and the Dominican Republic, and will include Australia if the Jubilee Offer is completed. The Jubilee Offer (if completed) will consolidate Xstrata's position as a top-tier nickel producer.

Zinc: The Xstrata Group is one of the world's largest producers of zinc, and also produces lead and silver. The Xstrata Group's zinc business (the "Zinc Business") incorporates zinc smelting operations in Spain, Germany and Canada, interests in four operating mines and a lead smelter in Australia and a lead refining plant in the United Kingdom, interests in the Antamina copper and zinc mine in Peru, the Brunswick zinc mine in Canada, a lead smelter and refinery in New Brunswick in Canada and a minority interest in a zinc smelter in Valleyfield, Quebec, Canada.

Alloys: The Xstrata Group is the world's largest producer of ferrochrome and one of the world's leading producers of primary vanadium, with integrated production facilities in South Africa. The Xstrata Group's alloys business (the "Alloys Business") also has a PGMs joint venture with Rustenburg Platinum Mines and Kagiso in South Africa. The Xstrata Group has recently announced the acquisition of Eland, which is a significant integrated platinum producer in South Africa. The Eland Acquisition which is expected to be completed in mid-November 2007 will significantly strengthen the Xstrata Group's current foothold in PGMs.

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

Information on the Xstrata Group's recent developments (including information on its acquisitions and disposals), is set out in "Business of the Xstrata Group – Recent developments".

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 aim of delivering industry-leading returns for shareholders. Xstrata recognizes 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, cooperation, transparency and mutual value creation.

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

- commitment, capacity and headroom to grow in moves that are themselves creators of 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, being:

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

History and development of Xstrata

Xstrata is the holding company of the Xstrata Group.

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 Enex and Duiker and the shares of Xstrata plc were admitted to the Official List of the UK Financial Services Authority, to trading on the London Stock Exchange's market for listed securities and to listing on the SWX.

In December 2002, the Xstrata Group acquired the Nordenham zinc smelter from Metaleurop SA.

In June 2003, Xstrata acquired, through a wholly-owned subsidiary, MIM Holdings Limited, now known as Xstrata Queensland Limited.

In May 2006, the Xstrata Group acquired one-third of the Cerrejón thermal coal operation in Colombia; in June 2006, the Xstrata Group acquired the Tintaya mine and associated satellite deposits in Peru; and in November 2006, the Xstrata Group completed the Falconbridge Acquisition.

On May 15, 2007, Xstrata increased its offer for LionOre to C$25 per share, maintaining the recommendation of the LionOre Board and the support agreement between Xstrata and LionOre. The support agreement was also amended to include a termination fee of C$305 million (approximately US$284 million) (the "LionOre Termination Fee") in the event that a competing offer was recommended by the LionOre Board and in certain other circumstances.

On May 23, 2007, Norilsk increased its offer to C$27.50 per share. Xstrata subsequently announced on June 1, 2007 that it had elected not to exercise its right to match Norilsk's offer under its support agreement with LionOre. Following Xstrata's decision, LionOre terminated the support agreement between Xstrata and LionOre, paid Xstrata the LionOre Termination Fee and entered into a support agreement with Norilsk. Xstrata's offer subsequently expired on June 28, 2007 and was not extended, and on June 29, 2007 Norilsk announced it had acquired approximately 90% of LionOre.

In July 2007, the Xstrata Group announced an offer to acquire the entire issued share capital of Eland by way of a scheme of arrangement. The scheme of arrangement has received the necessary support from Eland shareholders and is no longer subject to any regulatory approvals. An application will be made to the High Court of South Africa on November 13, 2007 to sanction the scheme.

In September 2007, the Xstrata Group announced the proposed acquisition of the Anvil Hill Coal Project from Centennial Coal Limited and a proposed takeover offer for Austral (the owner of the Tahmoor Mine). The Anvil Hill acquisition was completed on October 17, 2007. The Xstrata Group assumed operational control of Austral on October 30, 2007.

On October 29, 2007, the Xstrata Group announced that Xstrata and Australian nickel producer, Jubilee, entered into a bidding agreement for an all-cash offer by Xstrata, to acquire Jubilee by way of a recommended off-market takeover offer. The offer values Jubilee at approximately US$2.9 billion. The directors of Jubilee unanimously recommended the offer by Xstrata in the absence of a superior offer. The Jubilee Offer will be financed through the Xstrata Group's existing credit facilities and cash on hand.

Information on the Xstrata Group's recent developments (including information on its acquisitions and disposals), is set out in "Business of the Xstrata Group – Recent developments".

The successful acquisition and integration of the former Enex and Duiker coal assets in 2002, of MIM in 2003 and of Falconbridge in 2006 were key elements in the transformation of Xstrata. In addition to the positive impact and improved investment rating of greater scale and diversification, significant additional value has been secured for all stakeholders through the improvement of capital and operational efficiencies within the acquired operations. In addition to the Cerrejón Acquisition which completed in May 2006, the Tintaya Acquisition which completed in June 2006, the offer for LionOre which was terminated in June 2007, the Eland Acquisition which is expected to complete in mid-November 2007 and the Jubilee Offer which, if successful, is expected to complete in early 2008, a number of other transactions were considered in 2006 and 2007. As indicated before, the Board of Directors of Xstrata remains alert to further opportunities, some of which may be substantial and company transforming.

Recent developments

Group

In October 2007, Xstrata Schweiz and certain other subsidiaries of Xstrata entered into a US$2,000 million multi-currency revolving facility (the "Club Facility"), from which US$290 million has been drawn down to pay for the acquisition of Austral.

In July 2007, Xstrata Schweiz and certain other subsidiaries of Xstrata entered into a US$4,680 million multi-currency revolving facility (the "Syndicated Loan"), which as of November 12, 2007 had been fully drawn down to (i) pay off outstanding debt for the acquisition of Falconbridge, (ii) pay for the acquisition of the Anvil Hill asset, and (iii) pay in part for the acquisition of Austral.

In April 2007, the Falconbridge aluminum assets were sold for a total cash consideration of US$1,150 million.

Copper Business

In March 2007, Xstrata Recycling sold the end-of-life recycling assets, including facilities in the United States and Canada.

Coal Business

The Coal Business's chief executive, Peter Coates, will resign effective January 1, 2008, but will continue with Xstrata Australia on a consultative basis.

In October 2007, the Coal Business announced its acquisition of a majority shareholding of Austral Coal Limited, as well as the acquisition of the Anvil Hill asset from Centennial Coal Company.

Nickel Business

On October 29, 2007, Xstrata announced that it had entered into a bidding agreement with Australian nickel producer Jubilee, for an all-cash offer for Xstrata to acquire Jubilee by way of a recommended off-market takeover offer. The offer values Jubilee at approximately US$2.9 billion.

On October 17, 2007, Xstrata announced the approval by its board of the development of the Koniambo project, a major long-life, low cost, open-pit nickel mine, metallurgical plant and associated infrastructure located in the North Province of New Caledonia. This project entails investment of US$3.8 billion to be majority-funded by Xstrata.

Zinc Business

On September 28, 2007, a fire in the conveyor system to the Heavy Medium Plant at the Zinc Business's Mount Isa zinc-lead concentrator resulted in property damage and an interruption to operations. Repairs were completed in October 2007.

Alloys Business

In July 2007, the Xstrata Group announced an offer to acquire South African listed platinum company Eland by way of a scheme of arrangement. The scheme is to be sanctioned by the High Court of South Africa on November 13, 2007.

For further information on recent developments of the Xstrata Group and its businesses, see "Business of the Xstrata Group – Recent developments."

Significant changes

Other than as outlined below, there has been no significant change in the financial or trading position of the Xstrata Group since June 30, 2007, which is the date to which the last unaudited interim published financial information of the Xstrata Group was prepared.

Summary historical financial information for the Xstrata Group

The financial information set out below is extracted without material amendment from the consolidated financial statements contained in the Xstrata Interim Financial Information and the Xstrata Annual Financial Information, each of which is incorporated by reference in this Offering Memorandum as described in "Information incorporated by reference". 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, 2004, December 31, 2005 and December 31, 2006.

The information in respect of the Xstrata Group is presented in US dollars and in accordance with IFRS for the six-month periods ended June 30, 2006 and June 30, 2007 and for the years ended December 31, 2004, December 31, 2005 and December 31, 2006.

The summary financial information in the tables below should be read in conjunction with the Xstrata Annual Financial Information and the Xstrata Interim Financial Information, each of which has been incorporated by reference into this Offering Memorandum. Prospective Noteholders should also read "Risk factors" and "Management's discussion and analysis of financial condition and results of operations."

Selected financial information for the Xstrata Group

The following tables set out selected unaudited and comparative consolidated financial information under IFRS (that has been restated from the audited UK GAAP financial statements) for the year ended December 31, 2004, selected audited financial information under IFRS for the year ended December 31, 2005 and the year ended December 31, 2006, and selected unaudited financial information under IFRS for the six-month periods ended June 30, 2006 and June 30, 2007.

	Unaudited IFRS Year ended December 31,	Audited IFRS Year ended December 31,		Unaudited IFRS Year ended December 31,	Unaudited IFRS Six months ended June 30,		
	2004[1]	2005 As reported	2006 As reported	2006[2] As restated	2006 As reported	2006[2] As restated	2007 As reported
			(in US$ millions, except as otherwise stated)				
Revenue[3]	6,462	8,050	17,632	17,102	5,178	5,178	14,232
EBITDA (before exceptional items)*	2,065	3,103	7,107	6,984	2,263	2,263	5,687
EBITDA[4]	2,067	3,093	7,136	7,013	2,263	2,263	5,938
EBIT (before exceptional items)*	1,498	2,520	5,863	5,765	1,947	1,947	4,671
EBIT[5]	1,499	2,510	4,514	3,970	1,947	1,947	4,922
Profit before taxation[6]	1,441	2,462	3,915	3,376	1,880	1,880	4,466
Attributable profit (before exceptional items)*	1,027	1,660	3,350	3,350	1,137	1,137	2,822
Attributable profit[7]	1,067	1,706	1,947	1,501	1,133	1,133	3,002
Earning per share (US$) (before exceptional items)*	1.64	2.71	4.34	4.34	1.80	1.61	2.94
Earning per share (US$)[8]	1.70	2.79	2.52	1.94	1.79	1.60	3.13
Dividends per share – declared and paid (US¢)[9]	21	25	34	34	25	22.4	30
Dividends per share – proposed (US¢)[10]	16	25	30	30	13	11.6	16
Net debt[11]	1,472	2,611	13,601	13,601	1,658	1,658	10,039
Net assets[12]	7,325	8,137	19,722	19,166	13,084	13,084	22,420
Net debt to equity[13]	20.1%	32.1%	69.0%	71.0%	12.7%	12.7%	44.8%
Net cash flow from operating activities	1,638	2,325	5,286	5,286	1,479	1,479	3,921
Net cash flow from/(used in) investing activities	(424)	(2,363)	(20,021)	(20,021)	(2,858)	(2,858)	95
Net cash flow from/(used in) financing activities	(1,009)	122	15,918	15,918	1,791	1,791	(4,426)
Net increase/(decrease) in cash and cash equivalents	205	84	1,183	1,183	412	412	(410)

Notes

* Please note that in the Xstrata 2005 Annual Financial Information for the year ended December 31, 2005, exceptional items were referred to as non-trading items.

(1) The information for the year ended December 31, 2004 is unaudited, restated from the audited UK GAAP financial statements to IFRS and extracted without material amendment from the Xstrata 2005 Annual Financial Information.

(2) As restated in the Xstrata Interim Financial Information, restatements due to revisions to the Falconbridge Acquisition, the Cerrejón Acquisition and the Tintaya Acquisition in 2006, as per Note (4) and the Aluminum disposal in Note (5) to the Xstrata Interim Financial Information.

(3) Sales recognized within the consolidated Xstrata Group including joint venture turnover.

(4) Earnings before interest, tax, depreciation and amortization. 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".

(5) 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".

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

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

(8) Attributable profit divided by the weighted average number of Ordinary Shares in issue during the period.

(9) Dividends declared and paid during the period per Ordinary Share.

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

(11) 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.

(12) Total assets less total liabilities.

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

Six-month periods ended June 30, 2006 and 2007, and years ended December 31, 2004, 2005 and 2006

The financial information set out below (which has been prepared in accordance with IFRS) relates to the Xstrata Group at, and for the six-month periods ended, June 30, 2006 and June 30, 2007, and at, and for the years ended, December 31, 2004, December 31, 2005 and December 31, 2006.

To comply with European Union legislation, the Xstrata Group adopted IFRS from January 1, 2005. The date of transition was January 1, 2004 and as a result the 2004 comparative financial information presented herein and incorporated by reference is unaudited and has been restated from UK GAAP to IFRS.

The rules for first time adoption of IFRS are set out in IFRS 1 "First Time Adoption of International Financial Reporting Standards". IFRS 1 states that a company should use the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements. In preparing this financial information, the Xstrata Group applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS.

The primary exemptions that were applied by the Xstrata Group are described in Note 5 (First time adoption of IFRS and changes in accounting policies) of the notes to Xstrata's audited consolidated financial statements for the year ended December 31, 2005 included in the Xstrata Annual Financial Information, which has been incorporated by reference into this Offering Memorandum as described in "Information incorporated by reference".

The information presented below at, and for the six-month periods ended, June 30, 2006 and June 30, 2007 is unaudited and, in each case, is extracted without material amendment from the Xstrata Interim Financial Information. The information presented herein at, and for the year ended, December 31, 2004 is unaudited and is extracted without material amendment from the Xstrata 2005 Annual Financial Information. The information presented below at, and for the year ended, December 31, 2005 is audited and extracted without material adjustment from the Xstrata 2005 Annual Financial Information. The information presented below at, and for the year ended, December 31, 2006 is audited and is extracted without material amendment from the Xstrata 2006 Annual Financial Information.

Income Statement

	Unaudited IFRS Year ended December 31,	Audited IFRS Year ended December 31,		Unaudited IFRS Year ended December 31,	Unaudited IFRS Six months ended June 30,		
	2004[(1)]	2005 As reported	2006 As reported	2006[(2)] As restated	2006 As reported	2006[(2)] As restated	2007 As reported
	(in US$ millions, except as otherwise stated)						
Revenue:	**6,462**	**8,050**	**17,632**	**17,102**	**5,178**	**5,178**	**14,232**
Costs of sales[(3)]	(3,520)	(3,880)	(8,886)	(8,490)	(2,307)	(2,306)	(7,524)
Distribution costs	(712)	(909)	(1,141)	(1,130)	(464)	(464)	(684)
Administrative expenses[(3)]	(139)	(197)	(502)	(502)	(143)	(146)	(344)
Other expenses	(55)	(52)	0	0	(10)	0	0
Other income	28	68	0	0	8	0	0
Share of results from associates	2	23	4	4	1	1	7
Exceptional Items:							
Income and costs of acquisition related activities	0	0	0	0	0	0	275
Disposal fair vale adjustment	0	0	0	0	0	0	(24)
Acquisition costs	0	(10)	0	0	0	0	0
Profit on sale of investments	10	0	0	0	0	0	0
Profit on sale of operations	0	0	16	16	0	0	0
Profit on sale of available for sale financial assets	0	0	63	63	0	0	0
Restructuring and closure costs	(9)	0	(50)	(50)	0	0	0
Profit before interest, taxation, depreciation and amortization	**2,067**	**3,093**	**7,136**	**7,013**	**2,263**	**2,263**	**5,938**
Depreciation and amortization:							
– Cost of sales	(533)	(549)	(1,212)	(1,187)	(300)	(300)	(994)
– Administrative expenses	(28)	(29)	(32)	(32)	(16)	(16)	(22)
Impairment of assets:							
– Cost of sales	(7)	(5)	0	0	0	0	0
– Administrative expenses	0	0	(1,378)	(1,824)	0	0	0
Profit before interest and taxation:	**1,499**	**2,510**	**4,514**	**3,970**	**1,947**	**1,947**	**4,922**
Finance Income							
Trading items	16	36	112	110	44	44	77
Exceptional items	104	88	170	170	3	3	99
Finance cost							
Trading items	(108)	(128)	(646)	(639)	(107)	(107)	(507)
Exceptional items	(70)	(44)	(235)	(235)	(7)	(7)	(125)
Profit before taxation:	**1,441**	**2,462**	**3,915**	**3,376**	**1,880**	**1,880**	**4,466**
Income tax expense	(214)	(543)	(1,563)	(1,534)	(492)	(492)	(1,378)
Profit from continuing operations:	**1,227**	**1,919**	**2,352**	**1,842**	**1,388**	**1,388**	**3,088**
Loss from discontinued operations	(2)	0	0	0	0	0	0
Profit from discontinued operations	0	4	0	64	0	0	62
Profit for the year:	**1,225**	**1,923**	**2,352**	**1,906**	**1,388**	**1,388**	**3,150**
Attributable to:							
Equity holders of the parent	1,067	1,706	1,947	1,501	1,133	1,133	3,002
Minority interests	158	217	405	405	255	255	148
	1,225	**1,923**	**2,352**	**1,906**	**1,388**	**1,388**	**3,150**
Earnings per share (US$):							
– basic (continuing operations)	1.71	2.78	2.52	1.86	1.79	1.60	3.07
– basic	1.70	2.79	2.52	1.94	1.79	1.60	3.13
– diluted (continuing operations)	1.58	2.52	2.39	1.77	1.64	1.47	3.01
– diluted	1.58	2.53	2.39	1.85	1.64	1.47	3.07
Dividends (US$m):							
– declared and paid	134	154	251	251	160	160	290
– proposed	100	150	281	281	91	91	155
Dividend per share (US¢):							
– declared and paid	21	25	34	34	25	22.4*	30
– proposed	16	25	30	30	13	11.6*	16

Notes

(1) The information for the year ended December 31, 2004 is unaudited, restated from the audited UK GAAP financial statements to IFRS and extracted without material amendment from the Xstrata 2005 Annual Financial Information.

(2) As restated in the Xstrata Interim Financial Information. Restatements due to revisions to the Falconbridge, Cerrejón and Tintaya acquisitions in 2006, as per Note (4) and the aluminum disposal in Note (5) of the Xstrata Interim Financial Information.

(3) Before depreciation, amortization and impairment charges.

* Adjusted for the impact of the rights issue which took place in the second half of 2006.

Balance sheet

	Unaudited IFRS As at December 31,	Audited IFRS As at December 31,		Unaudited IFRS As at December 31,	Unaudited IFRS As at June 30,		
	2004[(1)]	2005 As reported	2006 As reported	2006[(2)] As restated	2006 As reported	2006[(2)] As restated	2007 As reported
				(in US$ million)			
Assets							
Non-current assets							
Intangible assets	1,524	1,430	7,767	8,238	1,923	1,923	8,143
Property, plant and equipment[(3)]	8,202	8,086	30,087	29,645	10,726	10,724	29,070
Biological assets	32	13	15	15	14	14	18
Inventories	83	71	75	75	64	64	44
Trade and other receivables	61	57	84	84	47	46	86
Investments in associates	49	44	179	179	45	40	185
Available for sale financial assets	0	2,325	160	170	4,088	4,088	180
Derivative financial assets	0	9	57	57	1	1	61
Other financial assets	77	56	299	299	69	69	222
Pension asset	3	3	5	5	3	3	5
Prepayments	16	16	23	23	110	110	23
Deferred tax assets	2	7	22	22	14	14	11
	10,049	**12,116**	**38,773**	**38,812**	**17,103**	**17,096**	**38,048**
Current assets							
Inventories	826	891	3,540	3,539	1,067	1,067	3,790
Trade and other receivables	794	1,138	2,826	2,829	1,618	1,654	3,303
Prepayments	104	99	204	206	92	92	179
Derivative financial assets	0	17	11	11	2	72	13
Other financial assets	54	34	2	2	12	12	0
Cash and cash equivalents	459	524	1,860	1,860	957	957	1,451
	2,237	**2,703**	**8,443**	**8,447**	**3,748**	**3,854**	**8,736**
Total assets	**12,286**	**14,819**	**47,216**	**47,259**	**20,851**	**20,950**	**46,784**
Equity and liabilities							
Capital and reserves – attributable to equity holders of Xstrata							
Issued capital	316	316	471	471	352	352	485
Share premium	2,482	2,500	9,522	9,522	4,172	4,172	9,899
Own shares	(92)	(616)	(154)	(154)	(123)	(123)	(147)
Convertible borrowings – equity component	0	119	78	78	81	80	56
Other reserves	3,490	3,054	4,582	4,472	4,278	4,279	4,877
Retained earnings	623	2,192	4,503	4,057	3,710	3,710	6,653
	6,819	**7,565**	**19,002**	**18,446**	**12,470**	**12,470**	**21,823**
Minority interests	506	572	720	720	614	614	597
Total equity	**7,325**	**8,137**	**19,722**	**19,166**	**13,084**	**13,084**	**22,420**
Non-current liabilities							
Trade and other payables	16	10	69	95	13	39	108
Interest-bearing loans and borrowings	1,233	1,533	12,946	12,946	714	714	9,206
Convertible borrowings	590	858	525	525	531	531	332
Derivative financial liabilities	0	61	172	172	119	119	247
Provisions	480	458	1,890	2,054	557	551	2,147
Pension deficit	28	24	140	216	24	24	139
Deferred tax liabilities	1,358	1,339	5,124	5,440	2,278	2,246	5,394
Other liabilities	6	9	16	16	47	47	12
	3,711	**4,292**	**20,882**	**21,464**	**4,283**	**4,271**	**17,585**
Current liabilities							
Trade and other payables	789	946	3,110	3,113	1,158	1,212	3,706
Interest-bearing loans and borrowings	108	744	1,990	1,990	1,370	1,370	1,952
Derivative financial liabilities	0	233	78	78	276	333	58
Provisions	95	114	289	289	178	178	259
Income taxes payable	239	342	1,104	1,118	468	468	725
Other liabilities	19	11	41	41	34	34	79
	1,250	**2,390**	**6,612**	**6,629**	**3,484**	**3,595**	**6,779**
Total liabilities	**4,961**	**6,682**	**27,494**	**28,093**	**7,767**	**7,866**	**24,364**
Total equity and liabilities	**12,286**	**14,819**	**47,216**	**47,259**	**20,851**	**20,950**	**46,784**

Notes

(1) The information for the year ended December 31, 2004 is unaudited, restated from the audited UK GAAP financial statements to IFRS, and extracted without material amendment from the Xstrata 2005 Annual Financial Information.

(2) As restated in the Xstrata Interim Financial Information for the six months ended June 30, 2007. Restatements are due to revisions to the relevant totals referable to the Falconbridge Acquisition, the Cerrejón Acquisition and the Tintaya Acquisition in 2006, as per Note (4) to the Xstrata Interim Financial Information.

(3) Property, plant and equipment includes deferred stripping balances, previously included in "other assets", which were presented separately in the financial statements for the year ended December 31, 2005, in order to present the financial information on a comparable basis with that for the six months ended June 30, 2005 and the six months ended June 30, 2006.

Consolidated cash flow

	Unaudited IFRS For the year ended December 31,	Audited IFRS For the year ended December 31,		Unaudited IFRS For the six months ended June 30,	
	2004	2005	2006	2006	2007
		(in US$ millions)			
Net cash flow from operating activities	1,638	2,325	5,286	1,479	3,921
Net cash flow from/(used in) investing activities	(424)	(2,363)	(20,021)	(2,858)	95
Net cash flow from/(used in) financing activities	(1,009)	122	15,918	1,791	(4,426)
Net increase/(decrease) in cash and cash equivalents	205	84	1,183	412	(410)

Summary unaudited pro forma financial information for the Xstrata Group

The following table sets out summary unaudited pro forma income statement data of Xstrata for the year ended December 31, 2006, which is prepared to illustrate the effect the Falconbridge Group, the Cerrejón Acquisition and the Tintaya Acquisition, the Rights Issue, the Placing and related debt draw downs, would have had if they had taken place on January 1, 2006. The summary unaudited pro forma income statement data is extracted without material adjustment from the Xstrata Annual Financial Information.

The pro forma information for 2006 excludes certain exceptional items relating to the Falconbridge Acquisition, so as not to distort the results of the Xstrata Group by these one off items. The exceptional items excluded include the goodwill impairment and certain restructuring costs.

Prospective Noteholders should also read “Risk factors” and “Management’s discussion and analysis of financial condition and results of operations.”

Unaudited Pro Forma Consolidated Income Statement

For the year ended December 31, 2006

	Before exceptional items	Exceptional items	Total 2006
		(unaudited)	
	(in US$ millions, except earnings per share)		
Revenue	17,199	–	17,199
Cost of sales	(9,982)	–	(9,982)
Distribution costs	(1,131)	–	(1,131)
Administrative expenses	(292)	–	(292)
Other expenses	(59)	–	(59)
Other income	76	–	76
Share of results from associates	32	–	32
Profit on sale of investments	–	17	17
Profit on sale of operations	–	–	–
Restructuring and closure costs	–	(10)	(10)
Profit before interest, taxation, depreciation and amortization	**5,843**	**7**	**5,850**
Depreciation and amortization	(1,911)	–	(1,911)
Profit before interest and taxation	**3,932**	**7**	**3,939**
Finance income	83	89	172
Finance costs	(880)	(44)	(924)
Profit before taxation	**3,135**	**52**	**3,187**
Income tax (expense)/benefit	(733)	8	(725)
Profit from continuing operations	**2,402**	**60**	**2,462**
Profit on sale of discontinued operations	–	(4)	(4)
Profit for the year	**2,402**	**56**	**2,458**
Attributable to:			
Equity holders of the parent	2,176	56	2,232
Minority interests	226	–	226
	2,402	56	2,458
Earnings per share (US$)			
– basic (continuing operations)	2.52	0.06	2.58
– basic	2.52	0.06	2.58

Summary historical financial information for the Falconbridge Group

The financial information set out below has been extracted without material amendment from Noranda's audited consolidated financial information for the years ended December 31, 2003 and December 31, 2004 (in the latter case as reported and as restated on the basis set out in note (2) below) and for the six-month period ended June 30, 2005 and from the Falconbridge Annual Financial Information for the year ended December 31, 2005 and for the six-month period ended June 30, 2006, in each case prepared in accordance with Canadian GAAP.

The summary financial information in the tables below should be read in conjunction with the Falconbridge Annual Financial Information and the Falconbridge Interim Financial Information, each of which has been incorporated by reference into this Offering Memorandum. Prospective Noteholders should also read "Risk factors" and "Management's discussion and analysis of financial condition and results of operations."

Selected Canadian GAAP financial information for the Falconbridge Group

	Audited Canadian GAAP Year ended December 31,				Unaudited Canadian GAAP Six months ended June 30,	
	2003 Restated(1)	2004 As reported	2004 Restated(2)	2005	2005	2006
	(in US$ millions, except as otherwise stated)					
Revenues	4,657	6,978	6,764	8,148	3,946	6,806
Income generated from operating assets	397	1,380	1,391	1,820	922	1,980
EBITDA(3)	778	1,766	1,771	2,236	1,114	2,228
Net income from continuing operations before taxation	43	884	945	1,391	635	1,818
Basic earnings per common share (US$)	n/a	1.78	1.71	2.52	1.20	3.17
Dividend per common share (US$)	0.46	0.37	0.37	0.39	n/a	n/a
Net debt(4)	2,694	2,324	2,544	2,941	3,383	2,338
Net assets(5)	3,516	4,256	4,036	5,085	4,620	6,416
Shareholders' equity	2,597	3,059	2,839	5,031	4,571	6,173
Cash flow from operations	413	1,191	1,184	1,635	739	1,040

Notes

(1) Effective from January 1, 2004, the Falconbridge Group adopted a new standard for the accounting treatment of asset retirement obligations, leading to a restatement of its 2003 financial statements. The restated financial information presented for the year ended December 31, 2003 above is extracted from Noranda's financial statements for the year ended December 31, 2004.

(2) Effective from January 1, 2005, the Falconbridge Group adopted new standards for the accounting treatment of convertible debentures, Preferred Shares Series H and variable interest entities, leading to a restatement of its 2004 financial statements. The restated financial information presented for the year ended December 31, 2004 above is extracted from the Falconbridge Annual Financial Information.

(3) Earnings before interest, tax, depreciation and amortization. Canadian GAAP does not define the measure EBITDA. For a description of how these amounts are derived, see "Presentation of information – Presentation of financial information".

(4) Net debt has been calculated as long term debt and debt due within one year, less cash and cash equivalents and short term investments.

(5) Total assets less total liabilities.

n/a: Not applicable in the relevant period.

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 private company incorporated under the laws of the province of Ontario, Canada with limited liability.
Guarantors	Xstrata, Xstrata Dubai and Xstrata Schweiz.
Notes	US$500,000,000 6.90% Notes due 2037.
Ratings	As at the date of this Offering Memorandum, the expected ratings of the Notes are BBB+ (stable outlook) (S&P) and Baa2 (stable 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	99.687% of the total principal amount of the Notes.
Guarantees	Upon issue, the obligations of the Issuer under the Notes will 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 on November 15, 2037 with accrued and unpaid interest at such date.
Interest	The Notes will bear interest from the Closing Date at the rate of 6.90% per annum. Interest will be payable on the Notes semi-annually in arrears on May 15 and November 15 of each year commencing on May 15, 2008.
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 Conditions. The Notes sold to QIBs in the United States in reliance on Rule 144A will be represented by the 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 Regulation S Global Note (together the "Global Notes"). 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 the Notes so that any further issue is consolidated and forms a single series of securities with the 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.
Governing law	The Notes and the Indenture governing the Notes will be governed by the laws of the State of New York.
CUSIP for Rule 144A Global Note	98417EAC4
CUSIP for Regulation S Global Note	C98874AE7
ISIN for 144A Global Note	US98417EAC49
ISIN for Regulation S Global Note	USC98874AE77
Use of proceeds	The net proceeds of the Notes Issue will be used to repay part of the amounts outstanding under the Syndicated Loan.
Listing	None.

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.

Factors relating to the Xstrata Group

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

Economic conditions including commodity price volatility and cost inefficiency

The Xstrata Group's revenue and earnings are dependent upon prevailing prices for the commodities it produces. Historically, such prices have been volatile and are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, such commodities, market uncertainty, the overall performance of world or regional economies and the related cyclicality in industries directly served by the Xstrata Group and a variety of other factors beyond its control. In particular, demand for commodities has recently been, and is expected to be in the future, influenced by demand from specific regions, such as the Asia-Pacific region and specific countries, such as China and India, and there can be no assurance that factors beyond the Xstrata Group's control, such as political, regulatory and economic risks, will not adversely affect such demand. Prices may also be affected by governmental actions intended to reduce greenhouse gas emission. See the risk factor below in the section headed "Risks related to climate change legislation". In addition, speculative trades in certain commodities on the world markets may cause short-term price fluctuations for such commodities, including commodities produced by the Xstrata Group. These external factors and the volatile nature of the commodity markets make it difficult to estimate future prices. The prices for commodities produced by the Xstrata Group may decline significantly from current levels. Any substantial or extended decline in commodity prices would adversely affect the results of operations or financial condition of the Xstrata Group.

As the Xstrata Group, in common with its competitors, is unable to influence commodity prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations. Important cost inputs in the Xstrata Group's operations generally include the extraction and processing costs of raw materials and consumables such as reductants, power, fuels, labor, transport and equipment, many of which have been, and continue to be, particularly susceptible to inflationary and supply and demand pressures. The Xstrata Group's production costs are also significantly affected by production volumes and, therefore, the Xstrata Group's ability to maintain production levels and maximize capacity utilization will be a key factor in determining its overall cost competitiveness. The Xstrata Group's ability to maintain earnings and undertake capital expenditures would be adversely affected in the event of a sustained material fall in world commodity prices, an appreciable rise in its production costs or a decline in its production volumes. There can be no assurance that the Xstrata Group will be able to maintain or reduce production costs or maintain or increase its production volumes in the future.

A substantial portion of Xstrata's coal sales are made under annual contracts at prices set at the time of such contracts. As a result, Xstrata is not able to capitalize on the subsequent increases in the market price of coal during the course of a year. This may adversely affect the profitability of Xstrata's coal business.

Any increase in the price of a commodity may encourage other producers to increase their production of that commodity. Any over-production in a particular commodity, which is in excess of demand, could reduce the price of that commodity and adversely affect the Xstrata Group's results of operations or financial condition.

The Xstrata Group generally realizes prevailing market prices and does not hedge the prices it realizes on the sale of its own products. The Xstrata Group enters into hedging arrangements with respect to commodities only in limited circumstances and subject to strict limits set by the Board.

Environmental, health and safety

Various governmental and environmental, health and safety permits, permissions, approvals, licenses and leases are required for many of the operations of the Xstrata Group and these permits are subject, in certain situations or on the occurrence of certain events, to modification, renewal or revocation by issuing authorities. Governmental authorities and the courts have the power to enforce compliance with these permits and applicable environmental, health and safety laws and regulations and violations 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.

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 Xstrata 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, or that they will not have a material adverse effect on the results of operations of financial condition of the Xstrata Group.

Compliance with these laws, regulations and permits has not to date had a material adverse effect on the results of operations or financial condition of the Xstrata Group although such permits, laws and regulations are subject to change (including the imposition of more onerous requirements and obligations) and Xstrata is unable to predict the ultimate cost of compliance with such amended environmental, health and safety permits, laws and regulations. The cost of maintaining compliance could be substantial. There can be no assurance that the cost of complying with present or future laws or regulations will not adversely affect the results of operations or financial condition of the Xstrata Group.

The operations of the Xstrata Group are extensively regulated. National, state and local authorities in the countries in which the Xstrata Group has operations regulate the industries in which the Xstrata 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).

The Xstrata 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. 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 Xstrata Group.

The Xstrata Group's copper and lead smelters at Mount Isa in Australia are exempted, through special state legislation, from compliance with state environmental laws regulating air emissions. The Mount Isa operations in Queensland are subject to specific legislation of the Queensland State Parliament, the Mount Isa Mines Limited Agreement Act 1985. The Mount Isa Mines Limited Agreement Act 1985 exempts the Mount Isa operations from strict compliance with the otherwise applicable Environmental Protection Act 1994 with respect to air emissions. The state environmental regulator has informed Xstrata of its desire to assume responsibility for the regulation of special state legislation, including the Mount Isa Mines Limited Agreement Act 1985. In the event that happens and a subsequent amendment is sought and made to bring air emissions permitted under the Mount Isa Mines Limited Agreement Act 1985 in line with the Environmental Protection Act 1994, or alternatively the Mount Isa Mines Limited Agreement Act 1985 is repealed, 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 Xstrata Group.

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, health and safety authorities require the Xstrata 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 Xstrata Group, whether pursuant to existing or new environmental, health and safety laws and regulations, such measures could have a material adverse effect on the Xstrata Group's results of operations and financial condition.

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 Xstrata Group's operations, its cost structure, its customers' ability to use the commodities produced by the Xstrata 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 Authorization of Chemicals ("REACH") was enacted. REACH is intended to place the burden of work related materials, health and environment exposure costs onto the shoulders of the industry instead of authorities. REACH mandates the registration and authorization of chemical materials imported and manufactured within Europe.

The Xstrata Group expects that further environmental laws and/or regulations will likely be implemented to protect the environment and quality of life, given issues of sustainable development and other similar requirements which governmental and supragovernmental organizations and other bodies have been pursuing. Some of the issues which are relevant to the Xstrata Group that are currently under review by environmental regulatory agencies include reducing or stabilising various emissions, including sulfur dioxide and greenhouse gas emissions, geochemical and geotechnical stability of mine works, mine reclamation and rehabilitation, and water, air and soil quality and absolute liability for spills and exceeding prescribed limits. Such matters may, amongst other things, require the Xstrata Group or its customers to change operations significantly or incur increased costs (including compliance expenditures) or could require the Xstrata Group to increase financial reserves, which could have an adverse effect on the results of operations or financial condition of the Xstrata Group.

In view of the uncertainties concerning future removal, stabilization, reclamation and site rehabilitation costs on certain of the Xstrata Group's properties, the ultimate costs for future removal, stabilization, reclamation and site rehabilitation to the Xstrata Group could differ from the amounts estimated. Estimates for such future costs are subject to change based on amendments to applicable laws and regulation, the nature of ongoing operations and technological innovations. Future changes, if any, due to their nature and unpredictability, could have a significant impact and, in such case, would be reflected prospectively as a change in an accounting estimate. In addition, regulatory authorities in various jurisdictions around the world may require the Xstrata Group to provide financial security to secure, in whole or in part, future removal, stabilization, reclamation and site rehabilitation obligations in such jurisdictions. In some instances, the Xstrata 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 Xstrata 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, stabilization, reclamation and site rehabilitation costs (other than costs associated with the provision of such security), a portion of the Xstrata Group's financial resources may be required to support these commitments, which could adversely affect the financial resources available to the Xstrata 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 23, 2007, 176 states and regional economic integration organizations (such as the EU) had deposited instruments of ratifications, accessions, approvals or acceptances in respect of the Kyoto Protocol.

The Xstrata 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 transportation, restrict industrial emission levels, impose added costs for emissions in excess of permitted levels and increase costs for monitoring, reporting and financial accounting. As the operation of the Xstrata 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 of the Xstrata Group. Further, the Xstrata Group may be required to change operations, reduce production capacity, increase tax payments 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 Xstrata Group.

The coal industry, governments and other organizations 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 Xstrata 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, 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 Xstrata Group.

Australian native title and South African and Canadian land claims

In Australia, the Native Title Act 1993 (Cth) (the "Native Title Act") recognizes 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 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, which include exploration titles and the compulsory acquisition of land. Native title claims have been made over some areas where the Xstrata 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 Xstrata 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 program for housing or granting the claimant an appropriate right in alternatively designated state land or with any alternative and appropriate relief. Xstrata is aware that a number of land claims have been lodged in relation to the surface rights of the Xstrata 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 Xstrata 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 Xstrata Group's resource development or mining activities in Canada.

Accordingly, Xstrata can give no assurance that these land claims, or any other land claims of which it is not aware, will not have an adverse effect on the Xstrata Group's rights to the properties that are subject to the land claims.

South African MPRDA and Empowerment Charter

On October 3, 2002, the President of South Africa assented to and signed into law the Mineral and Petroleum Resources Development Act 28 of 2002 (the "MPRDA"), which came into operation on May 1, 2004. On August 13, 2004, the Empowerment Charter was promulgated, together with the "scorecard" for measuring black empowerment in the mining industry, which is intended to monitor and assess compliance with the Empowerment Charter. In addition to this the government of South Africa, in conjunction with the industry, is developing further legislation and guidelines including the Royalty Bill pertaining to royalties. The second draft of the Royalty Bill was introduced to the South African national assembly on October 11, 2006, and is currently undergoing a public participation process. Regulations pertaining to the MPRDA were promulgated on April 23, 2004, October 29, 2004 and November 29, 2006.

A key outcome is that the government of South Africa becomes the custodian of all the rights to minerals and that prospecting and mining will require prospecting and mining rights respectively which can only be granted once certain criteria are met, including black empowerment criteria for historically disadvantaged South Africans ("HDSAs"). Existing prospecting and mining rights, termed "old order rights", need to be converted to new order rights and, to do so, the above criteria need to be satisfied or undertakings given.

A key objective of the above legislation is to ensure that 26% of the South African mining industry is controlled by HDSAs within ten years from May 1, 2004. In addition, mining companies need to achieve certain goals aimed at the adjustment of HDSAs both in the workplace and the communities in which they operate.

In this regard, a combined Pooling and Sharing Venture has been entered into with Merafe Resources Limited ("Merafe"), which is the Alloys Business' black empowerment partner in the ferrochrome business, a partnership agreement has been entered into by the Alloys Business with Kagiso to give effect to black economic empowerment obligations in respect of the Mototolo Joint Venture and an agreement has been entered into by the Coal Business in South Africa with ARM to establish a new black controlled coal mining company, ARM Coal. In addition, the Alloys Business' vanadium division has in November 2006 agreed to the commercial terms of a combined Pooling and Sharing Venture with the Bakwena-Ba-Mogopa tribe, a traditional community and owner of the surface rights where the Xstrata vanadium production facility is situated and, for these reasons, is Xstrata's natural empowerment partner. To date the the Alloys Business and Coal Business have, on the basis of the aforementioned empowerment credentials, been granted a number of conversions of old order mining rights as well as new applications for mining and prospecting rights by the Department of Minerals and Energy Affairs in South Africa. Xstrata can give no assurance that, despite the initiatives taken so far by the Xstrata Group, these legislative developments in South Africa will not have a material adverse effect on the Xstrata Group's mining rights in South Africa and/or the results of operations or financial condition of the Xstrata Group.

Operational considerations

The success of the Xstrata 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 Xstrata Group's business is subject to numerous other operating risks which include: unusual or unexpected geological features, ground conditions or seismic activity; climatic conditions such as flooding or drought; interruptions of power supplies; congestion at commodities transport terminals; industrial action or disputes; environmental hazards; and technical failures, fires, explosions and other accidents at a mine, processing plant, cargo terminal or related facilities. 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 whether expressly or by implication, in this Offering Memorandum or in information incorporated by reference into this Offering Memorandum. While the Xstrata 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, labor 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 Xstrata 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, any of which could adversely affect the results of operations or financial condition of the Xstrata Group.

The Xstrata Group depends upon seaborne freight, rail, trucking, overland conveyor and other systems to deliver its commodities to market. Disruption of these transportation services because of weather-related problems, key equipment or infrastructure failures, strikes, lock-outs or other events could temporarily impair the Xstrata Group's ability to supply its commodities to its customers and thus could adversely affect the Xstrata Group's results of operations or financial condition. Consistent with practice in the industries in which the Xstrata Group operates, members of the Xstrata 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 Xstrata Group's results of operations. In addition, the Xstrata Group's ability to increase its export sales may be restricted by available rail infrastructure and port capacity which may adversely affect the Xstrata Group's ability to increase revenue.

Although the Xstrata 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 Xstrata Group.

Energy supply and prices

Certain of the Xstrata 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 Xstrata 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, continue to put upward pressure on prices. Certain of the Xstrata Group's supply contracts are governed by standard energy risk management principles, which are designed to ensure that supply, price and credit risks are managed effectively.

The Coal Business' results have been adversely affected in recent periods, and may be adversely affected in future periods, by ongoing increases in prices for key mining materials, in addition to consumer price index inflation. In particular, the mining industry across all Xstrata's businesses continues to be heavily affected by increasing costs for labor, fuel and explosives.

The Xstrata Group has entered into fixed-term diesel supply agreements with Glencore. On termination of those agreements, the Xstrata Group will need to source its diesel requirements from Glencore or third parties. There can be no assurance that the Xstrata Group will be able to renew its diesel supply agreements with Glencore or to source its diesel requirements on better or equivalent terms compared with its current agreements, which may have an adverse affect on the results of operations or financial condition of the Xstrata Group. The security of energy supply is of primary importance to the Xstrata Group. The Xstrata Group's business operations could be adversely affected, including loss of production and damage to its plants and equipment, if, even temporarily, the supply of energy to one or more of its facilities were interrupted. Additionally, prolonged loss of supply could materially adversely affect its results of operations or financial condition. There is an increased focus within the Xstrata Group's operations on the management of energy use and the impact of rises in energy costs on financial performance. As a significant portion of the Xstrata Group's costs relate to energy consumption, the Xstrata Group's earnings are directly related to fluctuations in the cost of natural gas, electricity, oil and other fuels.

Finance vehicle

The Issuer is a finance vehicle, the primary business of which is the raising of money for the purpose of on-lending to other members of the Xstrata Group. Accordingly, substantially all of the assets of the Issuer are loans and advances made to other members of the Xstrata Group. The ability of the Issuer to satisfy its obligations in respect of the Notes will depend upon payments made to it by other members of the Xstrata Group in respect of loans and advances made by it.

Taxation

Although Xstrata is incorporated in England and Wales, it is regarded as resident in Switzerland, and not in the United Kingdom, for Swiss and UK tax purposes and for the purposes of the United Kingdom-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.

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 United Kingdom-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 United Kingdom, therefore becoming subject to the UK tax regime, which could adversely affect the results of operations or financial condition of the Xstrata Group.

As a result of changes made to the UK controlled foreign company rules by the UK Finance Act 2006 (the "UK Finance Act"), it is possible that any future acquisitions by the Xstrata Group could bring it within these rules in certain circumstances, with the consequence that Xstrata may become subject to UK tax on the income profits of certain non-UK resident subsidiaries. Future acquisitions could therefore adversely affect the results of operations or financial condition of the Xstrata Group. However, H.M. Revenue & Customs ("HMRC") have 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). This legislation should not in practice have applied to the Falconbridge Acquisition. In this regard, HMRC had provided a separate non-statutory letter of comfort that the UK Finance Act 2006 would not specifically apply. None of the Eland Acquisition, any post-acquisition restructuring of Eland, the Austral Acquisition, any post-acquisition restructuring of Austral, the Jubilee Offer (if successful) or any post-acquisition restructuring of Jubilee will bring the Xstrata Group within the UK controlled foreign company rules, because none of the Eland Acquisition, the Austral Acquisition or the Jubilee Offer are expected to involve the acquisition of any UK resident company.

The UK Government has initiated a consultation on wide-ranging reforms of the UK controlled foreign company rules which, it is proposed, would be replaced by a new "controlled companies" regime, broad details of which are contained in a discussion document released by the UK Government on June 21, 2007. At present there is insufficient detail in respect of the proposed new regime in order to determine whether the status of the Xstrata Group as excluded (upon certain conditions) from the scope of the UK controlled foreign company rules would be replicated in relation to any proposed replacement regime. The discussion document indicates that, depending on the outcome of the consultation, the most likely date for implementation of any such new regime would be the date the Finance Bill 2009 is enacted.

A number of arrangements entered into by companies in the Xstrata 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 is successfully challenged by the relevant tax authorities, Xstrata Group companies may incur additional tax liabilities which could adversely affect the results of operations or financial condition of the Xstrata Group. In addition, in the future, Xstrata Group companies may incur additional tax liabilities as a result of changes in tax law.

Reserves

The Xstrata Group's recoverable reserves decline as the commodities are extracted. Further, the Xstrata Group may not be able to mine all of its reserves as profitably as it does at its current operations. The Xstrata Group's future success depends upon conducting successful exploration and development activities or acquiring properties containing economically recoverable reserves. The Xstrata Group's current strategy includes increasing its reserve base through acquisitions of commodity-producing properties and continuing to develop the Xstrata Group's existing properties.

The Xstrata 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 Xstrata Group cannot predict whether it will continue to receive the permits necessary for it to operate profitably in the future. The Xstrata Group may not be able to negotiate economically viable mining contracts for properties containing additional reserves.

The Xstrata Group bases its reserve information on engineering, economic and geological data assembled and analyzed by its staff, which includes various engineers and geologists, and which in certain cases is periodically reviewed by third parties. The reserves estimates as to both quantity and quality are periodically updated to reflect production of commodities from the reserves and new drilling or other data received. There are numerous uncertainties inherent in estimating quantities and qualities of and costs to mine reserves, including many factors beyond the Xstrata 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:

- geological and mining conditions which may not be fully identified by available exploration data or which may differ from experience in current operations;
- historical production from the area compared with production from other similar producing areas; and
- 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 Xstrata Group's reported ore 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 volume and grade of reserves actually recovered and rates of production from the Xstrata Group's present ore reserves may be less than geological measurements of the reserves. Market price fluctuations in commodities and exchange rates, and changes in operating and capital costs, may in the future render certain ore reserves uneconomic to mine. In addition, short-term operating factors relating to the ore reserves, such as the need for orderly development of ore bodies and other ore resources or the processing of new or different ore grades, may cause ore reserves to be modified or the Xstrata Group's operations to be unprofitable in any particular fiscal period.

No assurance can be given that the indicated amount of ore or other minerals will be recovered or that it will be recovered at the prices assumed in determining reserves. Ore reserve estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative of the entire orebody and mineral resource. As more knowledge and understanding of the orebody or mineral resource are 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 Xstrata Group's reserves may vary materially from estimates. Accordingly, these reserve estimates may not accurately reflect the Xstrata Group's actual reserves. Any inaccuracy in the estimates related to the Xstrata Group's reserves could result in lower than expected revenue, higher than expected costs and/or decreased profitability.

Currency fluctuations

The Xstrata Group produces and sells commodities that are typically priced in US dollars, while a large portion of the operating costs of the Xstrata Group's business are incurred in local currencies, including the Canadian dollar, the Chilean peso, the Norwegian Kroner, the Australian dollar, the Euro, the South African Rand, the Argentine peso, the Colombian peso and the Peruvian Sol. Accordingly, the strengthening of those currencies and other local currencies in which the Xstrata Group incurs expenditure against the US dollar has a detrimental effect on the Xstrata Group's results of operations and financial condition. The Xstrata Group's operations are conducted in many countries and the results of operations and the financial condition of individual Xstrata Group companies are reported in the relevant functional currency which, in some cases, is not the US dollar. The results for Xstrata 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 Xstrata 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 Xstrata Group's consolidated results of operations or financial condition.

The Xstrata 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 Xstrata Group's results of operations and financial condition, but there can be no assurance that such hedges will eliminate the potential material adverse effect of such fluctuations.

Borrowings

The Xstrata Group has a significant amount of indebtedness, which may impair the operating and financial flexibility of the Xstrata Group and could adversely affect the business and financial position of the Xstrata Group and the Guarantors' ability to pay dividends and amounts due under the Guarantees. The Xstrata Group has a substantial amount of debt and significant debt service obligations. As at June 30, 2007, the Xstrata Group had gross outstanding indebtedness of US$11,490 million. For further information on the Xstrata Group's gross outstanding indebtedness as at June 30, 2007, see the Xstrata Interim Financial Information (which has been incorporated by reference into this Offering Memorandum as described in "Information incorporated by reference").

While Xstrata is committed to maintaining an investment grade credit rating, Xstrata anticipates that the Xstrata Group will continue to have significant indebtedness for the foreseeable future.

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

- cause the Xstrata 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, capital expenditure, acquisitions and other general corporate purposes;

- curtail the Guarantors' ability to pay, pursuant to the Guarantees, principal or interest under the Notes to be issued;

- limit the Xstrata Group's ability to borrow additional funds for working capital, capital expenditure, acquisitions and other general corporate purposes;

- limit the Xstrata Group's flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industries in which it operates;

- place the Xstrata Group at a competitive disadvantage compared to its competitors that are less leveraged than it is; and

- increase the Xstrata Group's vulnerability to both general and industry specific adverse economic conditions.

In addition, any lowering of Xstrata's credit rating may have important consequences for Noteholders. For example, it could potentially:

- increase the margin payable under its bank debt facilities; and

- make it more expensive for the Xstrata Group to raise funds through the capital markets.

Xstrata's existing debt facilities contain a number of financial, operating and other obligations that limit the Xstrata Group's operating and financial flexibility. The Xstrata Group's ability to comply with these obligations depends on the future performance of its business.

The Xstrata Group's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage its liquidity and capital requirements. The Xstrata Group may 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 Xstrata Group's exposure to interest risk by effectively converting a portion of the Xstrata Group's fixed-rate debt to a floating rate. The Xstrata 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 Xstrata Group will not be materially adversely affected by interest rate changes in the future, notwithstanding its use of interest rate swaps.

Integration of acquisitions

A substantial portion of the Xstrata Group's growth in turnover and earnings has historically been generated from and, will be generated from, acquisitions and investments and subsequent improvements in the performance of the businesses acquired or invested in, including MIM, the Cerrejón Business, Tintaya, Falconbridge, Eland, Narama, Cumnock Coal, Austral Coal, Anvil Hill and Jubilee (if the Jubilee Offer is successful). Xstrata expects to continue a strategy of identifying, 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.

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 Ltd. and LionOre in 2007 were unsuccessful.

In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Xstrata 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 operations, technologies, systems, services and products of the acquired companies or investments and risks arising from change of control provisions in contracts of any acquired company. Further, the Xstrata 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. 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 Xstrata Group.

Labor

The majority of the workforce of the Xstrata Group is unionized. Xstrata believes that all of the Xstrata Group's operations have, in general, good relations with their employees and unions, but the Xstrata Group's operations in South America, South Africa, Australia, Canada and Chile have from time to time experienced limited work stoppages and other forms of industrial action in recent years. There can be no assurance that the Xstrata Group's operations will not be affected by such problems in the future. In addition, the Xstrata Group has been subject to union demands for pay rises and increased benefits. Furthermore, strike action at other industry participants' operations may encourage work stoppages in connection with any labor-related demands of employees or unions at the Xstrata Group's operations. The Xstrata Group could also be adversely affected by labor disruptions involving third parties who may provide the Xstrata Group with goods or services at its operations. Strikes and other labor disruptions at any of the Xstrata 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 Xstrata Group's results of operations or financial condition. There can be no assurance that work stoppages or other labor-related developments (including the introduction of new labor regulations in countries where the Xstrata Group operates) will not adversely affect the results of operations or financial condition of the Xstrata Group.

The majority of the workforce of the Xstrata Group is engaged pursuant to collective employment agreements. These collective agreements are negotiated with unions and other employee representative organizations 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 Xstrata 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 Xstrata Group and the relevant unions or other employee representative organizations. There can be no assurance that collective agreements when due to be renewed will be so renewed without work stoppages or other forms of industrial action or without additional or unforeseen costs being incurred by the Xstrata Group.

There is a serious problem with HIV/AIDS infection of the Xstrata Group's South African workforce, as there is in South Africa generally. The HIV/AIDS infection rate of the Xstrata Group's South African workforce is expected to continue to increase significantly during this decade. The costs and lost workers' time associated with HIV/AIDS may continue to adversely affect the Xstrata Group's South African results of operations or financial condition although through aggressive Antiretroviral intervention programs underway in the Xstrata Group's South African operations it is expected that this risk may be mitigated to a certain extent.

Key employees

The management of the Xstrata 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 Xstrata Group. In addition, as the Xstrata Group's business develops and expands, Xstrata believes that the Xstrata Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

Joint ventures

Members of the Xstrata 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:

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

Holding company structure and dependence on subsidiaries

Each of Xstrata and Xstrata Schweiz's results of operations and financial condition are entirely dependent on the trading performance of members of the Xstrata Group. Their ability to pay amounts due under the Xstrata Guarantee and the Xstrata Schweiz Guarantee, respectively, will depend upon the level of distributions, if any, received from their respective operating subsidiaries and interests, any amounts received on capital raisings and asset disposals and the level of cash balances. Certain of each of Xstrata and Xstrata Schweiz's operating subsidiaries and interests may, from time to time, be subject to restrictions on their ability to make distributions to it 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. There can be no assurance that such restrictions will not have a material adverse effect on the Xstrata Group's results of operations or financial condition.

Political risk

Certain of the Xstrata Group's activities and related assets are located in countries which may be considered to be, or may become, politically or economically unstable. Exploration or development activities in such countries may require protracted negotiations with host governments, international organizations and other third parties, including non-governmental organizations, and are frequently subject to economic and political considerations, such as taxation, nationalization, 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 of contractual rights or the taking of property without fair compensation.

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

The Xstrata Group has significant operations in South Africa. As a result, there are important political, economic and other risks relating to South Africa which could affect an investment in the Notes. 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. These problems have been among the factors that have impeded inward investment into South Africa, prompted the emigration of skilled workers and affected South Africa's growth rate negatively. While the South African government 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 Xstrata 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 neighboring countries. If this instability were to extend into or cause similar instability in South Africa, it could have a negative impact on the Xstrata 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 Xstrata 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 Xstrata Group's operations in Argentina may be adversely affected 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 Xstrata Group.

Cerrejón operates in Colombia. As a result, there are political and other risks relating to Colombia which could affect an investment in the Xstrata Group. 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 specialized 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 Xstrata 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 mines and Cerrejón's rights to carry on its 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 any or both of the Cerrejón Business and the Xstrata Group.

The Xstrata Group has operations in Peru, Chile and the Dominican Republic. These operations may be adversely affected by changes in government policies, including taxation, changes in the ruling government or the political, economic or social matrix of factors affecting Peru, Chile and/or the Dominican Republic, any or all of which may not be within the control of the Xstrata 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 (other than subject to certain monetary limits and within certain parameters), without the approval of the exchange control authorities, to export capital from South Africa or to hold foreign currency or foreign investments, as restrictions are imposed on foreign investments by South African residents. It is impossible to know whether any further modifications may be made by the South African government. There can be no assurance that the expansion of existing, or imposition of new, exchange controls would not adversely affect the Xstrata Group's results of operations or financial condition.

In 2002, Argentina imposed exchange control restrictions which required revenues from exports to be repatriated to Argentina and exchanged for Argentine pesos. However, pursuant to a decree issued on February 27, 2003, all mining companies which enjoyed "exchange control stability" between March 1991 and December 2001, which includes Minera Alumbrera Limited, a member of the Xstrata Group, are exempt from compliance with the exchange control restrictions. There can be no assurance that Argentinean government policy in relation to this issue will not change again in the future and any change could have a material adverse effect on the Xstrata Group's results of operations or financial condition.

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 Xstrata Group's results of operations or financial condition.

Production technology

Xstrata believes that the technology it uses to produce and process metals is significantly 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.

Sulfuric acid

Sulfur dioxide is a by-product from the smelting of copper, zinc, nickel and lead sulfide concentrates. The Xstrata Group captures sulfur dioxide to limit acid rain emissions and produces sulfuric acid as a marketable by-product. Due to increasingly strict environmental standards worldwide for sulfur dioxide emissions, involuntary production of sulfuric acid by smelters is growing. The balance of world acid production is largely based on elemental sulfur, whose supply is now a by-product of oil and gas production, and growing more rapidly than demand. Long term, these factors may make it more difficult for the Xstrata Group to obtain satisfactory prices for its sulfuric acid. However, the Xstrata Group's production of sulfuric acid cannot be reduced in response to low prices, or dropping sales volumes, without a corresponding reduction in the Xstrata Group's production of metals.

Raw material procurement risks

Procurement of raw materials involves the risks typically connected with commercial transactions, which can include trade barriers, political instability and problems due to local production conditions. In addition, the Xstrata Group's supply contracts provide that suppliers of concentrate may be released from their delivery obligations to the Xstrata Group if certain "force majeure" events occur. The Xstrata 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 events and if the Xstrata Group is unable, on short notice, to shift to alternative sources of supply.

Legal proceedings

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

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.

Risks related to the structure 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 the 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.

EU Savings Directive

Under EC Council Directive 2003/48/EC 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, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. 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).

Further details in relation to this Directive are provided in "Taxation – UK taxation". 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 this Directive, any law implementing this 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 such 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, Falconbridge 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, 2007, the Xstrata Group's total gross indebtedness (including liabilities for preferred stock) was approximately US$11,490 million and Xstrata Queensland Limited had US$250 million of notes issued in private placements in the United States (see "Management's discussion and analysis of financial condition and results of operations" for further information on such notes).

Notes are effectively subordinated to all secured indebtedness

As at June 30, 2007, the Xstrata Group had secured indebtedness of approximately US$102 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 joint and several liability of Xstrata Schweiz under the Guarantees of Xstrata and Xstrata Dubai

The joint and several liability of Xstrata Schweiz under the Guarantees of Xstrata and Xstrata Dubai 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 as a joint and several obligor under the Guarantees 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%).

The foregoing limitation does not extend to the direct Guarantee by Xstrata Schweiz (as opposed to the joint and several liability of Xstrata Schweiz under the Guarantees of Xstrata and Xstrata Dubai).

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$493 million.

The Xstrata Group will use the net proceeds of the Notes Issue to repay part of the amounts outstanding under the Syndicated Loan (as described in "Business of the Xstrata Group – Recent developments"). Some of the Initial Purchasers and/or their affiliates are lenders under the Syndicated Loan and will receive a portion of the proceeds from the Notes Issue.

For further information on the Xstrata Group's loan facilities, see "Management's discussion and analysis of financial condition and results of operations – Liquidity reserves – Bank loans", "Business of the Xstrata Group – Recent developments" and "Description of other indebtedness – Principal indebtedness".

CAPITALIZATION

The following unaudited capitalization items as at June 30, 2007 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, 2007. 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, 2007	Adjustments[1] Certain transactions	Notes Issue	As adjusted Xstrata Group as at June 30, 2007
		(in US$ millions)		
Cash and cash equivalents	1,451	–	–	1,451
Current debt				
Acquisition Facilities	1,558	(1,558)[3]	–	–
Other facilities	394	–	–	394
Total current debt	1,952	(1,558)	–	394
Non current debt				
Acquisition Facilities	2,499	(2,499)[3]	–	–
Corporate bank facilities[2]	–	4,057	(500)[4]	3,557
Notes issued pursuant to an offering memorandum dated November 8, 2006	2,250	–	–	2,250
Euro Medium Term Notes	1,350	–	–	1,350
Other facilities	3,107	–	–	3,107
Convertible borrowings	332	–	–	332
Notes offered hereby	–	–	500	500
Total non current debt	9,538	1,558	–	11,096
Total net indebtedness	10,039	–	–	10,039
Total equity	22,420	–	–	22,420
Total capitalization	32,459	–	–	32,459

Notes

(1) These adjustments do not take into account any acquisitions which took place or were agreed to after June 30, 2007, which were or are expected to be financed with drawdowns under existing facilities and available cash resources of the Xstrata Group.

(2) Corporate bank facilities includes the US$4,680 million Syndicated Loan and the US$2,000 million Club Facility.

(3) In July 2007, the Xstrata Group drew down US$4,057 million under the Syndicated Loan and used these proceeds to repay in full the amounts outstanding under the Falconbridge Acquisition Facilities.

(4) This reflects gross proceeds of the Notes Issue before deduction of fees and expenses for the Notes Issue, and without adjustment for an issue price for the Notes of less than 100% of the total principal amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's discussion and analysis of financial condition and results of operations (the "Management's Discussion and Analysis") includes a discussion of the financial condition and results of operation of (i) the Xstrata Group for the years ended December 31, 2004, 2005 and 2006 and for the six-month periods ended June 30, 2006 and 2007, and (ii) the Falconbridge Group for the years ended December 31, 2003, 2004 and 2005 and for the six-month periods ended June 30, 2005 and 2006. This section should be read in conjunction with the financial information incorporated by reference into this Offering Memorandum, as described in "Information incorporated by reference."

The Management's Discussion and Analysis contains forward-looking statements that involve risks and uncertainties. See "Special note regarding 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 both the Xstrata Group and the Falconbridge Group that are incorporated by reference into this Offering Memorandum as described in "Information incorporated by reference," as well as "Capitalization," "Summary – Summary historical financial information for the Xstrata Group" and "Summary – Summary historical financial information for the Falconbridge Group" appearing elsewhere in this Offering Memorandum. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our 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 "Risk factors" and included elsewhere in this Offering Memorandum. Certain characteristics of the mining industry also affect our results of operations and are described in "Industry overview". Please refer to "Presentation of information – Presentation of financial information" above for information on the financial information and statements that form the basis of this discussion.

Financial information on the Xstrata Group

The information presented herein is extracted without material amendment from the consolidated financial statements contained in the Xstrata Interim Financial Information, the Xstrata 2006 Annual Financial Information and the Xstrata 2005 Annual Financial Information. Each of the unaudited consolidated financial statements contained in the Xstrata Interim Financial Information (including the independent review report with respect to the six months ended June 30, 2007), the Xstrata 2006 Annual Financial Information (including the auditors' reports), and the Xstrata 2005 Annual Financial Information (including the auditors' reports and the unaudited comparative information as of and for the year ended December 31, 2004), each of which are incorporated by reference in this Offering Memorandum as described in the section of this Offering Memorandum headed "Information incorporated by reference". You should read the information below in conjunction with the unaudited consolidated financial statements and independent review report contained in the Xstrata Interim Financial Information and the audited consolidated financial statements and the auditors' reports contained in the Xstrata Annual Financial Information 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 summarized 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, 2005 and December 31, 2006.

The information in respect of the Xstrata Group in the Management's Discussion and Analysis is presented in US dollars and in accordance with IFRS for the six-month periods ended June 30, 2007 and June 30, 2006 and for the years ended December 31, 2006 and

December 31, 2005, and in accordance with IFRS as restated from UK GAAP for the financial year ended December 31, 2004. IFRS differs in certain significant respects from UK GAAP, US GAAP and Canadian GAAP.

The following information is included in Notes 5 (First time adoption of IFRS and changes in accounting policies) and 7 (IFRS Reconciliation to UK GAAP) to the Xstrata 2005 Annual Financial Information and in Note 5 (Changes in accounting policies, new standards and interpretations not applied) to the Xstrata 2006 Annual Financial Information, each of which are incorporated by reference into this Offering Memorandum as set out in the section of this Offering Memorandum headed "Information incorporated by reference":

- a discussion of Xstrata's first time adoption of IFRS from January 1, 2005 and Xstrata's consequent change in accounting policies;
- a summary of certain significant differences between IFRS and UK GAAP as they apply and applied to Xstrata;
- a reconciliation between Xstrata's UK GAAP and IFRS consolidated balance sheet at January 1, 2004 (the date of Xstrata's transition to IFRS);
- a reconciliation between Xstrata's UK GAAP and IFRS consolidated balance sheet and equity at December 31, 2004;
- notes to the consolidated balance sheet and equity reconciliation at January 1, 2004 and December 31, 2004;
- a reconciliation between Xstrata's UK GAAP and IFRS profit for the year ended December 31, 2004;
- notes to the reconciliation of consolidated profit for the financial year ended December 31, 2004;
- changes in accounting policies for 2006; and
- new standards and interpretations not applied in 2006 but which are expected to impact the Xstrata Group in future periods.

Selected financial information on the Xstrata Group

The following tables set out selected audited financial information under IFRS regarding the Xstrata Group for the two financial years ended December 31, 2006 and December 31, 2005 and unaudited comparative consolidated financial statements for the year ended December 31, 2004 as restated from the audited UK GAAP financial statements to IFRS, and selected unaudited financial information under IFRS for the six-month periods ended June 30, 2007 and June 30, 2006.

Investors and potential investors should read the information below in conjunction with the rest of the Management's Discussion and Analysis and the other detailed information included elsewhere in this Offering Memorandum and incorporated by reference into this Offering Memorandum and should not rely solely on selected and summarized information.

	Unaudited IFRS Year ended December 31,	Audited IFRS Year ended December 31,		Unaudited IFRS Year ended December 31,	Unaudited IFRS Six months ended June 30,		
	2004(1)	2005 As reported	2006 As reported	2006(2) As restated	2006 As reported	2006(2) As restated	2007 As reported
	(in US$ millions, except as otherwise stated)						
Revenue(3)	6,462	8,050	17,632	17,102	5,178	5,178	14,232
EBITDA (before exceptional items)*	2,065	3,103	7,107	6,984	2,263	2,263	5,687
EBITDA(4)	2,067	3,093	7,136	7,013	2,263	2,263	5,938
EBIT (before exceptional items)*	1,498	2,520	5,863	5,765	1,947	1,947	4,671
EBIT(5)	1,499	2,510	4,514	3,970	1,947	1,947	4,922
Profit before taxation(6)	1,441	2,462	3,915	3,376	1,880	1,880	4,466
Attributable profit (before exceptional items)*	1,027	1,660	3,350	3,350	1,137	1,137	2,822
Attributable profit(7)	1,067	1,706	1,947	1,501	1,133	1,133	3,002
Earning per share (US$) (before exceptional items)*	1.64	2.71	4.34	4.34	1.80	1.61	2.94
Earning per share (US$)(8)	1.70	2.79	2.52	1.94	1.79	1.60	3.13
Dividends per share – declared and paid (US¢)(9)	21	25	34	34	25	22.4	30
Dividends per share – proposed (US¢)(10)	16	25	30	30	13	11.6	16
Net debt(11)	1,472	2,611	13,601	13,601	1,658	1,658	10,039
Net assets(12)	7,325	8,137	19,722	19,166	13,084	13,084	22,420
Net debt to equity(13)	20.1%	32.1%	69.0%	71.0%	12.7%	12.7%	44.8%
Net cash flow from operating activities	1,638	2,325	5,286	5,286	1,479	1,479	3,921
Net cash flow from/(used in) investing activities	(424)	(2,363)	(20,021)	(20,021)	(2,858)	(2,858)	95
Net cash flow from/(used in) financing activities	(1,009)	122	15,918	15,918	1,791	1,791	(4,426)
Net increase/(decrease) in cash and cash equivalents	205	84	1,183	1,183	412	412	(410)

Notes

* Please note that in the Xstrata 2005 Annual Financial Information for the year ended December 31, 2005, exceptional items were referred to as non-trading items.

(1) The information for the year ended December 31, 2004 is unaudited, restated from the audited UK GAAP financial statements to IFRS and extracted without material amendment from the Xstrata 2005 Annual Financial Information.

(2) As restated in the Xstrata Interim Financial Information, restatements due to revisions to the Falconbridge Acquisition, the Cerrejón Acquisition and the Tintaya Acquisition in 2006, as per Note (4) and the Aluminum disposal in Note (5) to the Xstrata Interim Financial Information.

(3) Sales recognized within the consolidated Xstrata Group including joint venture turnover.

(4) Earnings before interest, tax, depreciation and amortization. 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".

(5) 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".

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

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

(8) Attributable profit divided by the weighted average number of Ordinary Shares in issue during the period.

(9) Dividends declared and paid during the period per Ordinary Share.

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

(11) 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.

(12) Total assets less total liabilities.

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

Six-month periods ended June 30, 2006 and June 30, 2007 and years ended December 31, 2004, December 31, 2005 and December 31, 2006

The following tables set out financial information (which has been prepared or restated in accordance with IFRS) relating to the Xstrata Group at, and for each of the six-month periods ended, June 30, 2006 and June 30, 2007 and at, and for the years ended, December 31, 2004, December 31, 2005 and December 31, 2006.

To comply with European Union legislation, the Xstrata Group adopted IFRS from January 1, 2005. The date of transition was January 1, 2004 and as a result the unaudited 2004 comparative information has been adjusted and restated to conform with IFRS.

The rules for first time adoption of IFRS are set out in IFRS 1 "First Time Adoption of International Financial Reporting Standards". IFRS 1 states that a company should use the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements. In preparing this financial information, the Xstrata Group applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS.

The primary exemptions that were applied by the Xstrata Group are described in Note 5 (First time adoption of IFRS and changes in accounting policies) to the Xstrata 2005 Annual Financial Information.

The information presented herein at, and in respect of the six-month periods ended, June 30, 2006 and June 30, 2007 is unaudited and, in each case, is extracted without material amendment from the Xstrata Interim Financial Information. The information presented herein at, and in respect of the year ended, December 31, 2006 is audited and is extracted without material amendment from the Xstrata 2006 Annual Financial Information. The information presented herein at, and in respect of the year ended, December 31, 2005 is audited and is extracted without material amendment from the Xstrata 2005 Annual Financial Information. The information presented herein at, and in respect of the year ended, December 31, 2004 is unaudited and is extracted without material amendment from the Xstrata 2005 Annual Financial Information.

Income Statement

	Unaudited IFRS Year ended December 31,	Audited IFRS Year ended December 31,		Unaudited IFRS Year ended December 31,	Unaudited IFRS Six months ended June 30,		
	2004[1]	2005 As reported	2006 As reported	2006[2] As restated	2006 As reported	2006[2] As restated	2007 As reported
	(in US$ millions, except as otherwise stated)						
Revenue:	**6,462**	**8,050**	**17,632**	**17,102**	**5,178**	**5,178**	**14,232**
Costs of sales[3]	(3,520)	(3,880)	(8,886)	(8,490)	(2,307)	(2,306)	(7,524)
Distribution costs	(712)	(909)	(1,141)	(1,130)	(464)	(464)	(684)
Administrative expenses[3]	(139)	(197)	(502)	(502)	(143)	(146)	(344)
Other expenses	(55)	(52)	0	0	(10)	0	0
Other income	28	68	0	0	8	0	0
Share of results from associates	2	23	4	4	1	1	7
Exceptional Items:							
Income and costs of acquisition related activities	0	0	0	0	0	0	275
Disposal fair vale adjustment	0	0	0	0	0	0	(24)
Acquisition costs	0	(10)	0	0	0	0	0
Profit on sale of investments	10	0	0	0	0	0	0
Profit on sale of operations	0	0	16	16	0	0	0
Profit on sale of available for sale financial assets	0	0	63	63	0	0	0
Restructuring and closure costs	(9)	0	(50)	(50)	0	0	0
Profit before interest, taxation, depreciation and amortization	**2,067**	**3,093**	**7,136**	**7,013**	**2,263**	**2,263**	**5,938**
Depreciation and amortization:							
– Cost of sales	(533)	(549)	(1,212)	(1,187)	(300)	(300)	(994)
– Administrative expenses	(28)	(29)	(32)	(32)	(16)	(16)	(22)
Impairment of assets:							
– Cost of sales	(7)	(5)	0	0	0	0	0
– Administrative expenses	0	0	(1,378)	(1,824)	0	0	0
Profit before interest and taxation:	**1,499**	**2,510**	**4,514**	**3,970**	**1,947**	**1,947**	**4,922**
Finance Income							
Trading items	16	36	112	110	44	44	77
Exceptional items	104	88	170	170	3	3	99
Finance cost							
Trading items	(108)	(128)	(646)	(639)	(107)	(107)	(507)
Exceptional items	(70)	(44)	(235)	(235)	(7)	(7)	(125)
Profit before taxation:	**1,441**	**2,462**	**3,915**	**3,376**	**1,880**	**1,880**	**4,466**
Income tax expense	(214)	(543)	(1,563)	(1,534)	(492)	(492)	(1,378)
Profit from continuing operations:	**1,227**	**1,919**	**2,352**	**1,842**	**1,388**	**1,388**	**3,088**
Loss from discontinued operations	(2)	0	0	0	0	0	0
Profit from discontinued operations	0	4	0	64	0	0	62
Profit for the year:	**1,225**	**1,923**	**2,352**	**1,906**	**1,388**	**1,388**	**3,150**
Attributable to:							
Equity holders of the parent	1,067	1,706	1,947	1,501	1,133	1,133	3,002
Minority interests	158	217	405	405	255	255	148
	1,225	**1,923**	**2,352**	**1,906**	**1,388**	**1,388**	**3,150**
Earnings per share (US$):							
– basic (continuing operations)	1.71	2.78	2.52	1.86	1.79	1.60	3.07
– basic	1.70	2.79	2.52	1.94	1.79	1.60	3.13
– diluted (continuing operations)	1.58	2.52	2.39	1.77	1.64	1.47	3.01
– diluted	1.58	2.53	2.39	1.85	1.64	1.47	3.07
Dividends (US$m):							
– declared and paid	134	154	251	251	160	160	290
– proposed	100	150	281	281	91	91	155
Dividend per share (US¢):							
– declared and paid	21	25	34	34	25	22.4*	30
– proposed	16	25	30	30	13	11.6*	16

Notes:

(1) The information for the year ended December 31, 2004 is unaudited, restated from the audited UK GAAP financial statements to IFRS and extracted without material amendment from the Xstrata 2005 Annual Financial Information.

(2) As restated in the Xstrata Interim Financial Information. Restatements due to revisions to the Falconbridge, Cerrejón and Tintaya acquisitions in 2006, as per Note (4) and the aluminum disposal in Note (5) of the Xstrata Interim Financial Information.

(3) Before depreciation, amortization and impairment charges.

* Adjusted for the impact of the rights issue which took place in the second half of 2006.

Balance Sheet

	Unaudited IFRS As at December 31,	Audited IFRS As at December 31,		Unaudited IFRS As at December 31,	Unaudited IFRS As at June 30,		
	2004[(1)]	2005 As reported	2006 As reported	2006[(2)] As restated	2006 As reported	2006[(2)] As restated	2007 As reported
				(in US$ millions)			
Assets							
Non-current assets							
Intangible assets	1,524	1,430	7,767	8,238	1,923	1,923	8,143
Property, plant and equipment[(3)]	8,202	8,086	30,087	29,645	10,726	10,724	29,070
Biological assets	32	13	15	15	14	14	18
Inventories	83	71	75	75	64	64	44
Trade and other receivables	61	57	84	84	47	46	86
Investments in associates	49	44	179	179	45	40	185
Available for sale financial assets	0	2,325	160	170	4,088	4,088	180
Derivative financial assets	0	9	57	57	1	1	61
Other financial assets	77	56	299	299	69	69	222
Pension asset	3	3	5	5	3	3	5
Prepayments	16	16	23	23	110	110	23
Deferred tax assets	2	7	22	22	14	14	11
	10,049	**12,116**	**38,773**	**38,812**	**17,103**	**17,096**	**38,048**
Current assets							
Inventories	826	891	3,540	3,539	1,067	1,067	3,790
Trade and other receivables	794	1,138	2,826	2,829	1,618	1,654	3,303
Prepayments	104	99	204	206	92	92	179
Derivative financial assets	0	17	11	11	2	72	13
Other financial assets	54	34	2	2	12	12	0
Cash and cash equivalents	459	524	1,860	1,860	957	957	1,451
	2,237	**2,703**	**8,443**	**8,447**	**3,748**	**3,854**	**8,736**
Total assets	**12,286**	**14,819**	**47,216**	**47,259**	**20,851**	**20,950**	**46,784**
Equity and liabilities							
Capital and reserves – attributable to equity holders of Xstrata							
Issued capital	316	316	471	471	352	352	485
Share premium	2,482	2,500	9,522	9,522	4,172	4,172	9,899
Own shares	(92)	(616)	(154)	(154)	(123)	(123)	(147)
Convertible borrowings – equity component	0	119	78	78	81	80	56
Other reserves	3,490	3,054	4,582	4,472	4,278	4,279	4,877
Retained earnings	623	2,192	4,503	4,057	3,710	3,710	6,653
	6,819	**7,565**	**19,002**	**18,446**	**12,470**	**12,470**	**21,823**
Minority interests	506	572	720	720	614	614	597
Total equity	**7,325**	**8,137**	**19,722**	**19,166**	**13,084**	**13,084**	**22,420**
Non-current liabilities							
Trade and other payables	16	10	69	95	13	39	108
Interest-bearing loans and borrowings	1,233	1,533	12,946	12,946	714	714	9,206
Convertible borrowings	590	858	525	525	531	531	332
Derivative financial liabilities	0	61	172	172	119	119	247
Provisions	480	458	1,890	2,054	557	551	2,147
Pension deficit	28	24	140	216	24	24	139
Deferred tax liabilities	1,358	1,339	5,124	5,440	2,278	2,246	5,394
Other liabilities	6	9	16	16	47	47	12
	3,711	**4,292**	**20,882**	**21,464**	**4,283**	**4,271**	**17,585**
Current liabilities							
Trade and other payables	789	946	3,110	3,113	1,158	1,212	3,706
Interest-bearing loans and borrowings	108	744	1,990	1,990	1,370	1,370	1,952
Derivative financial liabilities	0	233	78	78	276	333	58
Provisions	95	114	289	289	178	178	259
Income taxes payable	239	342	1,104	1,118	468	468	725
Other liabilities	19	11	41	41	34	34	79
	1,250	**2,390**	**6,612**	**6,629**	**3,484**	**3,595**	**6,779**
Total liabilities	**4,961**	**6,682**	**27,494**	**28,093**	**7,767**	**7,866**	**24,364**
Total equity and liabilities	**12,286**	**14,819**	**47,216**	**47,259**	**20,851**	**20,950**	**46,784**

Notes:

(1) The information for the year ended December 31, 2004 is unaudited, restated from the audited UK GAAP financial statements to IFRS, and is extracted without material amendment from the Xstrata 2005 Annual Financial Information.

(2) As restated in the Xstrata Interim Financial Information. Restatements due to revisions to the Falconbridge, Cerrejón and Tintaya Acquisitions in 2006, as per Note (4) to the Xstrata Interim Financial Information.

(3) Property, plant and equipment includes deferred stripping balances, previously included in "other assets", which were presented separately in the financial statements for the year ended December 31, 2005, in order to present the financial information on a comparable basis with that for the six months ended June 30, 2005 and the six months ended June 30, 2006.

Operating and financial review relating to the Xstrata Group

The following discussion of the financial condition and results of operations of the Xstrata Group should be read in conjunction with "Financial information on the Xstrata Group" in the Management's Discussion and Analysis above, with "Financial information on the Falconbridge Group" in the Management's Discussion and Analysis below, with "Operating and financial review relating to the Falconbridge Group" below, and with the information relating to the businesses of the Xstrata Group included elsewhere in this Offering Memorandum and the financial and other information on the Xstrata Group incorporated by reference into this Offering Memorandum as described in the section of this Offering Memorandum headed "Information incorporated by reference".

Investors and potential investors should read the whole of this Offering Memorandum and not just rely on summarized or key information. See also the section of this Offering Memorandum headed "Presentation of information – Presentation of financial information".

Overview of the Xstrata Group's business

The Xstrata Group is the fifth largest diversified mining group in the world with top four industry positions in copper, thermal coal, ferrochrome, zinc, nickel and vanadium, and a top five industry position in coking coal. In addition, the Xstrata Group has recycling facilities, additional exposures to platinum, gold, cobalt, lead and silver and a suite of global technologies, many of which are industry leaders.

The Xstrata Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, New Caledonia, Norway, Papua New Guinea, Peru, The Philippines, South Africa, Spain, Tanzania, the United Kingdom and the United States.

The Xstrata Group had revenues of approximately US$17.6 billion for the year ended December 31, 2006, and US$14.2 billion for the six months ended June 30, 2007. As at June 30, 2007, the Xstrata Group had approximately US$22.4 billion in equity. The Ordinary Shares are traded on the London Stock Exchange and the SWX. As at November 12, 2007, the market capitalization of Xstrata was approximately US$66 billion. Xstrata is a member of the FTSE-100, an index that comprises the 100 largest publicly-traded UK companies by market capitalization.

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

Copper: The Xstrata Group is the world's fourth largest producer of mined copper with mining and processing operations in five countries. The Copper Business is a fully-integrated producer of copper metal and concentrate. The Xstrata Group operates two mines, a smelter and a refinery in an integrated division in Queensland, Australia. In South America, the Copper Business operates mines and processing facilities in three countries: in Argentina, with the Minera Alumbrera mine and associated processing facilities; 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 mine and processing facilities (including an SX-EW refinery). The Copper Business includes the Xstrata Group's 33.75%-owned Antamina copper and zinc mine in Peru and its 44% stake in the Collahuasi copper mine and processing facilities in Chile. In North America, the Copper Business operates the Kidd copper and zinc mine in Canada as well as smelting, refining and recycling facilities in Canada and the United States.

Coal: On a managed basis, the Xstrata Group is one of the world's largest producers of export thermal coal, one of the largest producers of export semi-soft/PCI coal and among the top five producers of export coking coal. It has interests in 34 operating coal mines, 20 of which are located in Australia, 13 in South Africa and one in Colombia.

Nickel: The Xstrata Group is the fourth largest producer of refined nickel in the world, and one of the largest recyclers and processors of nickel and cobalt-bearing materials. Its operations include mines and processing facilities in Canada, Norway and the Dominican Republic. The Jubilee Offer (if completed) will consolidate Xstrata's position as a top-tier nickel producer.

Zinc: The Xstrata Group is one of the world's largest producers of zinc, and also produces lead and silver. The Zinc Business incorporates zinc smelting operations in Spain, Germany and Canada, interests in four operating mines and a lead smelter in Australia and a lead refining plant in the United Kingdom, interests in the Antamina copper and zinc mine in Peru, the Brunswick zinc mine in Canada, a lead smelter and refinery in New Brunswick in Canada and a minority interest in a zinc smelter in Valleyfield, Quebec, Canada.

Alloys: The Xstrata Group is the world's largest producer of ferrochrome and one of the world's leading producers of primary vanadium, with integrated production facilities in South Africa. It also has a PGM joint venture with Rustenburg Platinum Mines and Kagiso in South Africa. The Xstrata Group has also announced the acquisition of Eland, which is a significant integrated platinum producer in South Africa. The Eland Acquisition, which is expected to be completed in mid-November 2007, will significantly strengthen the Xstrata Group's current foothold in PGMs.

Other: In addition to its five principal businesses, the Xstrata Group also operates process support and technology functional, mining and processing technology businesses with operations in Australia, South Africa, Chile and Canada.

Xstrata previously had a forestry business in Chile, which was sold in January 2005, and a magnesium recycling business in North America, which was sold in April 2003. Falconbridge previously had aftermarket automotive wheel manufacturing and distribution operations, American Racing Equipment, which it sold in July 2005, as well as an aluminum business which Xstrata sold in 2007.

For information in relation to the Xstrata Group, as well as its recent developments, see "Business of the Xstrata Group".

Principal factors affecting the Xstrata Group's business

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

Market conditions

Commodity prices are significantly affected by changes in global economic conditions and related industry cycles. Prices of commodity products, such as copper, coal, nickel, zinc, platinum, lead, chrome and vanadium, which are the primary products of the Xstrata Group, can vary significantly when world supply and demand fluctuate. They 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 realized price for metals is also influenced by regional supply-demand factors, the availability and price of secondary or metal containing scrap materials, and other substitute commodity products. While the producers are unable to influence commodities prices directly, events such as the introduction of commodity production capacity and temporary price reductions or other attempts to capture market share by individual producers may also have an effect on market prices. In addition, the prices realized by producers on sales of their products can, to some extent, be affected by contractual arrangements, production levels and hedging strategies. The Xstrata Group generally realizes prevailing market prices and generally does not hedge the price it realizes on the sale of its own products. Price variations and market cycles have historically influenced the financial performance of the Xstrata Group and are expected to continue to do so.

Commodity prices

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

Average commodity prices

		Average for the year ended December 31,			Average for the six months ended June 30,	
	Unit	2004	2005	2006	2006	2007
Australian FOB export coking	US$/t	65	112	111	118	102
Australian FOB export semi-soft coking	US$/t	47	70	68	73	60
Australian FOB export thermal coal	US$/t	41	51	46	47	48
Columbian FOB export thermal coal	US$/t	n/a	n/a	49	49	52
South African export thermal coal	US$/t	39	49	46	45	50
Aluminum (LME) cash average	US$/t	n/a	1,898	2,570	n/a	n/a
Copper (LME)	US$/t	2,866	3,684	6,740	6,075	6,769
Gold (LBM)	US$/oz	409	445	n/a	580	n/a
Lead (LME)	US$/t	886	976	1,286	1,171	1,981
Zinc (LME)	US$/t	1,048	1,382	3,264	2,762	3,561
Nickel (LME)	US$/t	n/a	14,747	24,155	17,360	44,603
Ferrochrome (Metal Bulletin)	US$/lb	68	73	72	67	79
Ferrovanadium (Metal Bulletin)	US$/kg	27	71	39	41	37

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

Exchange rates

During the periods under review, the Xstrata Group's results were affected significantly by exchange rate fluctuations between the US dollar and the South African Rand, the Canadian dollar, the Australian dollar and the Euro. In recent years, with the exception of the South African Rand, each of these currencies has strengthened considerably against the US dollar. The strengthening of these currencies against the US dollar has resulted in increased production costs, in US dollar terms, for the Xstrata Group during the period under review. 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 British pound, the South African Rand and the Swiss Franc against the US dollar where relevant to the Xstrata Group for the periods and dates indicated:

Exchange Rates (in US$)

	Year ended December 31,			Six months ended June 30,	
Average	**2004**	**2005**	**2006**	**2006**	**2007**
ARS	2.9416	2.9224	3.0745	3.0664	3.0893
AUD	1.3569	1.3116	1.3271	1.3455	1.2364
CAD	1.3017	1.2113	1.1342	1.1381	1.1351
CLP	611.45	N/A	530.54	N/A	533.64
EUR	0.8037	0.8036	0.7958	0.8124	0.7521
GBP	0.5454	0.5496	0.5424	0.5583	0.5075
ZAR	6.4341	6.3661	6.7701	6.3071	7.1640
CHF	1.2421	1.2463	1.2529	1.2693	1.2278
Period end					
ARS	2.9720	3.0300	3.0610	3.0855	3.0784
AUD	1.2817	1.3646	1.2681	1.3472	1.1808
CAD	1.2034	1.1620	1.1659	1.1163	1.0596
CLP	557.40	N/A	532.32	N/A	527.54
EUR	0.7378	0.8439	0.7576	0.7818	0.7438
GBP	0.5214	0.5804	0.5105	0.5410	0.4994
ZAR	5.6650	6.3288	7.0061	7.1730	7.0751
CHF	1.1403	1.3134	1.2190	1.2232	1.2313

Currency cash flow hedging has been used historically to reduce the Xstrata Group's short-term exposure to fluctuations in the local currency exchange rates to the US dollar, British pound and the Euro. The hedging gains reflected in Xstrata's consolidated income statement for the year ended December 31, 2006 amounted to US$1 million compared to US$45 million for the year ended December 31, 2005. The unrealized mark-to-market gain on currency hedging in place at December 31, 2006 was US$6 million. The currency hedging gains reflected in Xstrata's consolidated income statement for the six months ended June 30, 2007 amounted to US$10 million compared to gains of US$5 million for the six months ended June 30, 2006. The unrealized mark-to-market position for currency hedging at June 30, 2007 was US$8 million. Australian dollar hedging is taken out in respect of US dollar priced sales. The majority of Australian dollar hedging relates to Australian dollar costs in respect of contracted and priced sales.

The Xstrata Group produces and sells commodities that are typically priced in US dollars. A large portion of the operating costs of the Xstrata Group, however, is incurred in local currencies of the countries in which the Xstrata Group's mining, production and other facilities are located. Accordingly, the Xstrata Group may be significantly affected by exchange rate fluctuations between the US dollar and such currencies. From time to time, the Xstrata Group may hedge a portion of its currency exposures and requirements to try to limit any adverse effect of exchange rate fluctuations on the Xstrata Group's results of operations and financial condition. See the section of this Offering Memorandum headed "Risk factors – Currency fluctuations".

Production costs and efficiency

The Xstrata Group, in common with its competitors, is unable to influence commodity prices directly and its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations. Costs associated with mining and metal production can be broadly categorized into labor 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. Across all of Xstrata's businesses, the mining sector continues to be heavily affected by increases in costs for labor, fuel and explosives.

During the periods under review, the positive effects of rising commodity prices have been partially offset by rising costs, particularly in respect of power, fuels, labor, transport, equipment and consumables.

Unit production costs are also significantly affected by production volumes, and therefore, the Xstrata Group's production levels are a key factor in determining its overall cost competitiveness.

In connection with the Falconbridge Acquisition, Xstrata has realized annualized operational cash cost synergies, including savings in head office and exploration functions, from the Sudbury nickel businesses, and from the enlarged copper and zinc businesses. In addition, Xstrata has benefited from the incorporation of Falconbridge into the Xstrata Group's financial structure.

Acquisitions, disposals and discontinued operations

Acquisitions and disposals

Key factors affecting comparability of the results of operations of the Xstrata Group as a whole during the period under review include the following principal acquisitions and disposals of the Xstrata Group:

- On July 1, 2004, the Xstrata Group established a combined Pooling and Sharing Venture ("PSV") with Merafe to develop vanadium operations. The PSV was the first black economic empowerment transaction for the Xstrata Group and represented a considerable step forward in achieving compliance with the New Minerals and Petroleum Resources Development Act in South Africa.

- In August 2005, Anglo Platinum and the Xstrata Group formed the Mototolo Joint Venture to develop a PGM mine and concentrator on the Eastern Limb of the Bushveld Complex in Mpumalanga, South Africa. Anglo Platinum and the Xstrata Group each agreed to contribute a similar amount of in-situ PGM reserves and resources. Anglo Platinum agreed to purchase the Xstrata Group's 50% share of PGM concentrate for further smelting, refining and marketing of finished product. The Xstrata Group agreed to construct a beneficiation plant at its own cost to process the UG2 chrome tailings arising from the PGM concentrator and to purchase Anglo Platinum's 50% share of chrome concentrate. During 2006, the Xstrata Group announced its agreement to form a black economic empowerment partnership with Kagiso in respect of the Xstrata Group's 50% interest in the Mototolo Joint Venture. As of May, through a special purpose vehicle, Kagiso Platinum Venture (Pty) Limited ("KPV"), acquired 26% of the Xstrata Group's 50% interest in the joint venture, resulting in KPV owning a fully participative 13% interest in the earnings from the Mototolo Joint Venture, in return for funding its proportionate share of the total capital expenditure required for the project. The Xstrata Group retains an effective 37% interest. KPV's participation was effective retroactively from the inception of the Mototolo Joint Venture. In order to facilitate Kagiso's fundraising, Xstrata South Africa provided a ZAR100 million (approximately US$13 million) completion guarantee to Kagiso's financiers, Investec Bank Limited. The total capital expenditure for the project is estimated at ZAR1,350 million (approximately US$175 million), of which the Xstrata Group's share is 37%. The Xstrata Group's investment is expected to be made by the end of 2007 and funded from the Xstrata Group's free cash flow. Initial production of PGM occurred in the last quarter of 2006 and full production is expected by the end of 2007.

- In August and September 2005, Xstrata Alberta acquired 73,665,996 Falconbridge Shares in private transactions, representing approximately 19.9% of the then outstanding Falconbridge Shares, at a price of C$28 per Falconbridge Share, or approximately C$2.0 billion (approximately US$1.7 billion) in aggregate. These acquisitions were financed by borrowings under the Xstrata Group's existing bank facilities and through the issue of a convertible debenture.

- On March 1, 2006, the Xstrata Group announced the acquisition of $33^{1}/_{3}$% of the Cerrejón thermal coal operation in Colombia, from Glencore International AG, for a total consideration of US$1,712 million, which included an agreed amount of US$12 million in respect of the value of the excess net assets of the Cerrejón business as at January 1, 2006 over the Cerrejón Purchasers' target net asset value of the Cerrejón Business. The consideration was satisfied in cash on completion of the Cerrejón Acquisition on May 12, 2006 and was financed through the bridge facility agreement entered into by the Xstrata Group for the purposes of the acquisition.

- On May 16, 2006, the Xstrata Group announced the acquisition of the Tintaya copper mine and associated satellite deposits in Peru from BHP Billiton for US$750 million (before working capital adjustments). The acquisition price comprised an initial cash consideration paid on completion on June 21, 2006 of US$634 million and the assumption of US$116 million of debt. An agreed price participation arrangement based on prevailing copper prices upon completion of the transaction resulted in further deferred cash payments to BHP Billiton totalling US$25 million having to be paid during the eighteen months from January 2007 to June 2008. Two further conditional deferred payments of US$25 million each in cash may also be payable to BHP Billiton. The first such amount will be payable in July 2009 if the London Metal Exchange ("LME") copper price exceeds certain levels from July 2008 to June 2009. The second amount will be payable if either of the Antapaccay or Coroccohuayco satellite deposits are developed prior to 2020. The consideration for the Tintaya Acquisition was funded from debt facilities of the Xstrata Group.

- On August 2, 2006, the Xstrata Group acquired 4.4% of the issued and outstanding common shares of diversified Canadian mining company Falconbridge Limited ("Falconbridge"), of which it already held a 19.9% interest as at December 31, 2005. On August 15, 2005, Xstrata purchased a further 67.8% of Falconbridge for C$62.50 per share to bring its total beneficial ownership to 92.1%. The remainder of the issued and outstanding common shares were purchased during the period to November 1, 2006 for C$62.50 per share. The total cash cost of the acquisition, including amounts paid in 2005 as mentioned above, was US$18,819 million.

- On December 1, 2006, the Xstrata Group purchased the remaining 50% interest in the Tavistock TESA joint venture in South Africa from its joint venture partner, Total Coal South Africa (Try) Ltd for US$49 million.

- On January 9, 2007, the Alloys Business and Bakwena-Ba-Mogopa Traditional Community agreed upon the terms of a ZAR575 million Black Economic Empowerment transaction in respect of Xstrata's fully integrated Rhovan vanadium facility near Brits in the North West Province, South Africa. The Bakwena-Ba-Mogopa Traditional Community, through this transaction, has an effective 26% participation in the Alloys Business and vanadium business through a pooling and sharing venture, and holds a fully participative 26% interest in the cash flows (EBITDA) generated by the operation in return for funding its proportionate share of operating and capital expenditure. Xstrata has vendor-financed part of the Bakwena-Ba-Mogopa Traditional Community's acquisition of the 26% interest, and has guaranteed a minimum cash distribution to it prior to payment of their debt obligations.

- On April 11, 2007, Xstrata announced the disposal of Noranda Aluminum, comprising the aluminum assets acquired through the Falconbridge Acquisition, for cash consideration of US$1,150 million to Apollo Management LP. The transaction was completed on May 19, 2007.

In addition, the following acquisitions or acquisition-related activities have taken place subsequent to the periods under review:

- In July 2007, the Xstrata Group announced its offer to acquire the entire issued share capital of Eland Platinum Holdings Limited ("Eland") by way of a scheme of arrangement for a total cash consideration of approximately ZAR7.525 billion (US$1,150 million) equivalent to ZAR105 per share, which will be financed through the Xstrata Group's existing cash resources. Application will be made to the High Court of South Africa on November 13, 2007, to sanction the scheme.

- On August 7, 2007, the Xstrata Group announced its intention to purchase Iluka Resources Limited's 50% interest in the Narama thermal coal mine, located in the Hunter Valley of New South Wales, for approximately A$53 million (US$44 million).

- On August 24, 2007, the Xstrata Group, through Helios Australia Pty Limited, a subsidiary in the Coal Business, acquired 100% of Cumnock Coal Limited for approximately A$23 million (US$19 million) for the remaining 16.03% which it previously did not hold.

- On October 17, 2007, Xstrata announced the approval by its board of the development of the Koniambo project, a major long-life, low cost, open pit nickel mine, metallurgical plant and associated infrastructure located in the North Province of New Caledonia. The project development entails investment of US$3.8 billion to be majority-funded by Xstrata, in return for a proportionate share of the project's cash flows in the first 25 years of operation. The project will be funded through Xstrata's internal cash reserves and ongoing cash flows from the Group's operations.

- On October 17, 2007, the Xstrata Group announced it had completed the acquisition of the Anvil Hill asset from Centennial for approximately A$425 million (US$375 million), following receipt of ministerial approval and the resolution of conditions precedent. This acquisition will add to Xstrata's New South Wales thermal coal portfolio, with the mine plan envisaging production of up to 10.5 Mt of both domestic and export grade thermal coal annually over a 20-year period.

- On October 29, 2007, Xstrata announced that it had entered into a bidding agreement with Australian nickel producer Jubilee, for an all-cash offer to acquire, through Ithaki Australia Pty, a wholly-owned subsidiary of Xstrata plc, all the issued and outstanding shares of Jubilee by way of a recommended off-market takeover offer. The offer values Jubilee at approximately A$3,100 million (US$2,900 million). The directors of Jubilee have unanimously recommended the offer by Xstrata, in the absence of a superior offer.

- On October 30, 2007, the Xstrata Group announced, in relation to the Coal Business, the acquisition of an 85% shareholding in Austral for approximately A$557 million (US$510 million) and assumed operational control of Austral.

Discontinued operations

The Xstrata Group's discontinued operations include its Cook coal operation which was sold in October 2006, its forestry operation in Chile, which was sold in January 2005, Falconbridge's aftermarket automotive wheel manufacturing and distribution operations, which were sold in July 2005, and Falconbridge's aluminum business, which was sold in 2007.

Current trading and prospects

Since June 30, 2007, Xstrata has continued to trade well, with demand for commodities remaining robust despite the negative sentiment in the wake of the US subprime mortgage crisis. In the wider market, this demand, together with market supply constraints and long lead times to add new market capacity, has supported prices for the Xstrata Group's commodities significantly above long-term averages and the assumptions that underpinned the Falconbridge Acquisition.

LME prices rose strongly in the first half of 2007, led by nickel and lead prices, which more than doubled compared to average prices in first half of 2006. Average copper and zinc prices also continued to rise period-on-period, and ferrochrome prices recovered from lower average prices in 2006, to an average of US$0.79 per pound for the first half of 2007. Current spot copper and zinc prices remain above the average for the first half of the year whilst the nickel price has moderated somewhat since peaking in the first half of the year.

The year began with lower copper prices amid bearish sentiment surrounding the US economy, but this was quickly overshadowed by surging Chinese copper imports and ongoing supply-side concerns. Supply uncertainty and a strong physical market continues to support prices. With the copper industry running at full capacity to meet current demand levels, the copper price has been sustained in a range between US$7,000 per ton and US$8,000 per ton over the last quarter due to ongoing production shortfalls caused by strike actions and operational issues.

Nickel prices have retreated from their May peak on the back of increased nickel pig-iron production from low grade lateretic ore. The swing production of these higher cost nickel units, have effectively created a short term trading range for nickel prices between US$25,000 and US$35,000. Indications are that production of nickel pig-iron is reduced at prices below this trading range and thus supporting the price, while on the other hand production is increased when prices are above this trading range which in turn moderates prices.

Zinc prices have been supported by supply of refined zinc continuing to fall short of global demand during the first half of 2007, resulting in a drawdown in LME warehouse stocks of 15,450 tons of zinc to 73,000 tons at the end of June, which represented less than four days of global consumption. Global zinc demand remains supported by strong economic growth in most regions.

The market for thermal coal has been characterised by supply disruptions and continued robust demand growth, resulting in spot prices reaching an all-time peak of over US$70 per ton. Infrastructure constraints in Australia, flooding and heavy rains in both Australia and Indonesia as well as Chinese supply cutbacks have combined to limit supply growth to less than 4% compared with the first half of 2006. Import demand for the same period has grown by 5% period-on-period on the back of substantial increases in both China and India.

Demand for ferrochrome has continued to support stronger prices in 2007. While the rate of growth in stainless melt production has moderated since the rapid increases seen in the second half of 2006, production continues to grow. Lower production from Western Europe, and to a lesser extent Eastern Europe and the Americas, is expected to be more than compensated by further significant production growth in China.

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:

	Unaudited IFRS Year ended December 31,	Audited IFRS Year ended December 31,		Unaudited IFRS Six months ended June 30,	
	2004	2005	2006	2006[1]	2007
		(in US$ millions)			
Coal	2,693	3,400	3,617	1,693	1,871
Copper	1,598	2,008	7,007	1,718	5,975
Zinc	1,165	1,449	3,721	1,283	2,481
Alloys[2]	953	1,116	959	432	589
Nickel	0	0	1,678	0	3,221
Aluminum	0	0	530	0	0
Other[3],[4]	53	77	120	52	95
Continuing operations	6,462	8,050	17,632	5,178	14,232
Discontinued operations:					
Aluminum	0	0	0	0	542
Other[3],[4]	3	0	0	0	0
Xstrata Group	6,465	8,050	17,632	5,178	14,774

Note:

(1) The results for the six months ended June 30, 2006 were restated in the Xstrata Interim Financial Information, with the major restatement being the re-classification of aluminum revenue into discontinued operations.

(2) In 2005, the Alloys Business included vanadium and chrome; whereas in 2006, it included vanadium, chrome and platinum.

(3) In 2004 "Other" consisted of Xstrata Technology and the forestry business.

(4) In 2005 and 2006, "Other" consisted of Xstrata Technology.

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 sales are to export markets in transactions denominated in US dollars. As a result, the Xstrata Group's revenue is impacted by changes in the international spot markets and the relative strength of the US dollar compared to other currencies. In addition, because a substantial portion of coal sales are made under annual contracts at prices set at the time of such contracts, market price increases of coal during the course of a year are not reflected in revenues during that year.

Copper. The Xstrata Group's copper revenues are made up of sales of copper concentrates, copper cathode, 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 90% of the concentrates are sold under smelter frame contracts and the remainder are in the spot market and are sales to export markets in transactions denominated in US dollars. Approximately 35% of cathode produced at the copper refinery in Townsville is sold domestically in Australia. The remaining 65% is sold to Glencore via an off-take agreement and exported into the Asian region (see "Business of the Xstrata Group – Relationship with Glencore").

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 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 via sole distribution agreements signed in April 2007 for terms of 10 years. See "Business of the Xstrata Group – 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, sulfuric acid and sulfur 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 EU countries in the form of SHG ingots or alloys. Zinc concentrates are sold primarily in Australia, Japan, Korea, China and Europe.

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 and it is almost exclusively upgraded to ferrovanadium. The Xstrata Group's ferrovanadium is exported, with Europe as the largest export market.

Other. In 2004, "Other" consisted of the Xstrata Group's forestry and technology businesses. The forestry business comprised the management of a plantation of eucalyptus globulus, and the sale of pulplogs under a tolling and marketing agreement. In June 2003, the MIM acquisition provided the Xstrata Group with, amongst other things, a number of proprietary technologies, including Xstrata Process Support, which are the main technologies of Xstrata Technology. These operations were included in "Other" for the purposes of the Xstrata Group's financial reporting. In January 2005, the Xstrata Group sold its forestry business. As a result, during the years ended December 31, 2005 and 2006 and the six-month period ended June 30, 2006, "Other" consisted largely of the Xstrata Group's Technology business and the Xstrata Group's share of results from its interest in Falconbridge. In August 2006, the Xstrata Group acquired the remaining shares of Falconbridge. For the six-month period ended June 30, 2007, "Other" consisted only of the Technology business.

Costs

Costs reflected in profit before interest, taxation, depreciation and amortization 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), and 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, so as 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 capitalized, profits and losses on the sale of investments, profits and losses from the sale of operations and restructuring and closure costs.

Earnings before interest, taxation, depreciation and amortization

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

	Unaudited IFRS Year ended December 31,	Audited IFRS Year ended December 31,			Unaudited IFRS Six months ended June 30,		
	2004 As reported	2005 As reported	2006(1) As reported	2006(2) As restated	2006 As reported	2006(2) As restated	2007 As reported
				(in US$ millions)			
Profit before interest, taxation, depreciation and amortization							
Before exceptional items							
Coal	914	1,344	1,247	1,247	582	582	508
Copper	857	1,131	3,349	3,349	1,184	1,184	2,330
Zinc	146	303	1,477	1,477	433	433	1,013
Alloys	203	350	263	263	98	98	185
Nickel	0	0	788	788	0	0	1,699
Aluminum	0	0	123	0	0	0	0
Technology	19	14	26	26	9	9	18
Unallocated	(75)	(62)	(170)	(170)	(44)	(44)	(73)
Share of results from associates (net of tax, continuing operations)							
Coal	2	2	2	2	1	1	1
Copper	0	16	0	0	0	0	
Zinc / Lead	0	0	2	2	0	0	6
Unallocated	0	5	0	0	0	0	
Segment Profit before interest, taxation, depreciation and amortization	**2,066**	**3,103**	**7,107**	**6,984**	**2,263**	**2,263**	**5,687**
(continuing operations)							
Exceptional items:							
Alloys	(1)	0	0	0	0	0	0
Unallocated	(8)	(10)	13	13	0	0	0
Profit on sale of investments (continuing operations):	0	0	0	0	0	0	0
Copper	10	0	0	0	0	0	0
Coal	0	0	16	16	0	0	0
Platinum	0	0	0	0	0	0	(24)
Nickel	0	0	0	0	0	0	275
Profit before interest, taxation, depreciation and amortization	**2,067**	**3,093**	**7,136**	**7,013**	**2,263**	**2,263**	**5,938**
(continuing operations):							
EBITDA (discounting operations);							
Forestry	0	0	0	0	0	0	0
Aluminum	0	0	0	123	0	0	129
Exceptional items:							
Forestry	0	4	0	0	0	0	0
Profit on sale of discontinued operations:							
Aluminum	0	0	0	0	0	0	1
Total	**2,067**	**3,097**	**7,136**	**7,136**	**2,263**	**2,263**	**6,068**

Note:

(1) In 2006, non-trading items are disclosed as exceptional items in Note 9 of the Xstrata 2006 Annual Financial Information.

(2) As restated in the Xstrata Interim Financial Information. Restatements due to revisions to the Falconbridge, Cerrejón and Tintaya acquisitions in 2006, as per Note (4) and the Aluminum disposal in Note (5) of the Xstrata Interim Financial Information.

Six-month period ended June 30, 2007 compared with six-month period ended June 30, 2006

Revenue

The Xstrata Group's revenue was US$14,232 million in the six months ended June 30, 2007, an increase of US$9,054 million or more than double the US$5,178 million in the six months ended June 30, 2006. The Falconbridge Acquisition and sustained stronger commodity prices, particularly in exchange traded metals, were the principal reasons for the increase.

Copper. Revenue of the Copper Business was US$5,975 million in the six months ended June 30, 2007, an increase of US$4,257 million or more than triple the US$1,718 million in the six months ended June 30, 2006. The increase largely reflects the Falconbridge Acquisition and the Tintaya Acquisition, as well as increased copper and gold prices for the six months ended June 30, 2007 resulting from strong demand growth, low exchange inventories and global supply-side disruptions.

Coal. Revenue of the Coal Business was US$1,871 million in the six months ended June 30, 2007, an increase of US$178 million or 10.5% from US$1,693 million in the six months ended June 30, 2006. This resulted primarily from increased sales volumes as a result of the Xstrata Group's acquisition of 33$^1/_3$% of Cerrejón and higher South African production and higher prices for coal, offset in part by sales volume decreases for Australian and South African coal, as well as lower average prices realized for Australian coking and semi-soft coal in the six months ended June 30, 2007 compared with the six months ended June 30, 2006.

Nickel. Revenue of the Nickel Business was US$3,221 million in the six months ended June 30, 2007, reflecting the Falconbridge Acquisition, prior to which the Xstrata Group had no Nickel operations.

Zinc. Revenue of the Zinc Business was US$2,481 million in the six months ended June 30, 2007, an increase of US$1,198 million or 93.4% from US$1,283 million in the six months ended June 30, 2006. The increase was mainly due to the Falconbridge Acquisition but also increased prices for zinc, lead and silver in 2007. Increased global demand for zinc, fuelled in part by demand for steel for Chinese construction and infrastructure projects, combined with global capacity increasing at a slower rate than demand, resulted in higher average prices for zinc products in the six months ended June 30, 2007.

Alloys. Revenue of the alloys business (the "Alloys Business") was US$589 million in the six months ended June 30, 2007, an increase of US$157 million or 36.3% from US$432 million in the six months ended June 30, 2006. This increase was primarily due to an increase of 38.4% in chrome revenue for the first half of 2007 from the comparative period in 2006, predominantly driven by robust global demand for ferrochrome and higher average prices. Strong demand caused prices to remain elevated despite the fact that Xstrata had spare capacity as a result of its Lion ferrochrome plant being brought back on stream during 2007. Strong demand also caused a 31% increase in saleable production to 597,600 tons of ferrochrome, which also resulted from the resumption of operation at all but two furnaces. The increase in the Alloys Business revenue also reflects platinum operations which commenced in the second half of 2006, but was further boosted by higher prices due to continued robust global demand for PGMs. These increases were partially offset by a 18.8% decrease in vanadium revenue due to lower sales prices for both vanadium pentoxide and ferrovanadium as well as lower production volumes, which was impacted by planned maintenance work to re-line the kiln and production problems experienced in the mine after re-commissioning of the kiln.

Other. Revenue from "Other" consisted of revenue from Xstrata Technology which was US$95 million in the six months ended June 30, 2007, an increase of US$43 million or 82.7% from US$52 million in the six months ended June 30, 2006. This increase was due primarily to a number of new contracts entered into in the six months ended June 30, 2007, reflecting the high level of activity within the metals and mining sector generally.

Profits before interest, taxation, depreciation and amortization ("EBITDA")

Xstrata Group. The Xstrata Group's pre-exceptional EBITDA from continuing operations increased by US$3,424 million or more than doubled to US$5,687 million in the six months ended June 30, 2007 from US$2,263 million in the six months ended June 30, 2006. This was due primarily to the Falconbridge Acquisition as well as to higher realized sales prices. Consistent with the trend across the mining industry, the increase in realized sales prices was partially offset by increased cost pressures.

Copper. The Copper Business's EBITDA increased by US$1,146 million or 96.8% to US$2,330 million in the six months ended June 30, 2007 from US$1,184 million in the six months ended June 30, 2006. The increased revenue that resulted from the Falconbridge Acquisition and the Tintaya Acquisition and higher copper and gold prices was offset in part by lower production volumes in Argentina and Australia due to lower head grades, weather conditions in Argentina, the commencement of quarterly royalty payments to Yacimientos Mineros de Agua de Dionisio ("YMAD"), mining sector and CPI inflation, and the strengthening of the Australian dollar. Increases in operating costs beyond inflation rates also partially offset this increase in EBITDA, as there was a general shortage of major consumables and energy.

Coal. The Coal Business's EBITDA decreased by US$74 million or 12.7% to US$508 million in the six months ended June 30, 2007 from US$582 million in the six months ended June 30, 2006. The increased revenue from coal was more than offset by increased operating costs, mainly as a result of the congestion at the Newcastle and Dalrymple Bay Coal Terminal ports in New South Wales and Queensland, respectively, which resulted in a significant increase in demurrage costs, and mining sector inflation, in particular from increased labor and consumable costs. These increased costs were partially offset by lower fuel prices, the impact of underlying CPI inflation and the strengthening of the Australian dollar. The mining sector, across all of Xstrata's businesses, continues to be heavily affected by increasing costs for labor, fuel and explosives.

Nickel. The Nickel Business's EBITDA increased from nil to US$1,699 million in the six months ended June 30, 2007, reflecting the Falconbridge Acquisition, prior to which the Xstrata Group had no nickel operations.

Zinc. The Zinc Business's EBITDA increased by US$580 million or more than doubled to US$1,013 million in the six months ended June 30, 2007 from US$433 million in the six months ended June 30, 2006. The increased revenue resulting from the Falconbridge Acquisition and higher zinc and lead prices were the main reasons for the increase in EBITDA, together with strong volume and cost performance, mainly due to increased productivity at Mount Isa and improvements in efficiencies and recoveries of by-products. These increases were offset in part by the impact of mining sector and CPI inflation as well as the weakening of the US dollar against the Australian dollar and the Euro.

Alloys. The Alloys Business's EBITDA increased by US$87 million or 88.8% to US$185 million in the six months ended June 30, 2007 from US$98 million in the six months ended June 30, 2006. The increase was mainly the result of increased revenue together with cost control, despite the negative effect of ongoing mining sector inflation. Increased chrome production volumes positively impacted fixed cost structures but inevitably had an adverse effect on variable costs. The higher level of chrome production precipitated the use of more power at elevated winter tariff structures, increased consumption of imported coke and the purchase of additional lump ore at a premium. Vanadium earnings decreased due to the impacts of planned maintenance work to re-line the kiln and production problems experienced in the mine after re-commissioning of the kiln. The increase in EBITDA was also caused by platinum operations commencing in the second half of 2006, which contributed US$31 million in the first half of 2007.

Other. EBITDA of the Xstrata Technology business increased by US$9 million or doubled to US$18 million in the six months ended June 30, 2007 from US$9 million in the six months ended

June 30, 2006. The results for the Technology business were positively impacted by increased volumes of work, due to the relatively strong recent activity levels in the mining sector.

Other pre-tax items

The Xstrata Group's depreciation and amortization from continuing operations increased by US$700 million to US$1,016 million in the six months ended June 30, 2007 compared with US$316 million in the six months ended June 30, 2006. The Xstrata Group recognized net interest expense of US$456 million for the six months ended June 30, 2007 after recognising US$67 million in net interest expense for the six months ended June 30, 2006. The change was due primarily to increased borrowings to help fund acquisitions made by the Xstrata Group in the first half of 2006.

Income tax expense

Income tax expense increased by 180.1% to US$1,378 million in the six months ended June 30, 2007 from US$492 million in the six months ended June 30, 2006, mainly due to increased earnings as a result of the Falconbridge Acquisition, the Cerrejón Acquisition and the Tintaya Acquisition.

Profit for the six months

In the six months ended June 30, 2007, the Xstrata Group recorded profit of US$3,150 million, an increase of US$1,762 million as compared to profit for the six months ended June 30, 2006 of US$1,388 million. Minority interests of US$148 million recorded in the six months ended June 30, 2007 related to other shareholders of entities in which the Xstrata Group had an interest. As a result, profit for the period attributable to equity holdings of the Xstrata Group increased to US$3,002 million for the six months ended June 30, 2007, an increase of US$1,869 million or more than double the US$1,133 million for the six months ended June 30, 2006. Minority interests' share of the profits for the six months ended June 30, 2007 decreased to US$148 million, a decrease of US$107 million or 42.0% from US$255 million for the six months ended June 30, 2006, mainly reflecting decreased profits at Minera Alumbrera in Argentina which has a 50% minority interest, but also decreased profits in the Australian Coal Business.

Year ended December 31, 2006 compared with year ended December 31, 2005

Revenue

The Xstrata Group's revenue was US$17,632 million in the year ended December 31, 2006, an increase of US$9,582 million, or more than double, from US$8,050 million in the year ended December 31, 2005. This substantial increase in revenue was mainly due to the Falconbridge Acquisition in the second half of 2006, together with higher base metals prices.

Copper. Revenue of the Copper Business was US$7,007 million in the year ended December 31, 2006, an increase of US$4,999 million, or more than triple from US$2,008 million in the year ended December 31, 2005. This increase was due to the Falconbridge Acquisition and the Tintaya Acquisition and significantly higher sales prices for copper and gold, which more than offset reduced sales volumes of copper due to the effects of lower grade ores recovered.

Coal. Revenue of the Coal Business was US$3,617 million in the year ended December 31, 2006, an increase of US$217 million or 6.4% from US$3,400 million in the year ended December 31, 2005. This increase was primarily due to the Cerrejón Acquisition and higher sales volumes, offset in part by lower sales prices.

Nickel. Revenue of the Nickel Business was US$1,678 million in the year ended December 31, 2006, compared to nil in the year ended December 31, 2005 reflecting the Falconbridge Acquisition, prior to which the Xstrata Group had no nickel operations.

Zinc. Revenue of the Zinc Business was US$3,721 million in the year ended December 31, 2006, an increase of US$2,272 million, or more than double, from US$1,449 million in the year ended December 31, 2005. This increase was primarily due to the Falconbridge acquisition and higher sales prices.

Alloys. Revenue of the Alloys Business was US$959 million in the year ended December 31, 2006, a decrease of US$157 million or 14.1% from US$1,116 million in the year ended December 31, 2005. Chrome revenue decreased by US$50 million or 6.3% due to reduced sales prices and volumes from reduced quality ores. Vanadium revenues decreased by US$119 million or 37.4% due to lower sales prices for both vanadium pentoxide and ferrovanadium, 55% and 34% lower, respectively, than the record highs of 2005, partly offset by increased sales volumes.

Aluminum. Revenue of the Aluminum Business was US$530 million in the year ended December 31, 2006, compared to nil in the year ended December 31, 2005, reflecting the Falconbridge Acquisition, prior to which the Xstrata Group had no aluminum operations. The Aluminum Business was disposed of during the first half of 2007.

Other. Revenue from Xstrata Technology was US$120 million in the year ended December 31, 2006, an increase of US$43 million or 55.8% from US$77 million in the year ended December 31, 2005. This increase was due to continued strong demand for Xstrata Technology products in light of the buoyant market for metals and mining products.

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

Xstrata Group. The Xstrata Group's EBITDA from continuing operations increased by US$4,043 million, or more than doubled, to US$7,136 million in the year ended December 31, 2006 from US$3,093 million in the year ended December 31, 2005. This increase was principally attributable to the Falconbridge Acquisition, the Cerrejón Acquisition and the Tintaya Acquisition, higher LME metbase metals prices, which were in part offset by the increased cost pressures being experienced across the mining industry.

Copper. The Copper Business's EBITDA (excluding the share of results from associates) increased by US$2,218 million or more than doubled, to US$3,349 million in the year ended December 31, 2006 from US$1,131 million in the year ended December 31, 2005. This reflected the Falconbridge and Tintaya acquisitions and significantly higher sales prices, offset in part by lower volumes from lower grade ore and an increase in costs related to mining industry inflation. This mining sector inflation continued to exceed CPI inflation during the year, with significant pressures being experienced in the areas of labor, contractors, fuel and energy.

Coal. The Coal Business's EBITDA (excluding the share of results from associates) decreased by US$81 million or 6% to US$1,263 million in the year ended December 31, 2006 from US$1,344 million in the year ended December 31, 2005. The overall decrease was attributable to lower sales prices and ongoing increases in prices for key mining materials, in addition to mining sector and CPI inflation. In particular, the mining industry across all of Xstrata's businesses continued to be heavily affected by increasing costs for labor, fuel and explosives.

Nickel. The Nickel Business's EBITDA was US$788 million in the year ended December 31, 2006, compared to nil in the year ended December 31, 2005 reflecting the Falconbridge Acquisition, prior to which the Xstrata Group had no nickel operations.

Zinc. The Zinc Business's EBITDA (excluding the share of results from associates) increased by US$1,174 million, or more than quadrupled, to US$1,477 million in the year ended December 31, 2006 from US$303 million in the year ended December 31, 2005. The increase was primarily attributable to the Falconbridge and Tintaya acquisitions and significantly higher zinc and lead sales prices.

Alloys. The Alloys Business's EBITDA decreased by US$87 million or 24.9% to US$263 million in the year ended December 31, 2006 from US$350 million in the year ended December 31, 2005.

The decrease in chrome EBITDA was US$28 million or 16.6% due to lower average prices, reduced volumes and standing charges associated with idled capacity, together with the impact of ongoing mining sector inflation. From July 1, 2006, Merafe's interest in the Xstrata-Merafe chrome venture increased to 20.5%. This was partially offset by more stable reductant prices, improved metalurgical performance, sound energy management and a weaker South African rand. The reduced Vanadium EBITDA of US$70 million was mainly due to the reduced sales prices while the commencement of platinum operations contributed US$11 million.

Aluminum. The Aluminum Business's EBITDA was US$123 million in the year ended December 31, 2006, compared to nil in the year ended December 31, 2005 reflecting the Falconbridge Acquisition, prior to which the Xstrata Group had no aluminum operations. The Aluminum Business unit was disposed during the first half of 2007.

Other. EBITDA of the Xstrata Group's other businesses increased to US$26 million in the year ended December 31, 2006 from US$14 million in the year ended December 31, 2005, mainly as a result of the increased revenue from the continued strong demand for Xstrata Technology products in light of the buoyant market for metals and mining products.

Share of results from associates

The Xstrata Group's share of results from associates decreased from US$23 million in 2005 to US$4 million in 2006, due primarily to the Falconbridge Acquisition and the cessation of its treatment as an associate at the end of 2005.

Other pre-tax items

The Xstrata Group's depreciation and amortization and asset impairments increased to US$2,622 million in the year ended December 31, 2006 from US$583 million in the year ended December 31, 2005, primarily due to the Falconbridge Acquisition, Cerrejón Acquisition and Tintaya Acquisition and impairment of assets.

The Falconbridge Acquisition was completed through two transactions. Xstrata acquired 20% of Falconbridge at C$28 per share in August 2005, before acquiring the remaining 80% in 2006 at a price of C$62.50 per share. The average price paid per share was C$56.44. Xstrata believes that its ability to average the purchase price paid for the second tranche of shares over the full purchase provided it with a compelling competitive advantage and was a significant factor in the success of the transaction. Under IFRS, this advantage cannot be recognized, as goodwill is calculated separately for each transaction, regardless of the average price paid per share to acquire the 100% interest. This accounting treatment has resulted in the creation of significant additional goodwill of US$1.5 billion. Xstrata has completed a detailed fair value evaluation of the assets acquired, and in accordance with IFRS, tested the goodwill for impairment. As a result, the company has determined that an impairment charge of US$1,378 million (increased to US$1,824 million in the restated 2006 results reported in the Xstrata Interim Financial Information) to the 2006 statutory income statement is appropriate in the light of the IFRS valuation of the assets.

The Xstrata Group recognized net interest expense of US$599 million for the year ended December 31, 2006, a more than ten-fold increase from the US$48 million in net interest expense for the year ended December 31, 2005. This difference was mainly due to the Falconbridge Acquisition, Cerrejón Acquisition and Tintaya Acquisition and to increased net recycled foreign currency losses from the foreign currency translation reserve.

Income tax expense

Income tax expense increased to US$1,563 million in the year ended December 31, 2006 from US$543 million in the year ended December 31, 2005. This increase was primarily due to increased earnings.

Profit for the year

In the year ended December 31, 2006, the Xstrata Group recorded profit for the year of US$2,352 million, an increase of US$429 million or 22.3% as compared to profit for the year ended December 31, 2005 of US$1,923 million. Minority interests of US$405 million recorded in the year ended December 31, 2006 related to other shareholders of entities in which the Xstrata Group had an interest. As a result, profit for the period attributable to equity holdings of the Xstrata Group increased to US$1,947 million for the year ended December 31, 2006, an increase of US$241 million or 14.1% from US$1,706 million for the year ended December 31, 2005. Minority interests' share of the profits for the year ended December 31, 2006 increased by 86.6% to US$405 million compared with the year ended December 31, 2005.

Year ended December 31, 2005 compared with year ended December 31, 2004

Revenue

The Xstrata Group's revenue was US$8,050 million in the year ended December 31, 2005, an increase of US$1,588 million or 24.6% from US$6,462 million in the year ended December 31, 2004. The slight difference in the sum of the revenue figures for the Xstrata Group's business segments for the year ended December 31, 2004 from that of the Xstrata Group overall is due to the recognition of US$3 million in revenues from the Xstrata Group's forestry business, a discontinued operation, in 2004.

Copper. Revenue of the Copper Business was US$2,008 million in the year ended December 31, 2005, an increase of US$410 million or 25.7% from US$1,598 million in the year ended December 31, 2004. This increase was due to significantly higher sales prices for copper and gold, which more than offset reduced sales volumes of gold due to the effects of lower grade ores recovered.

Coal. Revenue of the Coal Business was US$3,400 million in the year ended December 31, 2005, an increase of US$707 million or 26.3% from US$2,693 million in the year ended December 31, 2004. This increase was primarily due to higher sales prices and, to a lesser extent, higher sales volumes.

Nickel. Revenue from the Nickel Business was nil in both of the years ended December 31, 2004 and 2005, due to the fact that this business was only acquired in late 2006 in connection with the Falconbridge Acquisition.

Zinc. Revenue of the Zinc Business was US$1,449 million in the year ended December 31, 2005, an increase of US$284 million or 24.4% from US$1,165 million in the year ended December 31, 2004. This increase was primarily due to higher sales prices and sales volumes.

Alloys. Revenue of the Alloys Business was US$1,116 million in the year ended December 31, 2005, an increase of US$163 million or 17.1% from US$953 million in the year ended December 31, 2004. An increase of US$185 million in vanadium revenues more than offset a decrease of US$22 million in revenues from the Chrome Business in 2005. The increase was primarily driven by higher prices for both chrome and vanadium partially offset by lower chrome sales volumes as well as the agreed reduction in the Xstrata Group's participation interest in the Xstrata-Merafe PSV chrome venture.

Other. Revenue from Xstrata Technology was US$77 million in the year ended December 31, 2005, an increase of US$24 million or 45.3% from US$53 million in the year ended December 31, 2004. This increase was due to continued strong demand for Xstrata Technology products in light of the buoyant market for metals and mining products. Revenue in the year ended December 31, 2004 also included US$3 million in sales from the Xstrata Group's forestry business.

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

Xstrata Group. The Xstrata Group's EBITDA from continuing operations increased by US$1,026 million or 49.6% to US$3,093 million in the year ended December 31, 2005 from US$2,067 million in the year ended December 31, 2004. This increase was principally attributable to higher sales prices for the Xstrata Group's products, which was in part offset by the increase in costs associated with the weakening of the US dollar against the Australian dollar and the South African Rand. The difference between the Xstrata Group's overall profit before interest, taxation, depreciation and amortization and the sum of those of the Xstrata Group's business segments is due to profit arising from the Xstrata Group's share of results from associates, net of tax, in certain business segments and profit before interest, taxation, depreciation and amortization generated in discontinued operations as well as unallocated costs. For details of this and other information regarding the Xstrata Group's results by business segment, see Note 10 of the notes to the Xstrata Group's consolidated financial statements in the Xstrata 2006 Annual Financial Information.

Coal. The Coal Business's EBITDA (excluding the share of results from associates) increased by US$430 million or 47.0% to US$1,344 million in the year ended December 31, 2005 from US$914 million in the year ended December 31, 2004. The overall increase was attributable to higher coal prices. This was in part offset by the strengthening of local currencies against the US dollar as well as reduced currency hedging gains and increased royalties and mining input costs (meaning CPI and mining sector inflation), which more than offset productivity improvements. In addition, severe congestion at the Dalrymple Bay Coal Terminal also had a negative effect on profitability for the Coal Business as it led to a significant increase in demurrage charges for using this port from US$1.47 per tonne in 2004 to US$3.54 per tonne in 2005, prompting Oaky Creek to ship larger quantities of coal through Gladstone at a higher transportation charge.

Copper. The Copper Business's EBITDA (excluding the share of results from associates) increased by US$274 million or 32.0% to US$1,131 million in the year ended December 31, 2005 from US$857 million in the year ended December 31, 2004. This reflected significantly higher sales prices, offset in part by lower concentrate sales and reduced gold production from lower grade gold ores in South America, as well as cost inflation.

Zinc. The Zinc Business's EBITDA (excluding the share of results from associates) increased by US$157 million or 107.5% to US$303 million in the year ended December 31, 2005 from US$146 million in the year ended December 31, 2004. The increase was primarily attributable to higher sales prices and sales volumes as well as an improvement in unit costs as a consequence of increased ore production in the mines, improved capacity utilization at the concentrator plant, operational improvements and the business's continued focus on containing operating costs, which more than offset the negative effect of the strengthening of local currencies against the US dollar in 2005.

Alloys. The Alloys Business's EBITDA increased by US$148 million or 73.3% to US$350 million in the year ended December 31, 2005 from US$202 million (being EBITDA before non-trading items of US$203 million offset by an exceptional loss in the Alloys Business of US$1 million) in the year ended December 31, 2004. The increased revenue from increased prices was offset, in part, by decreased sales volumes overall in 2005. Although Xstrata Group vanadium pentoxide volumes were lower for the year ended December 31, 2005 than for the year ended December 31, 2004 as a result of the Vantech closure, the Xstrata Group maximized production of vanadium pentoxide at the expense of efficiency to capitalize on favorable market conditions and maximize contribution margins for the year ended December 31, 2005.

Other. EBITDA of the Xstrata Group's other businesses (principally the Xstrata Technology business) decreased to US$14 million in the year ended December 31, 2005 from US$19 million in the year ended December 31, 2004, mainly as a result of the timing of a number of large contracts for Xstrata Technology which were recognized in 2004.

Share of results from associates. The Xstrata Group's share of results from associates increased from US$2 million in 2004 to US$23 million in 2005, due primarily to the US$21 million recognized in 2005 in respect of its then current investment in Falconbridge.

Other pre-tax items

The Xstrata Group's depreciation and amortization and asset impairments stayed relatively constant from 2004 to 2005, increasing to US$583 million in the year ended December 31, 2005 from US$569 million in the year ended December 31, 2004, primarily due to a slight increase in depreciation and amortization in the Xstrata Group's coal business segment due to higher sales volumes. The Xstrata Group recognized net interest expense of US$48 million for the year ended December 31, 2005, a decrease of 17.2% after recognising US$58 million in net interest expense for the year ended December 31, 2004. This difference was due largely to higher interest charges relating to the financing of the Xstrata Group's then current stake in Falconbridge and reduced net recycled foreign currency gains from the foreign currency translation reserve, which were more than offset by reduced loan facility write offs and higher average returns on the Xstrata Group's cash balances in 2005.

Income tax expense

Income tax expense increased to US$543 million in the year ended December 31, 2005 from US$214 million in the year ended December 31, 2004. This increase was primarily due to increased earnings and the recognition in the year ended December 31, 2004 of a US$50 million benefit from previously unrecognized tax losses and the one time benefit of a deferred tax adjustment of US$48 million as a result of certain entities entering into the Australian tax consolidation regime in the year ended December 31, 2004. The 2005 taxation charge was partially reduced by a 1% decrease in corporate tax rates in South Africa in 2005 of US$22 million as well as the recognition of research and development allowances in Australia.

Profit for the year

In the year ended December 31, 2005, the Xstrata Group recorded profit for the year of US$1,923 million, an increase of US$698 million or 57.0% as compared to profit for the year ended December 31, 2004 of US$1,225 million. Minority interests of US$217 million recorded in the year ended December 31, 2005 related to other shareholders of entities in which the Xstrata Group had an interest. As a result, profit for the period attributable to equity holdings of the Xstrata Group increased to US$1,706 million for the year ended December 31, 2005, an increase of US$639 million or 59.9% from US$1,067 million for the year ended December 31, 2004. Minority interests' share of the profits for the year ended December 31, 2005 increased by 37.3% to US$217 million compared with the year ended December 31, 2004, which was impacted by smaller increases in profit from Minera Alumbrera in Argentina, which has a 50% minority interest.

Liquidity and capital resources

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

	Year ended December 31,			Six months ended June 30,	
	2004 (unaudited)	2005 (audited)	2006 (audited)	2006 (audited)	2007 (unaudited)
	(in US$ millions)				
Net cash flow from operating activities	1,638	2,325	5,286	1,479	3,921
Net cash flow from/(used in) investing activities	(424)	(2,363)	(20,021)	(2,858)	95
Net cash flow from/(used in) financing activities	(1,009)	122	15,918	1,791	(4,426)
Net increase/(decrease) in cash and cash equivalents	205	84	1,183	412	(410)

Cash flow

The Xstrata Group's net cash inflow from operating activities increased by US$2,442 million from US$1,479 million in the six months ended June 30, 2006 to US$ 3,921 million in the six months ended June 30, 2007 due mainly to increased profitability in the six months ended June 30, 2007 as a result of the improved LME metals prices and the Falconbridge Acquisition, Cerrejón Acquisition and Tintaya Acquisitions, offset in part by increases in working capital requirements, financing and income tax payments. The Xstrata Group's cash flow from investing activities increased by US$2,953 million, from a net outflow of US$2,858 million for the six months ended June 30, 2006 to a net cash inflow of US$95 million for the six months ended June 30, 2007 due mainly to the Cerrejón Acquisition, Tintaya Acquisition and sustaining and expansionary capital expenditure. The Xstrata Group's cash flow from financing activities changed by US$6,217 million from a net cash inflow of US$1,791 million in the six months ended June 30, 2006 to a net cash outflow of US$4,426 million in the six months ended June 30, 2007 due mainly to the financing arrangements for the Cerrejón Acquisition and Tintaya Acquisition.

The Xstrata Group's net cash inflow from operating activities increased by US$2,961 million from US$2,325 million in the year ended December 31, 2005 to US$5,286 million in the year ended December 31, 2006 due mainly to increased profitability in the year ended December 31, 2005, offset in part by increases in working capital requirements, financing costs and income tax payments. The Xstrata Group's net cash outflow from investing activities increased by US$17,658 million, from US$2,363 million for the year ended December 31, 2005 to US$20,021 million for the year ended December 31, 2006 due mainly to the Falconbridge Acquisition, Cerrejón Acquisition and Tintaya Acquisition in 2006. The Xstrata Group's net cash inflow from financing activities increased by US$15,796 million from US$122 million in the year ended December 31, 2005 to US$15,918 million in the year ended December 31, 2006 due mainly to the drawdown of debt facilities for the financing of the Falconbridge Acquisition, Cerrejón Acquisition and Tintaya Acquisition offset by higher loan repayments of interest bearing loans and borrowings in the year ended December 31, 2005.

The Xstrata Group's net cash inflow from operating activities increased by US$687 million from US$1,638 million in the year ended December 31, 2004 to US$2,325 million in the year ended December 31, 2005 due mainly to increased profitability in the year ended December 31, 2005, offset in part by increases in working capital requirements and income tax payments. The Xstrata Group's net cash outflow from investing activities increased by US$1,939 million, from US$424 million for the year ended December 31, 2004 to US$2,363 million for the year ended December 31, 2005 due mainly to the acquisition of the Xstrata Group's interest in the share capital of Falconbridge, its acquisition of the African Carbon group and increased sustaining and expansionary capital expenditure in the year ended December 31, 2005. The Xstrata Group's net cash flow from financing activities increased by US$1,131 million from a net cash outflow of US$1,009 million in the year ended December 31, 2004 to a net cash inflow of US$122 million in the year ended December 31, 2005 due mainly to the financing arrangements for the acquisition of the Xstrata Group's interest in the share capital of Falconbridge and lower net repayments of interest bearing loans and borrowings, partially offset by increased purchases of own shares and dividend payments in the year ended December 31, 2005.

Liquidity reserves

Interest-bearing borrowings

The Xstrata Group's audited interest-bearing borrowings (calculated in accordance with IFRS) as of December 31, 2006 are set forth below:

	Due within one year	Due after one year	Total(1)
Bank loan	1,695	7,700	9,395
Bank overdraft	143	0	143
Capital markets notes	5	4,627	4,632
Other loans	0	139	139
Convertible borrowings	0	525	525
Equity minority interest loans	0	81	81
Preference shares(2)	0	304	304
Total	1,843	13,376	15,219

(1) The analysis above excludes finance lease and hire purchase creditors of US$242 million as of December 31, 2006.

(2) Preference shares were assumed by the Xstrata Group through the Falconbridge Acquisition refer to Note 7 in the Xstrata 2006 Annual Financial Information.

The Xstrata Group's unaudited interest-bearing borrowings (calculated in accordance with IFRS) as of June 30, 2007 are set forth below:

	Due within one year	Due after one year	Total(1)
Bank loan	1,641	2,921	4,562
Bank overdraft	125	0	125
Capital markets notes	174	5,729	5,903
Other loans	0	14	14
Convertible borrowings	0	332	332
Equity minority interest loans	0	121	121
Preference shares(1)	0	331	331
Total	1,940	9,448	11,388

(1) The analysis above excludes finance lease and hire purchase creditors of US$102 million as of December 31, 2006.

Bank loans

The Xstrata Group has entered into the following bank loans as described below:

- In connection with the Falconbridge Acquisition, Xstrata entered into the Acquisition Facilities Agreement, the Debt Bridge Facility Agreement and the Equity Bridge Facility Agreement for the purposes of meeting the financing requirements of the Falconbridge Offer and to act as the Xstrata Group's principal bank facilities following the Falconbridge Acquisition.

- The Acquisition Facilities Agreement provided Xstrata with facilities which consist of: (i) a 36-month term loan facility for US$3,353 million; (ii) a 60-month-and-one-day term loan facility for US$1,117 million; (iii) a 60-month revolving loan facility for US$3,353 million; and (iv) a 364-day term loan facility for US$1,677 million with the ability to extend (at Xstrata (Schweiz) AG's option) by 364 days. Interest is payable on the loans at the rate which is the aggregate of: (i) LIBOR; (ii) mandatory costs (being regulatory costs of the lenders which are passed on to the borrowers); and (iii) the relevant margins which are initially between 0.50% per annum and 0.70% per annum. This facility was fully repaid in July 2007 using the US$4,680 million Syndicated Loan described and defined below.

- The Debt Bridge Facility Agreement provided the Xstrata Group with a facility which consists of a six-month term loan facility for US$2,500 million with the ability to extend (at Xstrata (Schweiz) AG's option) by 364 days. Interest is payable on the loans at a rate which is the aggregate of: (i) LIBOR, (ii) mandatory costs (being regulatory costs of the lenders which are passed on to borrowers), and (iii) the relevant margin, which is initially 0.40% per annum. This facility was fully repaid in November 2006.

- The Equity Bridge Facility Agreement provides the Xstrata Group with a term loan facility for US$7.0 billion due on the earlier of: (i) six months after initial utilization; and (ii) May 15, 2007. Interest is payable on the loans at the rate which is the aggregate of: (i) LIBOR; (ii) mandatory costs (being regulatory costs of the lenders which are passed on to borrowers); and (iii) the relevant margin, which is initially 0.40% per annum. This facility was fully repaid in November 2006.

- On July 25, 2007, Xstrata (Schweiz) AG and Xstrata Finance (Canada) Limited entered into US$4,680 million multi-currency revolving facilities 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 (the "Syndicated Loan"), which facilities are guaranteed by certain other subsidiaries of Xstrata. On July 31, 2007, Xstrata (Schweiz) AG and Xstrata Finance (Canada) Limited drew down US$4,087,401,533.58 under the Syndicated Loan and used these proceeds to repay in full the amounts outstanding under the Acquisition Facilities. Subsequent drawdowns have been made to fund the acquisition of Anvil Hill and Austral. Interest is payable on the loans at the rate which is the aggregate of: (i) LIBOR or, in relation to any loan in euro, EURIBOR; (ii) mandatory costs (being regulatory costs of the lenders which are passed on to the borrowers); and (iii) the relevant margin, which is 0.275% per annum. The interest payable on swingline loans is the higher of: (i) the prime rate as determined by the facility agent at such time and (ii) 0.5% per annum plus the federal funds rate at such time. Agency fees of US$55,000 per annum are also payable in advance. The Syndicated Loan is available until July 1, 2012 and all amounts must be repaid by July 31, 2012. As at November 12, 2007, there was US$4,680 million outstanding under the Syndicated Loan.

- On October 8, 2007, Xstrata (Schweiz) AG entered into a US$2,000 million revolving facility with Australia and New Zealand Banking Group Limited, Barclays Capital, Deutsche Bank AG, London Branch, J.P. Morgan plc, Lloyds TSB Corporate Markets, National Australia Bank Limited, The Royal Bank of Scotland plc and The Bank of Tokyo-Mitsubishi UFJ Ltd, London Branch as arrangers and bookrunners and Barclays Capital plc as facility agent (the "Club Facility"). In October 2007, Xstrata drew down US$290 million under the Club Facility to pay for the acquisition of Austral. Interest is payable on the loans at the rate which is the aggregate of: (i) LIBOR or, in relation to any loan in euro, EURIBOR; (ii) mandatory costs (being regulatory costs of the lenders which are passed on to the borrowers); and (iii) the relevant margin, which is 0.275 per cent. per annum. The Club Facility is a 364 day facility and is therefore available until September 7, 2008 and all amounts must be repaid by October 7, 2008. As at November 12, 2007, there was US$290 million outstanding in borrowings under the Club Facility.

The Syndicated Loan and the Club Facility include financial covenants that require Xstrata to maintain certain financial ratios.

Pursuant to these covenants, which are calculated in accordance with IFRS, Xstrata must ensure that:

(a) the ratio of its consolidated borrowings to EBITDA does not exceed 3.00:1.00 for (i) any financial year or (ii) any 12 month period constituting the second six months of one financial year and the first six months of the next financial year; and

(b) the ratio of its EBITDA to interest expense does not fall below 4.00:1.00 for (i) any financial year or (ii) any 12-month period constituting the second six months of one financial year and the first six months of the next financial year.

Xstrata has complied with these covenants, to the extent applicable, since the execution of the Syndicated Loan and Club Facility in July and October 2007, respectively.

The proceeds of this Notes Issue will be used to repay the US$290 million outstanding under the Club Facility, and the balance of the proceeds will be used to repay a portion of the amounts outstanding under the Syndicated Loan.

Other unsecured bank loans

The Xstrata Group has entered into the following unsecured bank loans:

- 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 2011 and US$201 million (2005 US$ nil) which bear interest at a rate based on LIBOR plus 31 basis points, repayable by December 2011;
- US$40 million which bear interest at a rate based on LIBOR plus 85 basis points, repayable in January 2008; and
- ZAR-denominated borrowings of US$4 million that are subject to floating interest rates based on Johannesburg inter bank acceptance rate (JIBAR) with an average floating interest rate of 9.0% per annum during 2006 (2005: 8.7% per annum), repayable by January 2010.

Bank overdrafts – unsecured

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

Minority Interest Loans

- Minority interest loans include US$81 million advanced to Minera Alumbrera Limited to fund operations that is subject to a fixed rate of 7.2% per annum. It has no fixed repayment date, but is not callable within 12 months.

Other Loans

- Other loans include ZAR-denominated loans at December 31, 2006 of US$135 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.
- As at December 31, 2006, other loans included US$4 million (2005 US$1 million), received from the Ministry of Industry & Energy and Cantabria Government in Spain for San Juan de Nieva zinc smelter expansion projects. US$3 million of this loan is interest free and repayable by 2014, and US$1 million of it is subject to a fixed rate of 5.0% per annum and is repayable by 2013.

Capital market notes

As at December 31, 2006, the Xstrata Group had the following guaranteed unsecured private placements:

(a) US$150 million of series A senior unsecured notes, with an effective interest rate of 5.9% due in June 2008;

(b) US$50 million of series B unsecured notes due in yearly instalments from June 2008, with an effective interest rate of 6.75% due in June 2011;

(c) US$50 million series B senior unsecured notes, with an effective interest rate of 7% due in June 2011;

(d) US$500 million of unsecured floating rate notes due in November 2009 issued by Xstrata Finance (Dubai) Limited in November 2006 and guaranteed by Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Canada) Limited;

(e) US$750 million of 5.5% unsecured notes due in November 2011 issued by Xstrata Finance (Canada) Limited in November 2006 and guaranteed by Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Dubai) Limited;

(f) US$1,000 million of 5.8% unsecured notes due in November 2016 issued by Xstrata Finance (Canada) Limited and guaranteed by Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Dubai) Limited; and

(g) Senior debentures assumed by the Xstrata Group through the Falconbridge Acquisition, consisting of: C$180 million 4.89% debentures due in December 2008; US$328 million 6.03% debentures due in February 2011; US$266 million 5.88% debentures due in June 2012; US$317 million 6.06% debentures due in July 2012; US$354 million 6.34% debentures due in October 2015; US$246 million 6.16% debentures due in June 2015; US$234 million 6.39% debentures due in June 2017; and US$232 million 6.77% debentures due in June 2035.

Convertible borrowings

2010 Convertible Bonds

On August 15, 2003, Xstrata Capital issued US$600 million of guaranteed convertible bonds due August 15, 2010 (the "2010 Convertible Bonds") convertible, at any time after September 26, 2005, at the option of the holder into 3.95% exchangeable redeemable preference shares of Xstrata Capital which are exchangeable immediately upon issuance for fully paid new Ordinary Shares. The 2010 Convertible Bonds were guaranteed by Xstrata and were issued at par and bore a coupon of 3.95% per annum. The initial exchange price was £6.10 (US$9.81 converted into GBP at a fixed exchange rate) per ordinary share, a 39.6% premium to the closing price of Xstrata plc's ordinary shares on August 1, 2003. As at December 31, 2006 US$201 million of the 2010 Convertible Bonds remained in issue unconverted. As a result of the rights issue the conversion price was adjusted to £5.44 (US$8.75 converted into GBP at a fixed exchange rate).

During the six months ended June 30, 2007, US$214 million of the 2010 Convertible Bonds was converted at the option of the holders into 24,516,537 ordinary shares in Xstrata plc. As a result of this conversion, 100% of the 2010 Convertible Bonds has now converted and no 2010 Convertible Bonds remain outstanding.

Eurobond

On June 12, 2007, Xstrata Capital Canada issued the final terms of a two-tranche €1,000 million Eurobond offering, comprised of €500 million 4.875% guaranteed notes due 2012 and €500 million 5.25% guaranteed notes due 2017 (the "Euro Medium Term Notes").

2017 Convertible Debenture

On September 6, 2005, Xstrata Capital issued a US$375 million guaranteed convertible debenture, due August 14, 2017, to Brascade Corporation, convertible, at any time after August 14, 2006, at the option of the holder into 4.00% exchangeable redeemable preference shares of Xstrata Capital which are exchangeable immediately upon issuance for fully paid new Ordinary Shares. The Convertible Debenture was guaranteed by Xstrata and was issued at par, with a coupon of 4.00% per annum. The initial exchange price was £17.1315 (US$30.99 converted into GBP at a fixed exchange rate) per Ordinary Share, representing a 35% premium to the closing price of Xstrata's Ordinary Shares on August 11, 2005. Following the rights issue in October 2006, the total number of ordinary shares that the 2017 Convertible Debenture could have converted into increased to 13,575,432 and the conversion price was adjusted to £15.27 (US$27.62 converted into GBP at a fixed exchange rate). Unless previously converted, redeemed or cancelled, the 2017 Convertible Debenture was redeemable on August 14, 2017 at its principal amount plus unpaid accrued interest (if any). At any time after August 14, 2010, Xstrata Capital was entitled, on giving notice, to redeem the 2017 Convertible Debenture at its principal amount plus unpaid accrued interest (if any). On October 13, 2006, the 2017 Convertible Debenture was cancelled in consideration of the issue to the holder of the 2017 Convertible Debenture of the 2017 Convertible Bonds.

In accordance with the obligations of Xstrata Capital and Xstrata under a subscription agreement entered into in relation to the issue of the 2017 Convertible Debenture, Xstrata Capital issued US$375 million of guaranteed convertible bonds, due August 14, 2017, to Trilon International Inc., convertible, at any time, at the option of the holder into 4.00% exchangeable redeemable preference shares of Xstrata Capital which are exchangeable immediately upon issuance for fully paid new Ordinary Shares. The 2017 Convertible Bonds are guaranteed by Xstrata with a coupon of 4.00% per annum. The initial exchange price was £17.1315. Unless previously redeemed or converted or purchased and in each case cancelled, the 2017 Convertible Bonds will be redeemed on August 14, 2017 at their principal amount together with unpaid accrued interest (if any) and that at any time after August 14, 2010, Xstrata Capital may, on giving notice, redeem the 2017 Convertible Bonds at their principal amount together with interest accrued to the date fixed for redemption. The 2017 Convertible Bonds are listed on the Professional Securities Market of the London Stock Exchange.

Seasonality

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

Off-balance-sheet arrangements

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 our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditure or capital resources.

Capital expenditure

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

	Year ended December 31,			Six months ended June 30,	
	2004 (unaudited)	2005 (audited)	2006[(1)] (audited)	2006 (audited)	2007[(1)] (unaudited)
	(in US$ millions)			*(in US$ millions)*	
Total Xstrata Group	642	947	1,580	459	999
Of which sustaining capital expenditure	308	430	662	182	508
Of which expansionary capital expenditure	334	517	918	277	491

Note:

(1) Includes discontinued operations for the aluminum business of US$13 million in 2007 and US$22 million in 2006.

The Xstrata Group's total capital expenditure for the six-month period ended June 30, 2007 was US$999 million, an increase of US$540 million from total capital expenditure of US$459 million for the six-month period ended June 30, 2006.

Major items of expansionary capital expenditure of US$491 million included continued work on the development of the expansionary nickel projects including the Nickel Rim South project in the Sudbury Basin, the Koniambo and Kabanga nickel growth projects and the Raglan complex expansion. In the Zinc Business, further work continued on the McArthur River open put expansion and the expansion of the Mount Isa zinc-lead concentrator to increate throughput to 8 mtn per year.

The Xstrata Group's total capital expenditure for the year ended December 31, 2006 was US$1,580 million, an increase of US$633 million or 66.8% from total capital expenditure of US$947 million for the year ended December 31, 2005. The Xstrata Group's expansionary capital expenditure in the year ended December 31, 2006 increased by US$401 million or 77.6% from US$517 million for the year ended December 31, 2005 to US$918 million in the year ended December 31, 2006 as investments were made in a number of growth projects. Expansionary capital expenditure for Xstrata on a standalone basis (excluding Falconbridge) rose to $485 million and included the Project Lion ferrochrome smelter in South Africa as it prepared for commissioning in the second half of 2006, continued development of the Mototolo PGM project (a joint venture with Anglo Platinum), Goedgevonden thermal coal, ongoing expansions to the copper smelter and zinc-lead concentrator at Mount Isa, a new coal wash plant at Collinsville coal mine and the acquisition of a further dragline at the Rolleston operation in Queensland. The Falconbridge Acquisition brought with it a significant number of high quality projects undergoing development or feasibility studies. Funds were invested in the further development of the Nickel Rim South Project in Sudbury, which is scheduled to commence production in 2009, the renewal project underway at the Koniambo deposit in New Caledonia and an expanded drilling program at the Kabanga project in Tanzania. Investment in the Falconbridge copper expansionary projects, including the completion of the Kidd Mine D expansion in Canada and further development of a number of growth projects including El Pachón, El Morro and Frieda River.

The Xstrata Group's total capital expenditure for the year ended December 31, 2005 was US$947 million, an increase of US$305 million or 47.5% from total capital expenditure of US$642 million for the year ended December 31, 2004. The Xstrata Group's expansionary capital expenditure in the year ended December 31, 2005 was US$517 million, an increase of US$183 million or 54.8% from US$334 million for the year ended December 31, 2004. This expansionary capital expenditure featured a number of major discrete projects accelerated to take advantage of the currently favorable commodity prices. The most significant of these were Project Lion, and the development of the open-cut Rolleston coal mine, which together incurred the bulk of the Xstrata Group's expansionary capital expenditure in 2005. At Project Lion, US$132 million was incurred in the period as construction accelerated. At Rolleston, US$135 million was spent in the period, and the operation commenced production in 2005, on time and within budget. Other major items of the Xstrata Group's expansionary capital expenditure in the year ended December 31, 2005 include the Coal Business which spent US$24 million to upgrade the coal flotation plant at Newlands, the commencement of construction of the UG2 mine and concentrator for the Mototolo Joint Venture with Anglo Platinum, with the Xstrata Group's share of the joint venture capital expenditure (excluding commitments) being approximately ZAR56 million (approximately US$8.8 million) for the second half of 2005, the initiation of the drilling program at the Copper Business's Las Bambas project at a cost of US$10 million, and US$12 million incurred for the continued development of the Black Star zinc lead-mine.

Total capital expenditure for 2007 is expected to be approximately US$2.6 billion. In addition to the continued development of the above mentioned growth projects, further expenditure will enable the ramp up of the Goedgevonden open-cut coal mine development in South Africa (a joint venture with ARM Coal), the development of the new Blakefield South coal mine and incremental expansions of the Liddell and Mount Owen complexes in Australia. Feasibility studies will continue on the Tampakan and Lomas Bayas copper projects, and further investment will occur to develop the Perseverance zinc-lead mine in Canada, which is scheduled to commence production from the third quarter of 2008. In addition, Xstrata's involvement in the Koniambo project, a major life-long, low cost, open-pit nickel mine, metallurgical plant and associated infrastructure project in New Province of New Caledonia, is expected to require an investment of US$3.8 billion, the majority of which is to be provided by Xstrata over a period of approximately three years.

The Xstrata Group has made and may in the future make acquisitions of mines, plants or materials and metals businesses that complement or enhance its existing production.

Contractual obligations

	As at December 31,					
	2004		2005		2006	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
			(in US$ millions)			
Within one year	14	9	31	15	159	147
After one year but not more than five years	153	138	188	172	84	68
More than five years	43	38	48	42	43	27
Total minimum lease payments	210	185	267	229	286	242
Less amounts representing finance lease charges	(25)	0	(38)	0	(44)	0
Present value of minimum lease payments	185	185	229	229	242	242

Operating lease commitments – Xstrata Group member as lessee

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 12.5 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:

	At December 31,		
	2004	2005 (in US$ millions)	2006
Within one year	24	17	50
After one year but not more than five years	42	23	101
More than five years	11	11	20
Total	**77**	**51**	**171**

Contingent liabilities

As at December 31, 2006, the Xstrata Group, had the following contingent liabilities:

- The Coal Business Australia has contracted US$697 million (2005: US$440 million) for rail take or pay commitments, US$494 million (2005: US$243 million) for port take or pay commitments, performance guarantees to customers under contracts for supply of coal for US$25 million (2005: US$21 million) and guarantees to the NSW and Queensland Departments for Mineral Resources in respect of various mining leases and the performance thereof US$78 million (2005: US$59 million).

- The Coal Business as a party to the Newlands and Collinsville joint ventures is responsible for costs incurred with workforce termination and equipment demobilization at the conclusion of the open-cut mining contracts. Indemnities have been provided by the joint venture partners to government agencies including guarantees relating to mining tenements of US$34 million (2005: US$5 million).

- The Coal Business South Africa has issued guarantees to the Department of Mineral and Energy to obtain certain prospecting permits of US$68 million (2005 US$ nil).

- The Coal Business's share of the Cerrejón coal mine's performance guarantees totals US$343 million (2005: US$ nil). These guarantees have been provided to various government agencies to enable the coal mine to freely export coal, receive tax exemptions, and to access a special imports system.

- The Alloys Business has issued guarantees to Eskom for power usage and early termination of power usage of US$13 million (2005: 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$19 million (2005: US$6 million).

- The Alloys Business has issued a guarantee in respect of the obligations of Merafe under a US$43 million (2005: US$47 million) facility in connection with the acquisition of certain assets and resources relating to the PSV and the Project Lion ferrochrome expansion project to be undertaken by the PSV. Any payments to be made under the guarantee are secured by the Group's ability to acquire Merafe's PSV assets for fair value and the security Merafe has provided to the lender.

- The Copper Business, the Zinc Business and Xstrata Technology Australia have issued performance guarantees to customers for US$27 million (2005 US$22 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 licenses US$174 million (2005: US$126 million).

- The Nickel Business has issued guarantees for energy contracts of US$96 million (2005: US$ nil), US$25 million (2005 US$ nil) for oil supplies and a letter of credit to Japanese Custom and Tariff Bureau in respect of customs duty and consumption tax on imports of nickel, cobalt and other raw materials for US$3 million.

As at December 31, 2006, the Xstrata Group had the following contingent liabilities (other than guarantees):

- The Xstrata Group's South African coal business operations have legal obligations to rehabilitate and treat mine water which will decant from the mines into the river systems some time after cessation of mining occurs. Detailed studies are currently being undertaken to determine the likely quantum and timing of decanting, the most appropriate treatment options and the impact of water flows from adjoining mines. Once this study is complete and the exposure is quantifiable, a rehabilitation asset and liability will be recognized and will thereafter amortize the asset and unwind the discounted liability.

- The Zinc Business has issued performance guarantees to the Northern Territory government for an electricity supply and pipeline agreements of US$29 million (2005: US$32 million) and has provided bank guarantees to the Northern Territory government for rehabilitation costs of US$41 million (2005: US$ nil).

- The Zinc Business has issued bank guarantees in Spain of US$55 million (2005: US$76 million).

- A letter of credit of US$172 million (2005: US$ nil) has been given for the pension liabilities of the Xstrata Group's Canadian operations.

- Letters of credit have been issued to the Canadian government for rehabilitation costs of US$33 million (2005: US$ nil)

- A letter of credit has been issued to non-government Canadian electricity suppliers for power usage for US$10 million (2005: US$ nil).

- The purchase agreement of the Las Bambas copper project in Peru includes contingent amounts payable to a community trust fund of US$2 million (2005: US$21 million) following a decision to develop the project. This will be payable over the development and construction phases of the project. No decision to develop the project has been made.

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 – 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 programs; funding acquisitions and investments; management of interest rate and foreign exchange exposures; and co-ordinating relationships with banks, rating agencies and other financial institutions.

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, and 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 the fluctuations in the underlying exposure.

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, British pound and the Euro. The currency hedging gains reflected in the income statement for the six months ended June 30, 2007 amounted to US$10 million compared to losses of US$5 million for the six months ended June 30, 2006.

The unrealized available mark-to-market position on foreign currency hedging in place at June 30, 2007 was US$8 million.

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 hedging of the Xstrata Group is in the form of forward and option contracts covering a portion of planned attributable gold, copper, zinc, silver, lead and coal production.

Hedges relating to sales are classified as cash flow hedges and shown in the table below. The fair value of these hedges is deferred within equity on the balance sheet until the sale is recorded.

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 subject to strict limits laid down by the Board.

No new hedging contracts were entered into by the Xstrata Group for base metals, gold or silver during the six months ended June 30, 2007. The unrealized mark-to-market loss on commodity hedging maturing in the second half of 2007 and as at June 30, 2007 was approximately US$44 million, based on the forward curve at that time.

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, 2006:

	Carrying value 2006	Fair value 2006
	(in US$ millions)	
Financial Liabilities:		
Capital market notes	4,132	4,200
Convertible borrowings	525	519
Equity minority interest loans	81	80
Finance leases	242	242
Preference shares	201	203
Other loans	1	1

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 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, 2007, as calculated in accordance with IFRS, was 44.8% (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 and arrangement fees and equity includes minority interests).

Critical accounting policies

Xstrata historically prepared its financial statements under UK GAAP, and its audited financial statements for the year ended December 31, 2004 that had originally been prepared in accordance with UK GAAP, were restated according to IFRS in the Xstrata 2005 Annual Financial Information, and these restated accounts are incorporated by reference herein from the Xstrata 2005 Annual Financial Information as described in the section of this Offering Memorandum headed "Information incorporated by reference". Since 2005, Xstrata has prepared and will continue to prepare its financial statements under IFRS. Xstrata's audited financial statements for the year ended December 31, 2005, which include comparable figures for the year ended December 31, 2004, each prepared in accordance with IFRS, have been incorporated by reference herein as described in the section of this Offering Memorandum headed "Information incorporated by reference". Xstrata's unaudited financial statements for the six-month period ended June 30, 2006, which include comparable figures for the six-month period ended June 30, 2005, each prepared in accordance with IFRS, have been incorporated by reference herein from the Xstrata Interim Financial Information as described in the section of this Offering Memorandum headed "Information incorporated by reference".

As part of the Xstrata Group's audited financial statements, the directors of Xstrata 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.

Set forth below are the accounting policies under IFRS that the Directors considered to be critical in relation to the historical financial statements of the Xstrata Group referred to above and which they consider will be critical to the financial statements of the Xstrata Group:

IFRS

Basis of consolidation

The financial statements consolidate the financial statements of Xstrata and its subsidiaries (the "Xstrata Group"). All inter-entity balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated in full. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the Xstrata Group has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities. Where there is a loss of control of a subsidiary, the financial statements include the results for the part of the reporting period during which Xstrata has control. Subsidiaries use the same reporting period and same accounting policies as Xstrata.

Interests in Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The financial statements of the joint ventures are prepared for the same reporting period as Xstrata, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Jointly controlled operations. A jointly controlled operation involves the use of assets and other resources of the Xstrata Group and other venturers rather than the establishment of a corporation, partnership or other entity.

The Xstrata Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture.

Jointly controlled assets. A jointly controlled asset involves joint control and offers joint ownership by the Xstrata Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

The Xstrata Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Jointly controlled entities. A jointly controlled entity involves the establishment of a corporation, partnership or other legal entity in which the Xstrata Group has an interest along with other venturers.

The Xstrata Group recognises its interest in jointly controlled entities using the proportionate method of consolidation whereby the Xstrata Group's share of each of the assets, liabilities, income and expenses of the joint venture are combined with the similar items, line by line, in its consolidated financial statements.

When the Xstrata Group contributes or sells assets to a joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Xstrata Group has transferred the risk and rewards of ownership to the joint venture, the Xstrata Group only recognizes the portion of the gain or loss attributable to the other venturers, unless the loss is reflective of an impairment, in which case the loss is recognized in full. When the Xstrata Group purchases assets from the joint venture, it does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. Losses are accounted for in a similar manner unless they represent an impairment loss, in which case they are recognized immediately.

Joint ventures are accounted for in the manner outlined above, until the date on which the Xstrata Group ceases to have joint control over the joint venture.

Revenue

Revenue associated with the sale of commodities is recognized when all significant risks and rewards of ownership of the asset sold are transferred to the customer, usually when insurance risk have passed to the customer and the commodity has been delivered to the shipping agent. Sales revenue is recognized at the fair value of consideration received, which in most cases is invoiced amounts, with most sales being priced free on board (FOB), free on rail (FOR) or cost, insurance and freight (CIF). Revenues from the sale of by-products are also included in sales revenue. Revenue is recognized, at fair value of the consideration receivable, to the extent that it is probable that economic benefits will flow to the Xstrata Group and the revenue can be reliably measured. Revenue excludes treatment and refining charges unless payment of these amounts can be enforced by the Xstrata Group at the time of the sale.

For some commodities the sales price is determined provisionally at the date of sale, with the final price determined at a mutually agreed date, generally at a quoted market price at that time. In order to ensure that revenue is recorded at the fair value of consideration to be received, adjustments are made to the invoice price based on the forward metal prices published at the balance sheet date.

Impairment of assets

The carrying amounts of non-current assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value-in-use. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash-generating unit level.

Where a cash-generating unit, or group of cash-generating units, has goodwill allocated to it, or includes intangible assets which are either not available for use or which have an indefinite useful life (and which can only be tested as part of a cash-generating unit), an impairment test is performed at least annually or whenever there is an indication that the carrying amounts of such assets may be impaired.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the income statement to reflect the asset at the lower amount. In assessing the recoverable amount of assets, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal are discounted to their present value using a market-determined pre-tax discount rate which reflects current market assessments of the time value of money and asset-specific risks for which the cash flow estimates have not been adjusted.

An impairment loss is reversed in the income statement if there is a change in the estimates used to determine the recoverable amount since the prior impairment loss was recognized. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of depreciation or amortization which would have arisen if the prior impairment loss had not been recognized. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Goodwill impairments are not reversed.

Pensions and other post-retirement obligations

The Xstrata Group's contributions to its defined contribution pension plans are charged to the income statement in the year to which they relate. The Xstrata Group contributes to separately administered defined benefit pension plans.

For defined benefit funds, plan assets are measured at fair value, while plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. In measuring its defined benefit liability past service costs are recognized as an expense on a straight-line basis over the period until the benefits become vested. To the extent that the benefits vest immediately following the introduction of, or changes to, a defined benefit plan, the past service costs are recognized immediately. When a settlement (eliminating all obligations for part or all of the benefits that have already accrued) or a curtailment (reducing future obligations as a result of material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognized in the income statement during the period in which the settlement or curtailment occurs.

The service cost of providing pension benefits to employees for the year is determined using the projected unit method and is recognized in the income statement. The difference between the expected return on plan assets and the unwinding of the discount on plan liabilities is recognized in the income statement.

Actuarial gains or losses are recognized directly in equity through the statement of recognized income and expenses. The full pension surplus or deficit is recorded in the balance sheet, with the exception of the impact of any recognition of past service costs. Surpluses recorded are restricted to the sum of any unrecognized past service costs and present value of any amounts the Group expects to recover by way of refunds from the plan or reductions in future contributions.

The Xstrata Group also provides post retirement healthcare benefits to certain employees in Canada, the Dominican Republic, South Africa and the United States. These are accounted for in a similar manner to the defined benefit pension plans. These benefits are unfunded.

Intangible assets

Purchased intangible assets are recorded at the cost of acquisition including expenses incidental to the acquisition, less accumulated amortization and any impairment in value.

Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the asset is separable or arises from contractual or legal rights, and the fair value can be measured reliably on initial recognition.

Internally generated goodwill is not recognized.

Amortization of intangible assets

Intangible assets are amortized using a straight-line method based on estimated useful lives, except goodwill and those intangible assets which Xstrata's directors regard as having indefinite useful lives, which are not amortized but are reviewed for impairment at least annually, and whenever events or circumstances indicate that the carrying amount may not be recoverable. Intangible assets are regarded as having an indefinite life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash flows. Such analyses are performed annually. Estimated useful lives are determined as the period over which the Xstrata Group expects to use the asset or the number of production (or similar) units expected to be obtained from the asset by the Xstrata Group and for which the Xstrata Group retains control of access to those benefits.

For intangible assets with a finite useful life, the amortization method and period are reviewed annually, and impairment testing is undertaken when circumstances indicate the carrying amount may not be recoverable.

Where an intangible asset is disposed of, it is derecognized and the difference between its carrying value and the net sales proceeds is reported as a profit or loss on disposal in the income statement.

Coal export rights

Up to December 31, 2006, the coal export rights are carried at cost and are considered to have an indefinite useful life. As a result they are not amortized but are subject to an annual asset impairment review, at least annually and more regularly if indicators of impairment exist. From January 1, 2007, the coal export rights are amortized prospectively, based on its expected useful life.

Software and technology patents

Software and technology patents are carried at cost and amortized over a period of 3 years and 20 years respectively.

Investments in associates

Entities in which the Xstrata Group has significant influence and which are neither subsidiaries nor joint ventures, are associates, and are accounted for under the equity method of accounting.

Under the equity method of accounting, the investment in the associate is recognized in the balance sheet on the date of acquisition at the fair value of the purchase consideration and therefore includes any goodwill on acquisition which is not amortized. The carrying amount is adjusted by the Xstrata Group's share of the post acquisition profit or loss; depreciation, amortization or impairment arising from fair value adjustments made at date of acquisition and certain inter-entity transactions together with a reduction for any dividends received or receivable from the associate. Where there has been a change recognized directly in the equity of the associate, the Xstrata Group recognizes its share of such changes in equity.

The financial statements of the associates are prepared for the same reporting period as Xstrata, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Adjustments are made in the consolidated financial statements to eliminate the Xstrata Group's share of unrealized gains and losses on transactions between the Xstrata Group and its associates.

The Xstrata Group discontinues its use of the equity method from the date at which it ceases to have significant influence, and shall from that date, account for the investment in accordance with IAS 39 (with its initial cost, being the carrying amount of the associate at that date), provided the investment does not then qualify as a subsidiary or joint venture.

The Xstrata Group's income statement reflects the share of associates results after tax and the Xstrata Group's statement of recognized income and expense includes any amounts recognized by associates outside of profit and loss.

Business combinations

Business combinations after January 1, 2004 are accounted for in accordance with the policy described below. Business combinations that occurred prior to this date have not been adjusted.

On the acquisition of a subsidiary, the purchase method of accounting is used whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. Those mineral reserves and resources that are able to be reliably valued are recognized in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which, in the opinion of the directors of Xstrata, values cannot be reliably determined, are not recognized.

When the cost of acquisition exceeds the fair values attributable to the Xstrata Group's share of the identifiable net assets the difference is treated as purchased goodwill, which is not amortized but is reviewed for impairment annually and where there is an indication of impairment. If the fair value attributable to the Xstrata Group's share of the identifiable net assets exceeds the cost of acquisition the difference is immediately recognized in the income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Xstrata Group and is presented in equity in the consolidated balance sheet, separately from the parent shareholders equity.

Similar procedures are applied in accounting for the purchases of interests in associates or jointly controlled entities. Any goodwill arising on such purchases is included within the carrying amount of the investment in associates or jointly controlled entity, but not thereafter amortized. Any excess of the Xstrata Group's share of the net fair value of the associate's or jointly controlled entity's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included in income in the period of the purchase.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the "Financial assets at fair value through profit or loss", "Held-to-maturity investments" or "Financial assets at fair value through profit or loss" categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Listed share investments are carried at fair value based on stock exchange quoted prices at the close of business at balance sheet date. Unlisted shares are carried at fair value where market values can be reliably obtained, otherwise they are stated at cost less any impairment.

Share based compensation plans

The Xstrata Group makes share based awards including free shares and options, to certain employees.

Equity-settled awards

For equity-settled awards, the fair value is charged to the income statement and credited to retained earnings, on a straight line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest (taking into account the achievement of non-market based performance conditions). The fair value of the equity settled awards is determined at the date of the grant. In calculating fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). The fair value is determined by external experts using models. At each balance sheet date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed (after adjusting for non-market performance conditions). The movement in cumulative expense is recognized in the income statement with a corresponding entry within equity.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified over the original vesting period. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification, over the remainder of the new vesting period.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. Any compensation paid up to the fair value of the awards at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they are a modification of the original award, as described in the previous paragraph.

Cash settled-awards

For cash-settled awards, the fair value is re-calculated at each balance date until the awards are settled based on the estimated number of awards that are expected to vest adjusting for market and non-market based performance conditions. During the vesting period, a liability is recognized representing the portion of the vesting period which has expired at the balance sheet date times the fair value that of the awards at that date. After vesting the full fair value of the unsettled awards at each balance date is recognized as a liability. Movements in the fair value are recognized in the income statement. The fair value is recalculated using an option pricing model.

The Xstrata Group has taken advantage of the transitional provisions of IFRS 2 in relation to equity-settled awards and has applied this accounting standard only to awards granted on or after November 7, 2002 that had not vested prior to January 1, 2005.

Convertible borrowings

The Xstrata Group has not retrospectively applied the requirements of IAS 32 and 39. Convertible borrowings are accounted for in accordance with UK GAAP prior to January 1, 2005.

On issue of the convertible borrowing, the fair value of the liability component is determined by discounting the contractual future cash flows using a market rate for a non-convertible instrument with similar terms. This value is carried as a liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to a separate component of equity, net of issue costs, which remains constant in subsequent periods. Issue costs are apportioned between the liability and equity components based on their respective carrying amounts when the instrument was issued.

On conversion, the liability is reclassified to equity and no gain or loss is recognized in the profit or loss. Where the convertible borrowing is redeemed early or repurchased in a way that does not alter the original conversion privileges, the consideration paid is allocated to the liability and equity components. The consideration relating to the equity component is recognized in equity and the amount of gain or loss relating to the liability element in profit and loss.

Own shares

The cost of purchases of own shares held by the Employee Share Ownership Plan trust are deducted from equity. Where they are issued to employees or sold, no gain or loss is recognized in the income statement. Any proceeds received on disposal of the shares or transfer to employees are also recognized in equity.

Own shares purchased under the Equity Capital Management Program ("ECMP") are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of such shares. Such gains and losses are recognized directly in equity.

Foreign currencies

Financial statements of subsidiaries, joint ventures and associates are maintained in their functional currencies and translated to US dollars for consolidation of the Xstrata Group results. The functional currency of each entity is determined after consideration of the primary economic environment of the entity. Transactions in foreign currencies are translated at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates. Non-monetary assets measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Where non-monetary assets are measured at fair value in a foreign currency, they are translated at the exchange rates when the fair value was determined. All differences that arise are recorded in the income statement except when hedge accounting is applied and for differences on loans that form part of the net investment in a foreign operation. Where the exchange differences relates to an item which has been recorded in equity, the related exchange difference is also recorded in equity.

On consolidation of foreign operations into US dollars, income statement items are translated at weighted average rates of exchange where this is a reasonable approximation to the exchange rate at the dates of the transactions. Balance sheet items are translated at closing exchange rates. Exchange differences on the re-translation of the investments in overseas subsidiaries, joint ventures and associates at closing rates, together with differences between income statements translated at average and at closing rates, are recorded in a separate component of equity. Exchange differences relating to loan balances with the foreign operations which form part of the net investment in the foreign operation are also recognized in this component of equity. On disposal or partial disposal of a foreign entity or on repayment of loans forming part of the net investment in the foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

Exchange differences on foreign currency borrowings to finance net investments and tax charges/credits attributable to those exchange differences are also recorded in a separate component of equity to the extent that the hedge is effective. Upon full or partial disposal or repayment of the net investment in the foreign operation, (including loans that form part of the net investment), the cumulative amount of the exchange differences is recognized in the income statement when the gain or loss on disposal or on loan repayment is recognized.

Property, plant and equipment

Land and buildings, plant and equipment

On initial acquisition, land, property, plant and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

In subsequent periods, property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, while land is stated at cost less any impairment in value and is not depreciated.

Depreciation is provided so as to write off the cost, less estimated residual values of property, plant and equipment (based on prices prevailing at the balance date) on the following bases:

Mine production assets are depreciated using a unit of production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves. Buildings, plant and equipment unrelated to production are depreciated using the straight-line method based on estimated useful lives.

Where significant parts of an asset have differing useful lives, depreciation is calculated on each separate part. Each item or part's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates which affect unit of production calculations are accounted for prospectively.

The expected useful lives are as follows:

Buildings	15 – 40 years
Plant and Equipment	4 – 30 years
Furniture and Fixtures	5 – 15 years
Other	3 – 5 years

The net carrying amounts of mine buildings, machinery and equipment at each mine property are reviewed for impairment either individually or at the cash-generating unit when events and changes in circumstances indicate that the carrying amount may not be recoverable to the extent to which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Expenditure on major maintenance or repairs includes the cost of replacement of parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the Xstrata Group, the expenditure is capitalized and the carrying amount of the item replaced derecognized. Similarly, overhaul costs associated with major maintenance are capitalized where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed as incurred.

Where an item of property, plant and equipment is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is disclosed as a profit or loss on disposal in the income statement.

Any items of property, plant or equipment that cease to have future economic benefits expected to arise from the continued use or disposal of the assets are derecognized with any gain or loss included in the income statement in the financial year in which the item is derecognized.

Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Purchased exploration and evaluation assets are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

An impairment review is performed, either individually or at the cash generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

Mineral properties and mine development expenditure

The cost of acquiring mineral reserves and mineral resources are capitalized on the balance sheet as incurred. Capitalized costs (development expenditure) include interest and financing costs relating to the construction of plant and equipment and costs associated with a start up period where the asset is available for use but incapable of operating at normal levels without a commissioning period.

Mineral reserves and capitalized mine development expenditure are, upon commencement of production, amortized using a unit of production method based on the estimated economically recoverable reserves to which they relate or are written-off if the property is abandoned. The net carrying amounts of mineral reserves and resources and capitalized mine development expenditure at each mine property are reviewed for impairment either individually or at the cash-generating unit when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent to which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Capital work in progress

Assets in the course of construction are capitalized in the capital work in progress account. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment.

The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use.

Costs associated with a start up period are capitalized where the asset is available for use but incapable of operating at normal levels without a commissioning period.

Capital work in progress is not depreciated.

Deferred stripping costs

In open-pit mining operations, it is necessary to remove overburden and other waste in order to access the orebody.

During the pre-production phase, these costs are capitalized as part of the cost of the mine property and depreciated based on the mine's strip ratio.

The costs of removal of the waste material during a mine's production phase is deferred, where they give rise to future benefits. The deferral of these costs, and subsequent charges to the income statement are determined with reference to the mine's strip ratio. This ratio represents the ratio of the estimated total volume of waste, to the estimated total quantity of economically recoverable ore, over the life of the mine. These costs are deferred where the actual stripping ratios are higher than the average life of the mine strip ratio. The costs charged to the income statement are based on application of the mine strip ratio to the quantity of ore mined in the period. Where the ore is expected to be evenly distributed, waste removal is expensed as incurred.

Derivative financial instruments and hedging

The Xstrata Group uses derivative financial instruments such as interest rate swaps, forward currency and commodity contracts to hedge its risks associated with interest rate, foreign currency and price fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the year.

The fair value of forward currency and commodity contracts are calculated by reference to current forward exchange rates and prices for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges;
- cash flow hedges; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Xstrata Group formally designates and documents the hedge relationship to which the Xstrata Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Xstrata Group's exposure to changes in the fair value of a recognized asset or liability that could affect profit or loss. The carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit or loss.

Amortization begins when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

The Xstrata Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Xstrata Group revokes the designation.

Cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to profit or loss.

Environmental protection, rehabilitation and closure costs

Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. This provision is based on the estimated future costs, using information available at the balance sheet date. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is included in interest expense. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over future production from the mine to which it relates.

The provision is reviewed on an annual basis for changes to obligations or legislation or discount rates that effect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depreciated prospectively. Periodic unwinding of the discount is recognized as a finance cost in the income statement.

Rehabilitation trust funds holding monies committed for use in satisfying environmental obligations are included within Other financial assets on the balance sheet.

Taxation

Current tax

Current tax for each taxable entity in the Xstrata Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax

Deferred tax is recognized using the balance sheet method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below:

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred tax relating to items recognized directly in equity are recognized in equity and not in the income statement.

Litigation

Except as set out below, neither the Issuer nor the Guarantors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or any Guarantor is aware), during the period covering the 12 months preceding the date of this Offering Memorandum which may have, or have had in the recent past, significant effects on the Issuer, a Guarantor or the Xstrata Group's financial position or profitability.

Sulfuric acid class action lawsuits

Class action lawsuits have been filed in various jurisdictions in the United States with respect to alleged sulfuric 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.

Sulfur trioxide class action lawsuits

A motion has been filed in a Canadian court by a plaintiff alleging damages caused by sulfur trioxide accidentally released from facilities of an Xstrata Group company in 2004 and seeking authorization to institute a class action on behalf of persons who may have been affected thereby. The purported class representative is seeking damages equally divided between actual and punitive damages on behalf of the alleged class members. Xstrata is vigorously defending the motion and considers it is without merit. On the basis of the motion filed and legal advice obtained, Xstrata believes it can defeat the motion for authorization to institute the class action.

Financial information on the Falconbridge Group

The information presented herein is extracted without material amendment from the Falconbridge Annual Financial Information and the Falconbridge Interim Financial Information incorporated by reference into this Offering Memorandum. You should read the information below in conjunction with the Falconbridge Annual Financial Information and the Falconbridge Interim Financial Information incorporated by reference into this Offering Memorandum and you should not rely solely on key and summarized information.

Ernst & Young LLP (Canada) of Ernst & Young Tower, 222 Bay Street Toronto, Ontario M5K 1J7, Canada has issued audit reports on the financial statements of Falconbridge at, and for the year ended, December 31, 2005 and of Noranda for the two years ended December 31, 2004 and December 31, 2003. Each such audit report was unqualified.

The information in respect of the Falconbridge Group in paragraphs C and D of this Management's Discussion and Analysis is presented in US dollars unless otherwise indicated and in accordance with Canadian GAAP. Canadian GAAP differs in certain significant respects from IFRS, US GAAP and UK GAAP.

On June 30, 2005 Noranda and Falconbridge completed their merger transaction, whereby Noranda increased its majority interest in Falconbridge. Following the transaction, Noranda operates under the name Falconbridge. The financial information presented relates to:

- Falconbridge at, and for the six-month periods ended, June 30, 2006 and June 30, 2005 and for the year ended December 31, 2005; and
- Noranda at, and for the two years ended, December 31, 2004 and December 31, 2003 on the basis that Noranda consolidated Falconbridge within its accounts for the two years ended December 31, 2004 and December 31, 2003.

Selected Canadian GAAP financial information on the Falconbridge Group

The financial information set out below has been extracted without material amendment from Noranda's audited consolidated financial information for the years ended December 31, 2003 and December 31, 2004 (in the latter case as reported and as restated on the basis set out in note (2) below) and for the six-month period ended June 30, 2005 and from Falconbridge's audited consolidated financial information for the year ended December 31, 2005 and for the six-month period ended June 30, 2006, in each case prepared in accordance with Canadian GAAP.

You should read the information below in conjunction with the rest of this Management's Discussion and Analysis and the other detailed information included elsewhere in this Offering Memorandum and incorporated by reference into this Offering Memorandum and should not rely solely on selected and summarized information.

	Audited Canadian GAAP Year ended December 31,				Unaudited Canadian GAAP Six months ended June 30,	
	2003 Restated(1)	2004 As reported	2004 Restated(2)	2005	2005	2006
	(in US$ millions, except as otherwise stated)					
Revenues	4,657	6,978	6,764	8,148	3,946	6,806
Income generated from operating assets	397	1,380	1,391	1,820	922	1,980
EBITDA(3)	778	1,766	1,771	2,236	1,114	2,228
Net income from continuing operations before taxation	43	884	945	1,391	635	1,818
Basic earnings per common share (US$)	–	1.78	1.71	2.52	1.20	3.17
Dividend per common share (US$)	0.46	0.37	0.37	0.39	n/a	n/a
Net debt(4)	2,694	2,324	2,544	2,941	3,383	2,338
Net assets(5)	3,516	4,256	4,036	5,085	4,620	6,416
Shareholders' equity	2,597	3,059	2,839	5,031	4,571	6,173
Cash flow from operations	413	1,191	1,184	1,635	739	1,040

Notes:

(1) Effective from January 1, 2004, the Falconbridge Group adopted a new standard for the accounting treatment of asset retirement obligations, leading to a restatement of its 2003 financial statements. The restated financial information presented for the year ended December 31, 2003 above is extracted from Noranda's financial statements for the year ended December 31, 2004.

(2) Effective from January 1, 2005, the Falconbridge Group adopted new standards for the accounting treatment of convertible debentures, Preferred Shares Series H and variable interest entities, leading to a restatement of its 2004 financial statements. The restated financial information presented for the year ended December 31, 2004 above is extracted from Falconbridge's financial statements for the year ended December 31, 2005.

(3) Earnings before interest, tax, depreciation and amortization. Canadian GAAP 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".

(4) Net debt has been calculated as long term debt and debt due within one year, less cash and cash equivalents and short term investments.

(5) Total assets less total liabilities.
n/a: Not applicable in the relevant period.

Operating and financial review relating to the Falconbridge Group

The following discussion of the financial condition and results of operations of the Falconbridge Group should be read in conjunction with "Financial information on the Xstrata Group" in this Management's Discussion and Analysis above, with "Operating and financial review relating to the Xstrata Group" in this Management's Discussion and Analysis above, with "Financial information on the Falconbridge Group" in this Management's Discussion and Analysis below, with the Falconbridge Annual Financial Information and the Falconbridge Interim Financial Information incorporated by reference and with the information relating to the businesses of the Xstrata Group, the Xstrata Group and the Falconbridge Group included elsewhere in this Offering Memorandum and the financial and other information on the Xstrata Group incorporated by reference into this Offering Memorandum as described in the section of this Offering Memorandum headed "Information incorporated by reference".

The information and analysis contained in this section has been primarily sourced from the Falconbridge Group's published Management's Discussion and Analysis at, and for each of the years ended, December 31, 2003, December 31, 2004 and December 31, 2005 and at, and for each of the three-month periods ended, March 31, 2006 and June 30, 2006.

Effective from January 1, 2005, the Falconbridge Group adopted new standards for the accounting treatment of convertible debentures, Preferred Shares Series H and variable interest entities, leading to a restatement of its 2004 financial statements. Accordingly, the discussion in the section headed "Year ended December 31, 2005 compared with year ended December 31, 2004 (restated)" in this section D below compares the reported results for the year ended December 31, 2005 with the restated results for the year ended December 31, 2004.

Effective from January 1, 2004, the Falconbridge Group adopted a new standard for the accounting treatment of asset retirement obligations, leading to a restatement of its 2003 financial statements. Accordingly, the discussion in the section headed "Year ended December 31, 2004 (as reported) compared with year ended December 31, 2003 (restated)" in this section D below compares the reported results for the year ended December 31, 2004 with the restated results for the year ended December 31, 2003.

Some of the information in the review set forth below and elsewhere in this Offering Memorandum and in the information incorporated by reference into this Offering Memorandum includes forward-looking statements that involve risks and uncertainties. See the section of this Offering Memorandum headed "Special note regarding forward-looking statements" for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this Offering Memorandum. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Offering Memorandum, particularly in the section of this Offering Memorandum headed "Risk factors".

See also the section of this Offering Memorandum headed "Presentation of information – Presentation of financial information".

Investors and potential investors should read the whole of this Offering Memorandum and not just rely on summarized or key information.

Overview of the Falconbridge Group's business

The Falconbridge Group's principal products are nickel, copper, zinc and aluminum, with the balance of the Falconbridge Group's products coming from by-products and co-products that include silver, gold, PGM, lead, selenium, tellurium, cadmium, indium, cobalt, nickel sulphate and sulfuric acid.

The principal markets for the Falconbridge Group's products include the steel, refinery and foundry, construction, telecommunications, automotive, agricultural and chemical industries.

The United States was the principal market for the Falconbridge Group's products in 2005, accounting for 36% of consolidated sales (2004 – 36%), with Canada accounting for 16% of consolidated sales (2004 – 17%), Europe 23% of consolidated sales (2004 – 26%) and other countries 25% of consolidated sales (2004 – 21%).

Principal factors affecting the Falconbridge Group's business

The Falconbridge Group's business is international in scope and, in essence, is the production and marketing of base metal commodities and the by-products of those production processes and the treatment of custom feed materials. As a result, profitability and cash flows from operations are determined primarily by the price of the metals sold and the Falconbridge Group's ability to produce at a low cost.

Prices and markets

Historically, the Falconbridge Group has experienced and expects to continue to be subject to volatile commodity prices, which are influenced primarily by the world supply-demand balance for those commodity products and related processing services, and other related factors such as speculative activities by market participants, production activities by competitors, political and economic conditions, as well as production costs in major producing regions. The realized price for metals is also influenced by regional supply-demand factors, the availability and price of secondary or metal containing scrap materials, and other substitute commodity products. The Falconbridge Group generally realizes prevailing market prices and does not hedge the price it realizes on the sale of its own production. For an overview of the industries in which the Falconbridge Group operates, see "Industry overview".

Production costs

The other primary determinant of profitability and cash flow from the Falconbridge Group's operations is the Falconbridge Group's ability to produce at a low cost. 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.

Capital

The Falconbridge Group's business is capital intensive with significant costs involved in exploration activities, and the development and maintenance of mining and metallurgical facilities. As such, securing low-cost capital is instrumental in profitability.

Historically, the Falconbridge Group has sourced capital from common and preferred equity markets, public debt markets and bank debt. A more detailed description of the Falconbridge Group's use of interest rate and foreign currency management instruments is provided in " — Operating and financial review relating to the Falconbridge Group – Six-month period ended June 30, 2006 compared with six-month period ended June 30, 2005 – Financial instruments and other instruments", " — Operating and financial review relating to the Falconbridge Group – Year ended December 31, 2005 compared with year ended December 31, 2004 (restated) – Financial instruments and other instruments" and " — Operating and financial review relating to the Falconbridge Group – Year ended December 31, 2004 (as reported) compared with year ended December 31, 2003 (restated) – Financial instruments and other instruments".

Significant developments during the period under review

Six-month period ended June 30, 2006

Major developments in relation to the Falconbridge Group in the six-month period ended June 30, 2006 included:

- Inco Offer for Falconbridge:

On October 11, 2005, Inco Limited announced the Inco Offer to acquire all outstanding Falconbridge Shares. On May 13, 2006, Inco announced an improved offer that when subject to pro-ration would have provided Falconbridge Shareholders with C$12.50 in cash and 0.524 of an Inco share.

Following the Phelps Dodge offer to acquire Inco that was announced on June 26, 2006 (see details below), Inco subsequently revised its offer on June 26, 2006 to C$17.50 and 0.55676 Inco shares on the pro-rated basis and again on July 16, 2006 to C$18.50 and 0.55676 Inco shares on the pro-rated basis.

The Inco Offer expired on July 28, 2006 without Inco taking up any Falconbridge Shares.

In connection with the Inco Offer, Falconbridge and Inco reached regulatory clearance agreements with the US Department of Justice and the European Commission which determined that the proposed remedy was acceptable to allow the proposed Inco and Falconbridge transaction to proceed. The remedy consisted of the conditional sale of the Nikkelverk refinery in Norway and the Falconbridge marketing and custom feed organizations that procure third party feed materials and market and sell the refined products to LionOre. The sale would have included an agreement to supply up to 60,000 tons of nickel in matte annually, approximately equivalent to the current volume of feed provided by Falconbridge's operations to this refinery, for up to ten years. The sale of the Nikkelverk refinery and the Falconbridge marketing and custom feed organizations was conditional upon the completion of the Inco Offer. As a result of the termination of the Inco Offer, the asset sales under the Falconbridge LionOre Agreement did not proceed.

Following the expiry of the Inco Offer for Falconbridge on July 28, 2006, Falconbridge paid Inco a cash break fee of US$150 million on August 1, 2006 and, following the successful completion of the Xstrata Offer for Falconbridge, Falconbridge paid Inco a further cash break fee of US$300 million on August 16, 2006, in each case in accordance with the terms of the Inco Support Agreement.

- Phelps Dodge Inco Combination:

  On June 26, 2006, Phelps Dodge announced in conjunction with Inco and Falconbridge that the three companies had agreed to combine. Phelps Dodge offered to acquire all of the outstanding common shares of Inco for a combination of cash and shares. Each Inco shareholder would receive 0.672 Phelps Dodge shares and C$17.50 in cash for each Inco common share on a pro-rated basis. Phelps Dodge subsequently revised its offer on July 16, 2006 to C$20.25 and 0.672 Phelps Dodge shares on a prorated basis. The Phelps Dodge offer to Inco shareholders would also have been available to all Falconbridge Shareholders, upon the successful take up of Falconbridge Shares by Inco under the terms of the Inco Offer, for any Inco common shares received pursuant to the offer. Falconbridge's role in the Phelps Dodge Inco Combination ended on the expiry on July 28, 2006 of the Inco Offer without Inco taking up any Falconbridge Shares. On September 5, 2006, Inco announced that it had agreed with Phelps Dodge to terminate the Phelps Dodge Inco Combination Agreement and Phelps Dodge's offer for Inco terminated without Phelps Dodge taking up any Inco shares.

- Xstrata Offer:

  On May 18, 2006, Xstrata made its offer to purchase for cash all of the outstanding Falconbridge Shares at an offered price of C$52.50 per share. On July 11, 2006, Xstrata announced its intention to increase its all cash offer price to C$59.00 per share. On July 21, 2006, Xstrata increased its offer for Falconbridge to C$62.50 per common share in cash and waived the Minimum Tender Condition under the Xstrata Offer. The Xstrata Offer completed on August 25, 2006 and the Xstrata Group now owns approximately 97.1% of the Falconbridge Shares and Xstrata has begun a compulsory acquisition process to acquire all outstanding Falconbridge Shares not already owned by Xstrata at the Xstrata Offer price of C$62.50 per Falconbridge Share. Xstrata expects the compulsory acquisition process to conclude in early November 2006, after which Falconbridge will be a wholly-owned indirect subsidiary of Xstrata.

- Declaration of Falconbridge Special Dividend

  On July 16, 2006, Falconbridge declared the Falconbridge Special Dividend of C$0.75 per Falconbridge Share that was paid on August 10, 2006 to Falconbridge Shareholders on record at the close of business on July 26, 2006.

- Redemption of Junior Preference Shares

  On April 26, 2006, Falconbridge redeemed a total of 20 million shares, or US$500 million, of its outstanding Junior Preference Shares, based upon shareholders of record on March 22, 2006. Falconbridge utilized then existing cash balances to fund the redemption. On June 28, 2006, Falconbridge redeemed the remaining balance of its 9,999,701 outstanding Junior Preference Shares for a total of approximately US$250 million utilizing internal cash resources. Upon redemption, Falconbridge had no Junior Preference Shares outstanding.

- Falconbridge offer to acquire outstanding Novicourt shares

  On June 22, 2006, Falconbridge announced that it would offer to acquire by way of a takeover bid all of the outstanding common shares of its subsidiary, Novicourt Inc., that it did not already own (being approximately 37.9% of the common shares of Novicourt). Falconbridge offered an aggregate of approximately C$17.5 million (approximately US$15.7 million) in cash under the offer. The offer, as extended, expired on August 22, 2006, resulting in Falconbridge now holding approximately 93.6% of the common shares of Novicourt. The balance of the Novicourt shares will be acquired by Falconbridge under a second step business compulsory acquisition transaction, expected to be completed in October 2006, after which Novicourt will be a wholly-owned subsidiary of Falconbridge.

- The adoption of the Second Falconbridge Shareholder Rights Plan pursuant to an agreement dated as of March 21, 2006 between Falconbridge and CIBC Mellon Trust Company, as rights agent, that was cease traded on July 28, 2006, as described in paragraph 22.7 of "Additional Information – Material contracts".

Year ended December 31, 2005

Major developments in relation to the Falconbridge Group in the year ended December 31, 2005 included:

- the continued progress on the Raglan Optimization Program;
- the construction at the molybdenum recovery plant, which started-up in the fourth quarter of 2006, at Collahuasi;
- the continuation of the feasibility study on the second expansion of the copper concentrator at Collahuasi;
- the development of the new leaching pad for run-of-mine ore at Lomas Bayas;
- the Kidd Mine D shaft progress with the ramp and lateral development being at 97% of plan;
- the finalization of a joint-venture agreement between Falconbridge and Barrick regarding the Kabanga nickel deposit in Tanzania and related concessions;

- the earn-in of a 70% joint venture interest in the El Morro (Chile) copper/gold property from Metallica Resources Inc.;

- the completion on May 5, 2005, of Noranda's issuer bid to exchange Noranda common shares for new Junior Preference Shares. A total of 63,377,140 Noranda common shares were repurchased as a result of this offer and a total of 50,000,000 new junior preference shares were issued as consideration;

- the completion of Noranda's takeover bid of the Falconbridge whereby it offered to exchange 1.77 Noranda common shares for each outstanding Falconbridge common share that it did not own. 58,476,589 Falconbridge common shares were validly deposited under the offer, increasing Noranda's ownership to 164,235,689 or 91% of the outstanding Falconbridge common shares;

- the issue and sale of US$250 million of 12-year 5.5% and US$250 million of 30-year 6.2% unsecured notes of Noranda;

- the redemption of US$500 million (20,000,000 shares) of Falconbridge's outstanding Junior Preference Shares;

- the sale of the assets and liabilities of the Falconbridge Group's Lockerby Mine in Sudbury, including all closure obligations, to First Nickel Inc.;

- the approval on June 30, 2005 by Noranda and Falconbridge shareholders of the amalgamation of the two companies. The amalgamated company chose to continue under the operating name Falconbridge Limited and effective July 6, 2005 began trading under new stock symbols (TSX: FAL.LV and NYSE: FAL);

- the depletion of ore reserves at the Louvicourt mine and final production on July 12, 2005. The Louvicourt mine was a major supplier of copper and zinc concentrates to the Falconbridge Group's Horne smelter;

- the commencement of molybdenum production at the Falconbridge Group's Altonorte smelter following the completion of the roaster transformation;

- the sale by Falconbridge's subsidiary Noranda Aluminum Inc. of its aftermarket automobile wheel manufacturing and distribution operations, American Racing Equipment ("ARE"), to Platinum Equity, a global mergers and acquisition firm based in Los Angeles, California, for US$40.5 million. The transaction resulted in a gain for Falconbridge of approximately US$1 million. Under the transaction, an affiliate of Platinum Equity acquired all outstanding shares of ARE;

- the acquisition by Xstrata of 73.1 million Falconbridge Shares, or approximately 19.9% of the then outstanding Falconbridge Shares, from Brookfield at a price of C$28 per share, making Xstrata the largest single Falconbridge Shareholder;

- the announcement that the board of directors of Falconbridge had adopted the First Falconbridge Shareholder Rights Plan. This First Falconbridge Shareholder Rights Plan expired on March 21, 2006;

- the realization of a pre-tax gain of US$13 million on the sale of the Falconbridge Group's stake in Canico Resources Inc. following its acquisition by another metals and mining company;

- the settlement of the Kidd Metallurgical Division's new three-year collective agreement with Canadian Auto Workers – Local 599 which represents the facility's production and maintenance employees;

- the announcement on October 11, 2005 of a takeover bid by Inco Limited for all of the outstanding shares of Falconbridge and endorsement of the acquisition offer by the boards of directors of Falconbridge and Inco and the recommendation by the Falconbridge board that Falconbridge Shareholders tender their shares to the Inco Offer. The Inco Offer expired on July 28, 2006 without Inco taking up any Falconbridge Shares;

- the announcement on December 23, 2005 that Falconbridge reached an agreement on the financing of the Koniambo nickel project with Société Minié re du Sud Pacifique S.A. ("SMSP"), its joint venture partner in the Koniambo nickel project in New Caledonia; and

- the satisfaction of the two conditions precedents under the Bercy Accord prior to December 31, 2005, allowing for the eventual transfer of the Koniambo property to Koniambo Nickel, a company owned 49% by the Falconbridge Group and 51% by its partner SMSP.

Year ended December 31, 2004

Major developments in relation to the Falconbridge Group in the year ended December 31, 2004 included:

- the achievement of increased profitability in all four Falconbridge Group business units, including zinc and aluminum;

- the advancement of new production capacity at the Collahuasi mine;

- the commencement of an underground definition program at the Nickel Rim South project with production targeted for 2009;

- the successful ramp-up at Lomas Bayas following completion of the crusher expansion project ahead of schedule and under budget;

- the achievement of planned nickel production following the three week strike at the Sudbury mines;

- the advancement of Phase One of the Raglan Optimization Program in the procurement of additional long-term zinc concentrate supply for the Kidd Creek refinery;

- the execution of an agreement to acquire a 50% interest in the Lennard Shelf zinc mine in Australia;

- the acquisition of a 50% interest in Kaiser Aluminum Gramercy alumina plant in Gramercy, Louisiana, and related bauxite mining assets in Jamaica;

- the completion of the removal of residual lake sediment at the Antamina copper/zinc mine enabling access to higher-grade ores;

- the advancement and near completion of the Kidd Mine D expansion project;

- the commencement of scoping studies for further expansions at Falcondo, Lomas Bayas and Collahuasi;

- the completion of the bankable feasibility study for the Koniambo project in New Caledonia;

- the renewal of collective labor agreements at the Collahuasi mine, CCR Refinery, CEZ refinery, Matagami mine, Noranda Recycling – Roseville, Nikkelverk, Altonorte and American Racing;

- the completion of the Montcalm mine development, ahead of time, and under budget, with the milling of ore commencing in October;

- the continued advancement of exploration programs at Raglan and Sudbury, Canada and West Wall and El Morro, Chile; and

- the announcement by Noranda that it had entered into exclusive negotiations with China Minmetals Corporation regarding the acquisition of Noranda, and the subsequent announcement by Noranda in November 2004 that the period for such exclusive negotiations would not be extended.

Financial impact of the amalgamation of Noranda and Falconbridge

For information on the financial impact of the Falconbridge Amalgamation which became effective on June 30, 2005, see note 2 of the Falconbridge Interim Financial Information incorporated by reference.

The preliminary fair value of the 41.5% of the assets and liabilities acquired from Falconbridge exceeded the book value of those assets by approximately US$1.4 billion, which was allocated to the assets and liabilities of the acquired assets at their respective preliminary fair values. The preliminary allocation of these values was as follows:

	Unaudited Canadian GAAP *(in US$ millions)*
Preliminary fair value increment of assets acquired by Falconbridge	
Accounts receivable	9
Metals and other inventories	42
Operating capital assets	1,966
Development projects	255
Investments and other assets	(41)
Preliminary fair value increment of liabilities assumed by Falconbridge	
Long-term debt	8
Future income taxes	(708)
Asset retirement obligation, pension and other provisions	(114)
Net assets acquired	1,417
Book value of minority interest and other	1,117
Acquisition value	2,534

Purchase accounting rules required an allocation of the purchase costs to assets and liabilities acquired under the transaction. During the second quarter of 2006, the allocation to the assets and liabilities was finalized. The impact of the finalization of the purchase price allocation on June 30, 2006 from the preliminary purchase price allocation was to decrease operating capital assets by US$789 million, decrease development projects by US$266 million, increase investment and other assets by US$116 million, increase goodwill by US$529 million and decrease future income taxes by US$410 million.

Integrated operations

As an integrated producer of metals, Falconbridge's operations include mines and metallurgical facilities which provide the Falconbridge Group with maximum flexibility in both minimising costs and maximising operating performance by processing its own minerals. This integration also reduces the Falconbridge Group's exposure to treatment-charge fluctuations and shipping-rate volatility.

When milling, smelting or refining capacity exceeds the Falconbridge Group's own mine production, Falconbridge acquires third party concentrates and secondary feeds to utilize this capacity and realize incremental treatment revenues. These treatment revenues provide incremental income to Falconbridge Group and absorb fixed costs at metallurgical sites, with custom milling, smelting and refining operations being conducted throughout Falconbridge Group as capacity allows. Operations conducting custom feed processing of copper and nickel feeds are located in North and South America, and Norway. The flexibility of the processing facilities enables Falconbridge Group to treat complex ores, concentrates and secondary feeds.

The Falconbridge Group also captures the sulfur content of the concentrates that it treats at its metallurgical sites and produces sulfuric acid as a marketable by-product. This by-product can provide incremental revenues that help reduce cash operating costs.

The price paid to suppliers of custom feeds varies with the prevailing price of the metals being treated and as such, Falconbridge's exposure to increasing metals prices is primarily based upon its own mine production. Falconbridge's continued focus on the identification and development of long-life, high-quality copper and nickel mining assets will continue to increase its leverage to copper and nickel while current metallurgical site infrastructure will minimize the investment required to bring new deposits into commercial production.

Six-month period ended June 30, 2006 compared with six-month period ended June 30, 2005

Financial overview

For the six-month period ended June 30, 2006, Falconbridge's consolidated net income totalled US$1,190 million, with basic earnings per share of US$3.17 and diluted earnings per share of US$3.12. This compared with net income of US$378 million, with basic earnings per share of US$1.20 and diluted earnings per share of US$1.19 for the six-month period ended June 30, 2005.

Revenues

Revenues for the six-month period ended June 30, 2006 were US$6.81 billion, 72% higher than revenues of US$3.95 billion in the six-month period ended June 30, 2005. The increase was mainly due to higher realized metal prices, increased copper, nickel and aluminum sales volumes and increased revenue contribution from by-product molybdenum credits. Falconbridge Group business unit revenues for the six-month period ended June 30, 2006 were 111% higher for copper, 15% higher for nickel, 132% higher for zinc and 24% higher for aluminum as compared with those for the six-month period ended June 30, 2005.

Average realized prices

Average realized prices for the Falconbridge Group's main products during the six-month period ended June 30, 2006 and the six-month period ended June 30, 2005 were as follows:

	Six months ended June 30,	
	2005	**2006**
	(US$ per pound)	
Copper	1.55	2.82
Nickel	7.34	7.89
Zinc	0.63	1.32
Aluminum	0.91	1.20
Lead	0.50	0.61

Operating expenses

Operating expenses totalled US$4.83 billion in the six-month period ended June 30, 2006, compared to US$3.02 billion in the six-month period ended June 30, 2005, primarily due to the higher value of raw material feeds. Mining, processing and refining costs increased to US$1.57 billion in the six-month period ended June 30, 2006 from US$1.24 billion in the six-month period ended June 30, 2005 due to increased mined and refined copper production, higher refined zinc production, increased primary and rolled aluminum production, higher energy and supplies/consumables costs and the impact of a weaker US dollar on operating costs at all Canadian and South American operations. The average value of the Canadian dollar increased 9% to US$0.88 in the six-month period ended June 30, 2006 from US$0.81 during the six-month period ended June 30, 2005.

The value of raw material feed purchases was US$2.93 billion in the six-month period ended June 30, 2006, or almost double the US$1.52 billion recorded in the six-month period ended June 30, 2005 due to higher metal prices and increased custom feed processing at the Horne smelter and CCR Refinery. Higher purchased raw materials values are recovered at the time of sale of the metals contained in the materials treated and are hedged at the time of purchase.

Depreciation, amortization and accretion expense increased to US$328 million in the six-month period ended June 30, 2006 from US$265 million in the six-month period ended June 30, 2005, with the increase being primarily attributable to the amortization of the fair value increment related to the purchase of Falconbridge minority shareholders' interest. Net interest expense increased to US$77 million in the six-month period ended June 30, 2006 from US$65 million in the six-month period ended June 30, 2005 due to the early redemption premium of US$8 million paid to holders at the time of the redemption of US$750 million of junior preference shares in the second quarter of 2006. Minority interest in earnings of subsidiaries decreased to US$5 million in the six-month period ended June 30, 2006 from US$149 million in the six-month period ended June 30, 2005 largely as a result of the elimination of Falconbridge's minority share ownership. Tax expenses recorded increased to US$628 million in the six-month period ended June 30, 2006 from US$257 million during the six-month period ended June 30, 2005, due to the overall increase in profitability.

Income generated by operating assets

Income generated by operating assets for the six-month period ended June 30, 2006 was US$1.98 billion, 115% higher than US$922 million in the six-month period ended June 30, 2005. Income generated by operating assets increased 211% to US$1,346 million in the Falconbridge Copper Business, decreased 3% to US$383 million in the Nickel Business, increased from US$31 million to US$215 million in the Falconbridge Zinc Business and increased 71% to US$120 million in the Aluminum Business, in each case comparing the six-month period ended June 30, 2006 with the six-month period ended June 30, 2005.

Net income totalled US$1.190 billion in the six-month period ended June 30, 2006, with basic earnings per share of US$3.17 and diluted earnings per share of US$3.12 for the six-month period ended June 30, 2006, 215% higher than net income of US$378 million, with basic earnings per share of US$1.20 and diluted earnings per share of US$1.19 in the six-month period ended June 30, 2005. Higher net income reflected higher realized metal and by-product prices and higher treatment and refining charges received at copper smelters and refineries.

Consolidated assets

Consolidated assets totalled US$13.2 billion as at June 30, 2006, compared with US$12.4 billion as at December 31, 2005. The increase was primarily due to the investment of additional capital in advancing brownfield and greenfield expansion development projects and higher working capital levels due to increased metals prices.

Minority interest increased from US$54 million at December 31, 2005 to US$243 million as at June 30, 2006. The increase was attributable to consolidating the Koniambo Nickel joint venture that was formed during the second quarter of 2006. The Falconbridge Group owns 49% of the net assets of the joint venture and the minority interest represents the 51% of the net assets that are owned by the Falconbridge Group's partner, SMSP.

Falconbridge Copper Business

The table below provides selected summary information in relation to the Falconbridge Copper Business for the six-month period ended June 30, 2005, the six-month period ended June 30, 2006, the three-month periods ended June 30, 2005 and June 30, 2006 and the three month periods ended March 31, 2005 and March 31, 2006:

	Unaudited Canadian GAAP					
	Three months ended March 31,		Six months ended June 30,		Three months ended June 30,	
	2005	2006	2005	2006	2005	2006
Production: (tons)						
Mined copper	106,000	104,800	208,600	212,400	101,700	107,500
Refined copper	121,600	143,100	246,300	287,500	124,700	144,500
Mined zinc	47,600	37,600	102,700	79,900	55,100	42,300
Refined zinc	38,000	37,300	73,500	77,400	35,600	40,000
Sales (tons)						
Contained copper	210,800	280,800	416,700	527,800	205,900	247,000
Contained zinc	56,100	41,500	99,100	86,900	43,000	45,500
Revenues (US$m)	968	1,768	2,012	4,247	1,044	2,479
Realized copper price (US$/lb)	1.54	2.29	1.55	2.82	1.57	3.39
Mining, processing and refining costs (US$m)	242	320	506	630	264	310
Cash costs (US$/lb of copper)	0.35	0.30	0.29	0.16	0.21	0.03
Income from operating assets (US$m)	231	489	433	1,346	202	857

Revenues. For the three-month period ended June 30, 2006, Falconbridge Copper Business revenues increased by 137% to US$2.48 billion from US$1.04 billion in the three-month period ended June 30, 2005, reflecting higher realized copper and zinc prices and higher copper sales volumes. Copper sales volumes totalled 247,000 tons in the three-month period ended June 30, 2006, up 20% from 205,900 tons reported in the three-month period ended June 30, 2005. In the three-month period ended June 30, 2006, mine concentrate sales were 23% higher at 53,300 tons, anode sales were 15% higher at 47,900 and cathode sales were 27% higher at 145,800 tons, in each case compared with the three-month period ended June 30, 2005. Sales of by-product zinc volumes totalled 45,500 tons in the three-month period ended June 30, 2006 versus 43,000 tons during the three-month period ended June 30, 2005. Higher zinc sales from the Kidd Creek refinery accounted for the increase. Antamina concentrate stocks at the end of the three-month period ended June 30, 2006 were significantly higher than normal due to vessel shipping delays that deferred some June shipments into July.

During the three-month period ended June 30, 2006, copper revenues were higher as the realized copper price of US$3.39/lb increased 116% compared to US$1.57/lb realized in the three-month period ended June 30, 2005. Also contributing to Falconbridge Copper Business revenues were significantly higher zinc prices, as well as increased sales of by-product molybdenum concentrate from the Antamina and Collahuasi mines. Combined molybdenum concentrate sales were 77% higher at 1,000 tons in three-month period ended June 30, 2006 compared with the three-month period ended June 30, 2005.

For the three-month period ended March 31, 2006, Falconbridge Copper Business revenues increased 83% to US$1,768 million from US$968 million in the three-month period ended March 31, 2005, reflecting higher realized copper and zinc prices and higher copper sales volumes. Copper sales volumes totalled 280,800 tons in the three-month period ended March 31, 2006, up 30% from the three-month period ended March 31, 2005, as output from all copper smelters and refineries increased during the three-month period ended March 31, 2006.

Sales of by-product zinc volumes totalled 41,500 tons in the three-month period ended March 31, 2006 versus 56,100 tons during the three-month period ended March 31, 2005. The majority of the zinc sales decrease was attributable to lower production at Antamina that resulted from lower zinc grades that were mined.

During the three-month period ended March 31, 2006, copper revenues were higher as the realized copper price of US$2.29/lb increased 49% compared to US$1.54/lb realized in the three-month period ended March 31, 2005. Also contributing to Falconbridge Copper Business revenues were significantly higher zinc prices, as well as increased sales of by-product molybdenum concentrate from the Antamina and Collahuasi mines.

Costs. Total operating expenses for the Falconbridge Copper Business increased to US$1,622 million in the three-month period ended June 30, 2006 from US$842 million in the three-month period ended June 30, 2005. Mining, processing and refining costs increased to US$310 million in the three-month period ended June 30, 2006 from US$264 million in the three-month period ended June 30, 2005 as a result of the impact of a weaker US dollar, higher energy and supply costs and increased smelter and refinery output. The value of purchased raw material feeds increased to US$1,247 million in the three-month period ended June 30, 2006 from US$510 million in the three-month period ended June 30, 2005 due to the significant rise in copper prices and the increased custom materials throughput at the Horne smelter and CCR Refinery. Depreciation, amortization and accretion decreased to US$65 million in the three-month period ended June 30, 2006 from US$68 million in the three-month period ended June 30, 2005. The operating cash cost of producing a pound of copper in the three-month period ended June 30, 2006 decreased to US$0.03/lb from US$0.21/lb in the three-month period ended June 30, 2005 due to higher credits from by-product sales and improved smelting and refining charge revenues.

Total operating expenses for the Falconbridge Copper Business increased to US$1,279 million in the three-month period ended March 31, 2006, from US$737 million in the three-month period ended March 31, 2005. Mining, processing and refining costs increased to US$320 million in the three-month period ended March 31, 2006 from US$242 million in the three-month period ended March 31, 2005 as a result of the impact of a weaker US dollar, higher energy and supply costs and increased smelter and refinery output. The value of purchased raw material feeds increased to US$871 million in the from US$440 million in the three-month period ended March 31, 2005 due to the significant rise in copper prices and the increased production and sales from the copper smelters and refineries. Depreciation increased to US$88 million from US$55 million due to the amortization of the fair value increment related to the acquisition of Falconbridge and due to increased copper sales volumes from Kidd Creek. The operating cash cost of producing a pound of copper in the three-month period ended March 31, 2006 decreased to US$0.30/lb from $0.35/lb in the three-month period ended March 31, 2005 due to higher credits from by-product sales and improved smelting and refining charge revenues.

Income generated from operating assets. Operating income for the copper business in the three-month period ended June 30, 2006 more than quadrupled to US$857 million from US$202 million in the three-month period ended June 30, 2005 as a result of significantly higher revenues that were partially offset by higher costs. Operating income benefited from higher sales volumes and metals prices, higher treatment and refining charges and increased throughput at the Horne smelter and CCR Refinery. Partially offsetting the stronger revenues were increased costs resulting from the impact of a weaker US dollar on operating costs and higher energy and supply costs.

Operating income for the Falconbridge Copper Business in the three-month period ended March 31, 2006 increased 112% to US$489 million from US$231 million in the three-month period ended March 31, 2005 as a result of significantly higher revenues that were somewhat offset by higher costs. Operating income also benefited from higher treatment and refining charges and increased throughput at all three copper smelters and both copper refineries. Partially offsetting the stronger revenues were increased costs resulting from the impact of a weaker US dollar on operating costs and higher energy and supply costs.

Production. During the three-month period ended June 30, 2006, copper mine production from Canadian and South American operations totalled 107,500 tons, an increase of 6% compared to 101,700 tons in the three-month period ended June 30, 2005. While Antamina mined copper output was 800 tons lower, Collahuasi, Lomas Bayas and Kidd Creek mined copper production were all higher than the three-month period ended June 30, 2005. Collahuasi copper was 14% higher at 11,300 tons in the three-month period ended June 30, 2006 compared with the three-month period ended June 30, 2005.

By-product zinc-in-concentrate production was 23% lower at 42,300 tons in the three-month period ended June 30, 2006 versus 55,100 tons in the three-month period ended June 30, 2005. Lower by-product zinc mine production was recorded at both Antamina and Kidd Creek due to lower zinc grades.

Offsetting 56% higher anode production at the Horne smelter was lower production at the Altonorte smelter and Kidd Creek smelters. Altonorte anode production was 14,000 tons lower than the three-month period ended June 30, 2005 due mostly to lower concentrate grades. Total anode production was 146,300 tons in the three-month period ended June 30, 2006 versus 149,000 tons in the three-month period ended June 30, 2005.

Refined copper production was 144,500 tons in the three-month period ended June 30, 2006 versus 124,700 tons in the three-month period ended June 30, 2005 due primarily to increased production at the CCR Refinery. The CCR Refinery cathode production increased to 94,100 tons during the three-month period ended June 30, 2006 from 67,200 tons in the three-month period ended June 30, 2005, as a result of higher anode production at the Horne smelter and increased processing of Inco sourced copper anodes at CCR. Kidd Creek refined cathode production was 21% lower in the three-month period ended June 30, 2006 compared with the three-month period ended June 30, 2005 due to a scheduled six-week maintenance outage that occurred during the three-month period ended June 30, 2006.

During the three-month period ended March 31, 2006, copper mine production from Canadian and South American operations totalled 104,800 tons, compared to 106,900 tons in the three-month period ended March 31, 2005. Lower copper production at Collahuasi was partially offset by higher production from Antamina and Kidd Creek. By-product zinc-in-concentrate production was 21% lower at 37,600 tons in the three-month period ended March 31, 2006 versus 47,600 tons in the three-month period ended March 31, 2005. Lower by-product zinc mine production recorded at Antamina was partially offset by higher zinc concentrate production at Kidd Creek.

At Antamina, copper-in-concentrate production was 34,200 tons in the three-month period ended March 31, 2006, an increase of 10% from the three-month period ended March 31, 2005 due to richer copper grades (1.47% compared with 1.41%) resulting from a change in the ore type mix. Partially offsetting higher copper output at Antamina were lower zinc grades and production due to the intrinsic variability for such complex skarn deposits.

Copper production at the Lomas Bayas mine was 15,600 tons in the three-month period ended March 31, 2006, down 4% from the three-month period ended March 31, 2005, mainly due to adverse weather conditions.

Kidd Creek mined copper production was 23% higher in the three-month period ended March 31, 2006 at 13,800 tons compared with the three-month period ended March 31, 2005, due to higher copper head grades and mill throughput.

At the Collahuasi mine, the Falconbridge Group's share of production totalled 41,200 tons in the three-month period ended March 31, 2006, compared with 48,400 tons in the three-month period ended March 31, 2005. Production was lower primarily due to lower head grades (1.09% compared with 1.25%) and lower mill throughput associated mostly with material handling problems at the primary crusher and conveyor system and due to an electrical failure of the motor in one of the SAG mills. The 10-day outage of the affected mill occurred in late March 2006.

At the Altonorte smelter, copper anode production of 66,000 tons was 14% higher in the three-month period ended March 31, 2006 compared with the three-month period ended March 31, 2005, due to improved operations. In addition, in the three-month period ended March 31, 2005 the Altonorte smelter had a scheduled shutdown which reduced production.

Refined copper production was 143,100 tons in the three-month period ended March 31, 2006 versus 121,600 tons in the three-month period ended March 31, 2005. Kidd Creek refinery production was up 7% to 33,700 tons in the three-month period ended March 31, 2006 compared with the three-month period ended March 31, 2005, due to higher mine production and increased custom feed processing. The CCR Refinery cathode production increased to 87,200 tons during the three-month period ended March 31, 2006 from 67,000 tons in the three-month period ended March 31, 2005, as a result of higher anode production at the Horne smelter and increased processing of Inco sourced copper anodes.

Nickel Business

The table below provides selected summary information in relation to the Nickel Business for the six-month period ended June 30, 2005, the six-month period ended June 30, 2006, the three-month periods ended June 30, 2005 and June 30, 2006 and the three-month periods ended March 31, 2005 and March 31, 2006:

	Unaudited Canadian GAAP					
	Three months ended March 31,		Six months ended June 30,		Three months ended June 30,	
	2005	2006	2005	2006	2005	2006
Production: (tons)						
Mined nickel	20,500	19,500	41,200	40,000	20,700	20,500
Refined nickel	27,900	28,400	56,800	55,500	28,900	27,100
Mined copper	8,600	8,900	18,100	17,000	9,500	8,100
Sales (tons)						
Contained nickel	27,800	29,600	56,500	57,500	28,700	27,900
Refined copper	15,500	13,200	18,800	21,000	10,000	10,300
Revenues (US$m)	535	581	1,145	1,314	610	733
Realized nickel price (US$/lb)	7.03	6.84	7.34	7.89	7.64	9.00
Realized ferronickel price (US$/lb)	6.70	6.63	7.13	7.39	7.55	8.19
Mining, processing and refining costs (US$m)	170	214	391	460	221	246
Cash costs (US$/lb of nickel) – INO	2.51	2.60	2.83	2.71	3.07	2.83
Cash costs (US$/lb of nickel) – Falcondo	3.88	4.82	4.05	5.07	4.19	5.30
Cash costs (US$/lb of nickel) – NBU	2.94	3.38	3.25	3.56	3.49	3.73
Income from operating assets (US$m)	194	148	394	383	200	235

Revenues. For the three-month period ended June 30, 2006, Nickel Business revenues of US$733 million increased from US$610 million in the three-month period ended June 30, 2005. Nickel sales volumes decreased 3% to 27,900 tons in the three-month period ended June 30, 2006 from 28,700 tons in the three-month period ended June 30, 2005. Total Nikkelverk refined copper sales were 3% higher from the three-month period ended June 30, 2005.

INO refined nickel sales of 20,100 tons in the three-month period ended June 30, 2006 decreased by 9% from 22,000 tons in three-month period ended June 30, 2005 due to decreased production at the Nikkelverk refinery. At Falcondo, ferronickel sales volumes increased by 18% to 7,900 tons in the three-month period ended June 30, 2006 from 6,700 tons in the three-month period ended June 30, 2005, which reflected a depletion of the inventory build-up that resulted from stainless steel market destocking which occurred in the second half of 2005. Cobalt sales of 931 tons in the three-month period ended June 30, 2006 decreased

20% from the three-month period ended June 30, 2005. Precious metals revenues increased by US$9 million in the three-month period ended June 30, 2006 compared to the three-month period ended June 30, 2005.

Realized nickel prices of US$9.00/lb increased by 18% in the three-month period ended June 30, 2006 compared with US$7.64/lb in the three-month period ended June 30, 2005. Realized ferronickel prices of US$8.19/lb increased by 8% from US$7.55/lb in the three-month period ended June 30, 2005. Realized cobalt prices of US$14.21/lb decreased by 8% in the three-month period ended June 30, 2006, compared with US$15.48/lb in the three-month period ended June 30, 2005.

For the three-month period ended March 31, 2006, Nickel Business revenues of US$581 million increased from US$535 million in the three-month period ended March 31, 2005. Nickel sales volumes increased 6% to 29,600 tons in the three-month period ended March 31, 2006 from 27,800 tons in the three-month period ended March 31, 2005. By-product copper sales volumes of 13,200 tons in the three-month period ended March 31, 2006 decreased 15% from 15,500 tons in the three-month period ended March 31, 2005.

Integrated Nickel Operations (INO) sales volumes of refined nickel in the three-month period ended March 31, 2006 were essentially unchanged from the three-month period ended March 31, 2005, at 21,400 tons. At Falcondo, ferronickel sales volumes increased by 26% to 8,200 tons in the three-month period ended March 31, 2006 from 6,500 tons in the three-month period ended March 31, 2005, which reflected the depletion of the inventory build-up that resulted from stainless steel market destocking in the second half of 2005. Cobalt sales of 1,100 tons in the three-month period ended March 31, 2006 increased 22% from the three-month period ended March 31, 2005. Precious metals revenues increased by US$14 million in the three-month period ended March 31, 2006 compared to the three-month period ended March 31, 2005.

Realized nickel prices of US$6.84/lb decreased by 3% in the three-month period ended March 31, 2006 compared with US$7.03/lb in the three-month period ended March 31, 2005. Realized ferronickel prices of US$6.63/lb in the three-month period ended March 31, 2006 decreased by 1% from US$6.70/lb in the three-month period ended March 31, 2005. Realized cobalt prices of US$12.41/lb in the three-month period ended March 31, 2006 decreased by 29% compared with US$17.44/lb in the three-month period ended March 31, 2005.

Costs. Total operating expenses increased to US$498 million in the three-month period ended June 30, 2006 from US$410 million in the three-month period ended June 30, 2005. Mining, processing and refining costs increased to US$246 million in the three-month period ended June 30, 2006 from US$221 million in the three-month period ended June 30, 2005 year largely due to the exchange rate impact on operating costs at Canadian operations and increases in energy prices. The value of purchased raw material feeds increased to US$209 million in the three-month period ended June 30, 2006 from US$145 million in the three-month period ended June 30, 2005 due to increased purchased material volumes and higher payable nickel and copper prices.

The operating cash cost per pound of mined nickel for all of Falconbridge (including INO and Falcondo) was US$3.73 in the three-month period ended June 30, 2006 compared with US$3.49 for the three-month period ended June 30, 2005. The operating cash cost of producing a pound of nickel from INO mines during the three-month period ended June 30, 2006 was US$2.83, a decrease of US$0.24 or 8% from the three-month period ended June 30, 2005. The decrease in unit costs was the result of higher by-product credits due to increases in by-product metal prices which offset the impact of the stronger Canadian dollar on operating costs at Canadian operations, higher energy costs and lower ore grades. At Falcondo, the operating cash cost per pound of ferronickel during the three-month period ended June 30, 2006 was US$5.30 compared with US$4.19 in the three-month period ended June 30, 2005. The increase in

Falcondo costs was largely due to the increase in the oil price, as average oil costs rose from US$46.98 per barrel in the three-month period ended June 30, 2005 to US$60.62 per barrel during the three-month period ended June 30, 2006. Oil is the source of fuel for the electricity plant operated on site at Falcondo and represented 74% of total operating costs during the three-month period ended June 30, 2006.

Total operating expenses increased to US$433 million in the three-month period ended March 31, 2006 from US$341 million in the three-month period ended March 31, 2005. Mining, processing and refining costs increased to US$214 million in the three-month period ended March 31, 2006 from US$170 million in the three-month period ended March 31, 2005, largely due to the exchange rate impact on operating costs at Canadian operations, increases in energy prices and increased sales volumes. The value of purchased raw material feeds increased to US$166 million in the three-month period ended March 31, 2006 from US$142 million in the three-month period ended March 31, 2005, due to increased purchased material volumes and higher payable copper prices. The operating cash cost per pound of mined nickel for all of the Falconbridge Group (including INO and Falcondo) was US$3.38 in the three-month period ended March 31, 2006 compared with US$2.94 for the three-month period ended March 31, 2005. The operating cash cost of producing a pound of nickel from INO mines, was US$2.60 in the three-month period ended March 31, 2006. The US$0.09/lb, or 4%, increase in costs from the three-month period ended March 31, 2005 was the result of the stronger Canadian dollar on operating costs at Canadian operations, higher energy costs, and lower ore grades. These higher costs offset the impact of increased by-product credits that resulted from higher by-product metal prices.

At Falcondo, operating cash cost per pound of ferronickel was US$4.82 in the three-month period ended March 31, 2006, compared with US$3.88 in the three-month period ended March 31, 2005. The increase in costs was largely due to the increase in the oil price, as average oil costs rose from US$38.83 per barrel in the three-month period ended March 31, 2005 to US$52.15 per barrel in the three-month period ended March 31, 2006. Oil is the source of fuel for the electricity plant operated on site and represented 71% of total operating costs at Falcondo during the three-month period ended March 31, 2006.

Income generated by operating assets. Operating income for the Nickel Business totalled US$235 million in the three-month period ended June 30, 2006, compared to US$200 million in the three-month period ended June 30, 2005. The US$35 million increase was mainly due to the impact of higher metal prices which offset increases in the costs of operations, including higher energy costs, the higher value of purchased raw materials and the impact of lower nickel and cobalt sales volumes. Depreciation charges decreased 2% to US$43 million from the three-month period ended June 30, 2006.

Operating income for the Nickel Business in the three-month period ended March 31, 2006 totalled US$148 million, compared to US$194 million in the three-month period ended March 31, 2005. The US$46 million decrease was mainly due to the impact of higher costs of operations, including higher energy costs and the higher value of purchased raw materials. Depreciation charges increased due to the amortization of the fair value increment associated with the amalgamation of Falconbridge and Noranda. Higher costs offset the beneficial impact of slightly higher sales volumes during the three-month period ended March 31, 2006 versus the three-month period ended March 31, 2005.

Production. Total refined nickel production decreased 6% to 27,100 tons during the three-month period ended June 30, 2006 versus 28,900 tons during the three-month period ended June 30, 2005. Total mined nickel production was 1% lower at 20,500 tons in the three-month period ended June 30, 2006 compared with the three-month period ended June 30, 2005.

Sudbury mines production was 4,300 tons of nickel and 5,200 tons of copper during the three-month period ended June 30, 2006, compared with 5,600 tons of nickel and 7,000 tons of copper in the three-month period ended June 30, 2005. Sudbury mined nickel production was lower due to challenging ground conditions at the Thayer Lindsley mine and lower ore grades. At Raglan, nickel in concentrate production in the three-month period ended June 30, 2006 was 6,100 tons and copper-in-concentrate production was 1,500 tons, compared with 5,200 tons of nickel and 1,400 tons of copper in the three-month period ended June 30, 2005. The increase in Raglan production was due to higher mill throughput, which was partially offset by the impact of lower ore grades. The Montcalm mine produced 2,600 tons of nickel in concentrate and 1,300 tons of copper in concentrate in the three-month period ended June 30, 2006, compared to 2,200 tons and 1,100 tons of nickel and copper respectively in the three-month period ended June 30, 2005. The increases in production at Montcalm were due to increases in tons mined and improved ore grades.

At the Sudbury smelter, nickel-in-matte production in the three-month period ended June 30, 2006 decreased to 13,600 tons from 15,500 tons in the three-month period ended June 30, 2005, as a result of the treatment of lower mine concentrate tonnages and lower feed grades. The Sudbury smelter completed a three-week vacation shutdown in the first part of July 2006.

At the Nikkelverk refinery, refined nickel production was 19,600 tons in the three-month period ended June 30, 2006, compared with 21,200 tons in the three-month period ended June 30, 2005. Refined copper production at Nikkelverk totalled 10,300 tons in the three-month period ended June 30, 2006 compared to 9,700 tons in the three-month period ended June 30, 2005. The Falcondo ferronickel refinery produced 7,500 tons of nickel in ferronickel in the three-month period ended June 30, 2006, compared with 7,700 tons in the three-month period ended June 30, 2005.

Total refined nickel production increased by 2% to 28,400 tons during the three-month period ended March 31, 2006 versus 27,900 tons during the three-month period ended March 31, 2005. Total mined nickel production was 1,000 tons lower at 19,500 tons in the three-month period ended March 31, 2006 compared with the three-month period ended March 31, 2005.

Sudbury mines production was 4,500 tons of nickel and 6,200 tons of copper during the three-month period ended March 31, 2006, compared with 6,100 tons of nickel and 6,000 tons of copper in the three-month period ended March 31, 2005. Sudbury mined nickel production was lower due to challenging ground conditions at the Thayer Lindsley mine and lower nickel ore grades. At Raglan, nickel-in-concentrate production in the three-month period ended March 31, 2006 was 5,300 tons and copper production was 1,300 tons, compared with 6,000 tons of nickel and 1,500 tons of copper in the three-month period ended March 31, 2005. The decrease in Raglan production was due to the impact of lower ore grades. The Montcalm mine produced 2,800 tons of nickel and 1,400 tons of copper in the three-month period ended March 31, 2006, compared to 2,000 tons and 1,100 tons of nickel and copper respectively in the three-month period ended March 31, 2005. The increases in production at Montcalm were due to increases in tons mined and improved ore grades.

At the Sudbury smelter, nickel-in-matte production in the three-month period ended March 31, 2006 decreased to 15,800 tons from 17,400 tons in the three-month period ended March 31, 2005, as a result of the treatment of lower concentrate tonnages (due to reduced mine feeds) with lower feed grades.

At the Nikkelverk refinery, nickel production was 21,500 tons in the three-month period ended March 31, 2006, essentially unchanged from the three-month period ended March 31, 2005.

The Falcondo ferronickel refinery produced 6,900 tons of nickel in ferronickel in the three-month period ended March 31, 2006, compared with 6,500 tons in the three-month period ended March 31, 2005.

Falconbridge Zinc Business

The table below provides selected summary information in relation to the Falconbridge Zinc Business for the six-month period ended June 30, 2005, the six-month period ended June 30, 2006, the three-month periods ended June 30, 2005 and June 30, 2006 and the three-month periods ended March 31, 2005 and March 31, 2006:

	Unaudited Canadian GAAP					
	Three months ended March 31,		Six months ended June 30,		Three months ended June 30,	
	2005	2006	2005	2006	2005	2006
Production: (tons)						
Mined zinc	67,100	64,800	139,100	133,900	72,000	69,000
Refined zinc(1)	16,700	15,400	33,900	32,700	17,200	17,300
Mined lead	18,900	19,000	39,300	38,300	20,400	19,300
Refined lead	21,600	22,400	44,500	42,400	22,900	20,000
Sales (tons)						
Contained zinc(2)	94,800	68,400	185,500	178,900	90,700	110,500
Contained lead	26,500	29,700	52,400	55,700	26,000	26,000
Revenues (US$m)	119	199	246	570	127	371
Realized zinc price (US$/lb)	0.63	1.07	0.63	1.32	0.63	1.55
Mining, processing and refining costs (US$m)	50	52	87	112	37	60
Cash costs (US$/lb of zinc)	0.40	0.41	0.39	0.48	0.39	0.55
Income from operating assets (US$m)	6	64	31	215	25	151

Note:

(1) 25% of the Noranda Income Fund CEZ refinery zinc production.

(2) Brunswick mine concentrate contained zinc and third party purchased concentrate sales to Noranda Income Fund.

Revenues. Falconbridge Zinc Business revenues increased to US$371 million in the three-month period ended June 30, 2006, an increase of 192% compared to the US$127 million recorded during the three-month period ended June 30, 2005. The increased revenue was due to higher zinc concentrate sales volumes and higher prices realized for zinc and other by-products. The average realized price per pound of zinc during the three-month period ended June 30, 2006 was US$1.55/lb, an increase of 146% compared to US$0.63/lb in the three-month period ended June 30, 2005. The average realized price per pound of refined lead during the three-month period ended June 30, 2006 was US$0.57/lb, versus US$0.50/lb in the three-month period ended June 30, 2005. Silver LME prices increased to US$12.29 in the three-month period ended June 30, 2006 per ounce from US$7.15 per ounce in the three-month period ended June 30, 2005.

In the three-month period ended June 30, 2006, sales volumes of zinc-in-concentrates increased 22% to 110,500 tons from 90,700 tons in the three-month period ended June 30, 2005. Higher zinc sales volumes reflect the draw-down of inventory that was built up during the three-month period ended June 30, 2006 for shipment to the Noranda Income Fund. Lead metal and concentrate sales in the three-month period ended June 30, 2006 were unchanged from the three-month period ended June 30, 2005, at 26,000 tons.

The Falconbridge Group Zinc Business's revenues increased to US$199 million in the three-month period ended March 31, 2006, an increase of 67% compared to the US$119 million recorded during the three-month period ended March 31, 2005. The increased revenue was due to higher prices realized for zinc and other by-products. The average realized price per pound of zinc during the three-month period ended March 31, 2006 was US$1.07/lb, an increase of 70% compared to US$0.63/lb in the three-month period ended March 31, 2005. The average realized price per pound of refined lead during the three-month period ended March 31, 2006 was US$0.63/lb, versus US$0.49/lb in the three-month period ended March 31, 2005. Silver LME prices increased to US$9.69 per ounce in the three-month period ended March 31, 2006 from US$6.97 per ounce in the three-month period ended March 31, 2005.

In the three-month period ended March 31, 2006, sales volumes of zinc-in-concentrates decreased 28% to 68,400 tons from 94,800 tons in the three-month period ended March 31, 2005. Lower zinc sales volumes reflected the build-up of inventory to be shipped to the Noranda Income Fund in the three-month period ended March 31, 2006 and the timing of vessel shipments and arrivals. Lead metal sales in the three-month period ended March 31, 2006 increased to 29,700 tons from 26,500 tons in the three-month period ended March 31, 2005.

Costs. Mining, processing and refining costs increased to US$60 million in the three-month period ended June 30, 2006 from US$37 million in the three-month period ended June 30, 2005, while the value of purchased raw materials increased to US$147 million from US$57 million in the three-month period ended June 30, 2005. The value of raw material feeds increased along with the rise in zinc and lead prices. The operating cash cost per pound of mined zinc increased to US$0.55 in the three-month period ended June 30, 2006 from US$0.39 for the three-month period ended June 30, 2005 due to a stronger Canadian dollar, higher smelting charges due to higher price participation and lower production at the Brunswick Mine, partially offset by the benefits from higher by-product copper and silver prices.

Mining, processing and refining costs increased to US$52 million in the three-month period ended March 31, 2006 from US$50 million in the three-month period ended March 31, 2005, while the value of purchased raw materials increased to US$76 million from US$54 million in the three-month period ended March 31, 2005. The value of raw material feeds increased along with the rise in zinc and lead prices. The operating cash cost per pound of mined zinc increased to US$0.41 in the three-month period ended March 31, 2006 from US$0.40 for the three-month period ended March 31, 2005 due to a stronger Canadian dollar and lower production at the Brunswick Mine, partially offset by the benefits from higher by-product copper and silver prices.

Income generated by operating assets. Operating income of the Falconbridge Zinc Business in the three-month period ended June 30, 2006 was US$151 million, compared with US$25 million for the three-month period ended June 30, 2005. The US$126 million improvement resulted from the higher metal prices and increased sales of zinc concentrates.

Operating income of the Falconbridge Group Zinc Business in the three-month period ended March 31, 2006 was US$64 million, compared with US$6 million for the three-month period ended March 31, 2005. The US$58 million improvement resulted primarily from the higher metal prices.

Production. Contained zinc production was 69,000 tons in the three-month period ended June 30, 2006, compared to 72,000 tons in the three-month period ended June 30, 2005. The decrease in production was primarily attributable to lower ore head grades. By-product copper in concentrate production at the Brunswick mine increased to 2,200 tons in the three-month period ended June 30, 2006 from 1,600 tons during the three-month period ended June 30, 2005, primarily due to a higher copper grade and improved recoveries in 2006.

Lead metal production at the Brunswick smelter was 20,000 tons in the three-month period ended June 30, 2006 compared to 22,900 tons in the three-month period ended June 30, 2005, primarily due to lower lead grades at the Brunswick mine.

Falconbridge's share of refined zinc production at the Noranda Income Fund CEZ Refinery totalled 17,300 tons in the three-month period ended June 30, 2006, versus 17,200 tons during the three-month period ended June 30, 2005.

Contained zinc production was 64,800 tons in the three-month period ended March 31, 2006, compared to 67,100 tons in the three-month period ended March 31, 2005. The decrease in production was primarily attributable to lower ore head grades and the residual effects of a rock burst which occurred at the Brunswick Mine in November 2005. The Falconbridge Group's share of refined zinc production at the Noranda Income Fund CEZ refinery totalled 15,400 tons in the three-month period ended March 31, 2006, versus 16,700 tons during the three-month period ended March 31, 2005. By-product copper-in-concentrate production at the Brunswick mine increased to 2,200 tons in the three-month period ended March 31, 2006 from 1,300 tons during the three-month period ended March 31, 2005, primarily due to a higher copper grade and improved recoveries in 2006.

Lead metal production at the Brunswick smelter was 22,400 tons in the three-month period ended March 31, 2006 compared to 21,600 tons in the three-month period ended March 31, 2005, due to an unplanned maintenance shutdown during the three-month period ended March 31, 2005 which resulted in lower production.

Aluminum Business

The table below provides selected summary information in relation to the Aluminum Business for the six-month period ended June 30, 2005, the six-month period ended June 30, 2006, the three-month periods ended June 30, 2005 and June 30, 2006 and the three-month periods ended March 31, 2005 and March 31, 2006:

	Unaudited Canadian GAAP					
	Three months ended March 31,		Six months ended June 30,		Three months ended June 30,	
	2005	2006	2005	2006	2005	2006
Production: primary (tons)	61,400	62,300	123,100	125,700	61,700	63,400
Sales: primary (tons)	56,600	56,400	113,900	114,000	57,300	57,600
Shipments: fabricated (tons)	45,600	46,400	89,200	95,100	43,500	48,700
Revenues (US$m)	271	310	543	676	272	366
Realized aluminum price (US$/1lb)	0.92	1.13	0.91	1.20	0.90	1.25
Mining, processing and refining costs (US$m)	139	156	276	317	137	161
Cash costs (US$/lb of aluminum)	0.59	0.67	0.61	0.67	0.61	0.66
Income from operating assets (US$m)	35	47	70	120	35	73

Revenues. Aluminum Business revenues increased to US$366 million in the three-month period ended June 30, 2006, 35% higher than the US$272 million recorded during the three-month period ended June 30, 2005. Third party sales of primary aluminum were essentially the same at 57,600 tons in the three-month period ended June 30, 2006, compared to 57,300 tons during the three-month period ended June 30, 2005. Rolled products sales volumes increased by 12% to 48,700 tons in the three-month period ended June 30, 2006 compared to 43,500 tons the three-month period ended June 30, 2005. The realized primary aluminum price for the three-month period ended June 30, 2006 increased 39% to US$1.25/lb versus US$0.90/lb in the three-month period ended June 30, 2005.

Third party sales of St. Ann bauxite were 3% higher at 250,200 tons in the three-month period ended June 30, 2006 and third party sales of Gramercy alumina were 3% lower at 87,300 tons during the three-month period ended June 30, 2006, in each case compared with the three-month period ended June 30, 2005.

Aluminum Business revenues increased to US$310 million in the three-month period ended March 31, 2006, 14% higher than the US$271 million recorded during the three-month period ended March 31, 2005. Third party sales of primary aluminum were essentially the same in the three-month period ended March 31, 2006 at 56,400 tons, compared to the three-month period ended March 31, 2005. Rolled products sales volumes for the three-month period ended March

31, 2006 also increased by 2% to 46,400 tons compared to 45,600 tons during the three-month period ended March 31, 2005.

The realized primary aluminum price increased 23% to US$1.13/lb in the three-month period ended March 31, 2006, versus US$0.92/lb in the three-month period ended March 31, 2005.

Costs. Total Aluminum Business operating expenses increased 24% to US$293 million in the three-month period ended June 30, 2006, compared to US$237 million during the three-month period ended June 30, 2005. Mining, processing and refining costs increased to US$161 million in the three-month period ended June 30, 2006 from US$137 million in the three-month period ended June 30, 2005. Operating costs were impacted by significantly higher natural gas costs at the Gramercy alumina refinery and at the rolling mills, along with increased electrical energy costs at the New Madrid smelter. The increased electrical energy costs came into effect under the new fifteen-year electricity supply contract effective June 1, 2005. These rates compared very favorably with electricity costs incurred by other US aluminum producers. The value of purchased raw materials increased to US$120 million in the three-month period ended June 30, 2006 compared to US$89 million for the three-month period ended June 30, 2005, due to increased aluminum prices.

The net operating cash cost per pound of primary aluminum metal production was US$0.66/lb in the three-month period ended June 30, 2006, an increase from US$0.61/lb for the three-month period ended June 30, 2005. Higher electrical energy and natural gas costs were the major contributors to the higher unit costs. The cost per pound at the rolled products division was 10% higher in the three-month period ended June 30, 2006, compared with the three-month period ended June 30, 2005, resulting primarily from higher natural gas and purchased aluminum metal costs.

Aluminum Business operating expenses increased 11% to US$263 million in the three-month period ended March 31, 2006, compared to US$236 million during the three-month period ended March 31, 2005. Mining, processing and refining costs increased to US$156 million in the three-month period ended March 31, 2006 from US$139 million in the three-month period ended March 31, 2005. Operating costs were impacted by significantly higher natural gas costs at the Gramercy alumina refinery and at the rolling mills, along with increased electrical energy costs at the New Madrid smelter. The increased electrical energy costs came into effect under the new fifteen-year electricity supply contract. These rates compared very favorably with electricity costs incurred by other US aluminum producers. The value of purchased raw materials increased to US$94 million in the three-month period ended March 31, 2006 compared to US$85 million for the three-month period ended March 31, 2005, due to increased aluminum prices.

The operating cash cost per pound of primary aluminum metal production was US$0.67/lb in the three-month period ended March 31, 2006, an increase from US$0.59/lb for the three-month period ended March 31, 2005. Higher electrical energy and natural gas costs were the major contributors to the higher unit costs. The cost per pound at the rolled products division was 7% higher in the three-month period ended March 31, 2006, compared with the three-month period ended March 31, 2005, resulting from higher natural gas and purchased aluminum metal costs.

Income generated by operating assets. Operating income for the Aluminum Business in the three-month period ended June 30, 2006 was US$73 million compared with US$35 million for the three-month period ended June 30, 2005. The US$38 million increase was mainly due to the higher realized aluminum price, partly offset by higher power and natural gas costs.

Operating income for the Aluminum Business for the three-month period ended March 31, 2006 was US$47 million compared with US$35 million for the three-month period ended March 31, 2005. The US$12 million increase was mainly due to the higher realized aluminum price, partly offset by higher power and natural gas costs.

Production. In the three-month period ended June 30, 2006, primary aluminum production was 3% higher at 63,400 tons, compared to 61,700 tons in the three-month period ended June 30, 2005. For the rolled products operations, shipments were 12% higher at 48,700 tons in the three-month period ended June 30, 2006, compared with 43,500 tons for the three-month period ended June 30, 2005. Falconbridge's share of St. Ann bauxite production was 628,500 tons during the three-month period ended June 30, 2006 versus 478,300 tons in the three-month period ended June 30, 2005. The Falconbridge Group's share of Gramercy alumina production was 151,900 tons in the three-month period ended June 30, 2006 versus 148,700 tons during the three-month period ended June 30, 2005.

In the three-month period ended March 31, 2006, primary aluminum production was higher at 62,300 tons, compared to 61,400 tons in the three-month period ended March 31, 2005. For the rolled products operations, shipments were higher at 46,400 tons for the three-month period ended March 31, 2006 compared with 45,600 tons for the three-month period ended March 31, 2005.

Production forecast

The following table sets out Falconbridge Group production information for the year ended December 31, 2005 and forecasts for the year ending December 31, 2006:

	Year ended December 31,	
	2005 (Actual)	**2006 (Forecast)**
	Mt	
Copper:		
Mined	462	460
Refined	544	640
Nickel:		
Mined	80	80
Refined	114	110
Zinc:		
Mined	454	460
Refined(1)	182	210
Aluminum:		
Primary	246	250
Fabricated	178	195

Notes:

(1) Includes 100% of Kidd Creek refinery production and 25% of the Noranda Income Fund CEZ Refinery production.

Forecast mined copper production for 2006 was revised downwards by Falconbridge in the second quarter of 2006 by 15,000 tons in order to take account of lost production at Collahuasi that resulted from repairs required to one of the mill motors and the primary conveyor. At the same time, the refined copper production forecast was revised upwards by Falconbridge by 5,000 tons as increased materials throughput at the Horne smelter and CCR Refinery were exceeding expectations.

Forecast mined nickel production was revised downward by Falconbridge as a result of lower head grades at the Sudbury mines. Refined nickel production was revised downwards by Falconbridge due to the forecast lower production from the Sudbury mines as well as due to reduced custom feed throughput at the Nikkelverk refinery.

Information regarding production forecasts is subject to risks and uncertainties, see the section of this Offering Memorandum headed "Special note regarding forward-looking statements".

Liquidity and capital initiatives

Falconbridge has historically maintained long-term credit arrangements and relationships with a variety of financial institutions and investors in order to facilitate its ongoing access to domestic and international financial markets to meet its funding needs. The Falconbridge Group's future financial requirements related to debt maturities, operating costs, projects under development and other capital investments are to be funded as part of the Xstrata Group primarily from a combination of existing cash balances, committed bank lines, operating cash flows, project financing and new long- and short-term borrowings.

The Falconbridge Group's committed bank facilities totalled US$780 million at June 30, 2006 and were essentially undrawn. As at September 26, 2006, approximately US$204 million of these committed bank facilities were drawn. Following the change of control of Falconbridge as a result of the Falconbridge Acquisition, these facilities are due to expire on November 14, 2006. Falconbridge, however, is seeking to extend US$680 million of these facilities for 12 months.

Cash generated from operations, before the net change in accounts receivables, payables and inventories, was US$1,002 million during the three month-period ended June 30, 2006. Non-cash working capital increased by US$308 million during the three month-period ended June 30, 2006 due to higher accounts receivable and inventory values resulting from higher metal prices. Total liquidity remained strong, with approximately US$1.4 billion of cash and undrawn lines at June 30, 2006. Long-term debt was US$2.5 billion at June 30, 2006, excluding preferred share liabilities. Falconbridge's net-debt-to-capitalization ratio stood at 26.7% at June 30, 2006, a reduction from 36.6% at December 31, 2005.

On April 26, 2006, Falconbridge redeemed a total of 20 million shares, or US$500 million, of its outstanding Junior Preference Shares, from shareholders of record on March 22, 2006. On June 28, 2006, Falconbridge redeemed the remaining balance of its 9,999,701 outstanding Junior Preference Shares for a total of approximately US$250 million. The Junior Preference Shares were redeemed utilising internal cash resources. Upon redemption, Falconbridge had no Junior Preference Shares outstanding.

Following the expiry of the Inco Offer for Falconbridge on July 28, 2006, Falconbridge paid Inco a cash break fee of US$150 million on August 1, 2006 and, following the successful completion of the Xstrata Offer for Falconbridge, Falconbridge paid Inco a further cash break fee of US$300 million on August 16, 2006, in each case in accordance with the terms of the Inco Support Agreement.

Falconbridge paid a special cash dividend of C$0.75 per Falconbridge Share on August 10, 2006 to Falconbridge Shareholders of record at the close of business on July 26, 2006, being cash payments of approximately C$278.1 million (approximately US$249.2 million) and approximately US$3.6 million in aggregate, of which approximately C$55.2 million (approximately US$49.0 million) was received by the Xstrata Group in respect of its Falconbridge Shares held on the record date.

Redemption of Falconbridge preference shares

Falconbridge announced on September 15, 2006 its intention to redeem its outstanding Cumulative Redeemable Preferred Shares, Series F and Series G, and Cumulative Preferred Shares, Series 1 (together, the "Redeemed Shares"). Falconbridge redeemed all of the outstanding Redeemed Shares on November 1, 2006 as follows: each Series F share was redeemed for C$25.50 in cash, each Series G share was redeemed for C$25.00 in cash and each Series 1 share was redeemed for C$10.00 in cash, plus accrued and unpaid dividends in respect of each share up to, but excluding, November 1, 2006. The Xstrata Group utilized its internal cash resources to fund the aggregate redemption price of approximately C$306 million (approximately US$274.2 million).

Capital investments

Investments in new production capacity such as the Nickel Rim South and Koniambo nickel projects totalled US$332 million during the six-month period ended June 30, 2006. For the year ending December 31, 2006, the Falconbridge Group's projected capital investments as at June 30, 2006 were approximately US$315 million for sustaining capital expenditures and other smaller projects and approximately US$445 million in new copper and nickel investments. The major components of the capital investment program are shown in the following table:

	Year ended December 31,	
	2005 (Actual)	2006 (Forecast)
	(in US$ millions)	
Copper:		
Copper development products (El Morro, El Pachon, Lomas Bayas)	4	60
Kidd Creek Mine extension	114	90
Nickel		
Koniambo	96	180
Nickel Rim South	74	75
Nickel development projects (Kabanga, Raglan)	61	40
Sustaining capital and other	388	315
Total capital investments	737	760

Significant future obligations

Significant future obligations of Falconbridge at June 30, 2006 and its partially-owned subsidiaries, excluding employee future benefit obligations, are summarized as follows:

	Payments by period						
Nature of obligation	Second quarter 2005	Second Half 2006	2007	2008	2009	2010	There-after
			(in US$ millions)				
Convertible debentures and other loans	140	8	109	23	–	–	–
Senior debentures	2,351	250	–	157	–	–	1,944
Preferred share liabilities(1)	132	–	–	132	–	–	–
	2,623	258	109	312	–	–	1,944
Debt of partially-owned	360	43	85	70	59	51	52
Capital leases	16	1	5	1	1	1	7
Operating leases and purchases commitment	142	73	18	13	9	8	21
Total	3,141	375	217	396	69	60	2,024

Notes:

(1) May be redeemed for common shares.

Falconbridge's main defined benefit pension plans and other benefit plans are currently in deficit on the basis set out in the most recent relevant actuarial valuations for the plans. Further details of the funding position in respect of such plans is set out in Note 20 (Employee Future Benefit Plans) of the Falconbridge Annual Financial Information incorporated by reference, which shows a net deficit of plan assets over benefit obligations of US$181 million for pension benefit plans as at December 31, 2005 and a net deficit of plan assets over benefit obligations of US$412 million for other benefit plans as at December 31, 2005.

Off-balance-sheet arrangements

Falconbridge does not have any unconsolidated affiliates. Falconbridge does not enter into material off-balance-sheet arrangements with special purpose entities in the normal course of business. Its only significant off-balance-sheet arrangements at June 30, 2006 were the Canadian dollar expenditure hedges discussed in "– Operating and financial review relating to the Falconbridge Group – Six-month period ended June 30, 2006 compared with six-month period ended June 30, 2005 – Financial instruments and other instruments".

Revenue recognition

Revenues from the sale of base metals, aluminum and fabricated products and from by-product materials are recorded at the time of sale, when the rights and obligations of ownership pass to the buyer.

Under the terms of concentrate sales contracts with third parties, final prices for metals in the concentrate are set based on the prevailing spot metal prices on a specified future date based on the date that the concentrate is delivered. Falconbridge recorded revenues under these contracts based on the forward prices at the time of the sale and the revenues were adjusted at each subsequent balance sheet date to the then current forward prices. Price changes for shipments which at year-end are awaiting final pricing could have a material effect on future revenues. As at June 30, 2006, there was US$692 million in Falconbridge revenues that was awaiting final pricing, primarily related to 87,000 tons of payable copper in concentrate.

Transactions with related parties

Falconbridge Group related-party transactions for the six-month period ended June 30, 2006 are summarized as follows:

Related Party	Description	Revenue	Product revenue	Service purchases	Receivables	Payables
		(in US$ millions)				
Noranda Income Fund	Processing & administration agreement	231	33	–	159	–
Noranda Income Fund	Trading activity	–	3	33	1	19
Antamina	Trading activity	–	–	223	–	46
Gramercy	Trading activity	–	–	67	–	12
Collahuasi	Trading activity	–	–	146	–	64

Financial instruments and other instruments

Falconbridge uses financial and other instruments in the following instances:

Foreign currency exposure

The Falconbridge Group has historically used forward foreign exchange and option contracts to hedge the effect of exchange rate changes on identifiable foreign currency exposures. As at June 30, 2006, the Falconbridge Group had no significant outstanding foreign exchange contracts to hedge Canadian denominated costs.

Commodity price exposure

Generally, Falconbridge does not hedge the price it realizes on the sale of its own production and accepts realizations based on market prices prevailing around the time of delivery of metals to customers. Under certain circumstances, Falconbridge enters into futures and option contracts to hedge the effect of price changes on a portion of the raw materials it purchases on a custom processing or resale basis. Gains and losses on these contracts are reported as a component of the related transactions. Designated contracts meeting the definition for hedge accounting under Canadian GAAP are not recorded. These contracts are carried at estimated fair values and gains or losses arising from the changes in the market values of these contracts are recognized in the earnings of the period in which the changes occur.

Interest rate management

Falconbridge may enter into interest-rate swap agreements, including foreign exchange cross currency swaps, to modify the interest characteristics of its outstanding debt. The differential to be paid or received, for interest rate swaps for which Falconbridge receives hedge accounting, is accrued and recognized as an adjustment to interest expense related to the debt. The following table sets out a summary of these positions as at June 30, 2006:

Interest rate swaps	**Total notional principal amount** *(in US$ millions)*
Maturity 2006	325
Maturity 2008[1]	136
Maturity 2011	300
Maturity 2012	350
Maturity 2015	500
Fair value[2]	12

Notes:

(1) Includes a cross-currency interest rate swap designated as a hedge of a Canadian dollar debenture. The total fair value of this instrument at June 30, 2006 was US$51million of which US$46 million related to the currency component of the swap and US$5 million related to the interest component.

(2) Includes the fair value of US$46 million related to the currency component of the cross currency interest rate swap discussed in note (1) above.

Counterparty risk

Foreign currency and interest rate swap contracts are maintained with counterparties with at least an “A” rating or better by a recognized national credit rating agency. As a result, Falconbridge does not anticipate that any counterparty under such swap contracts will fail to meet its obligation. If any outstanding foreign exchange or interest rate swap were terminated prior to maturity then the contract would be settled at the fair value at the time.

Outstanding shares

As at September 12, 2006, Falconbridge's issued and outstanding shares and securities were as follows:

Name of Falconbridge security	Trading symbol	Shares outstanding
Common Shares[(1)]	FAL	379,804,879
Common share options outstanding (vested and unvested)[(2)]		46,480
Convertible debentures[(3)] – converted into common shares		186,534
Cumulative Preferred Shares, Series 1[(4)]	N/A	89,835
Cumulative Preferred Shares, Series 2	FAL.PR.A	4,787,283
Cumulative Preferred Shares, Series 3	FAL.PR.B	3,122,882
Cumulative Redeemable Preferred Shares, Series F[(4)]	FAL.PR.F	3,246,057
Cumulative Redeemable Preferred Shares, Series G[(4)]	FAL.PR.G	8,753,943
Cumulative Redeemable Preferred Shares, Series H	FAL.PR.H	6,000,000

Notes:

(1) Falconbridge common shares trade on the Toronto Stock Exchange under the symbol FAL. Falconbridge common shares also trade in US dollars on the Toronto Stock Exchange under the symbol FAL.U. The figure above includes common shares which were converted from Falconbridge's adjustable rate convertible subordinated debentures due April 30, 2007 (the "Convertible Debentures") up to September 12, 2006. As at such date, the Xstrata beneficially owned 369,056,589 Falconbridge common shares.

(2) Falconbridge common share options are convertible into common shares of Falconbridge at the rate of one common share for each common share option outstanding. The terms of Falconbridge's stock option plans provide that Falconbridge options will cease to be exercisable on the earlier of: (i) the expiry date of the options; and (ii) the date on which the underlying option shares cease to publicly traded.

(3) As at September 12, 2006, Falconbridge had outstanding C$5,070,000 principal amount of convertible debentures, which were convertible into 186,534 Falconbridge common shares at a conversion rate of 36.7918 Falconbridge common shares per C$1,000 principal amount of convertible debentures. As at August 31, 2006, Falconbridge had outstanding C$10,674,000 principal amount of convertible debentures. On August 29, 2006, Falconbridge called for the redemption of all outstanding convertible debentures. In accordance with the notice of redemption Falconbridge mailed on August 29, 2006, holders of the convertible debentures were entitled to convert their convertible debentures into Falconbridge common shares up to September 29, 2006. Any convertible debentures not converted by such date are subject to redemption and ceased to be outstanding from and after October 2, 2006.

(4) Falconbridge announced on September 15, 2006 its intention to redeem its outstanding Cumulative Redeemable Preferred Shares, Series F and Series G, and Cumulative Preferred Shares, Series 1 on November 1, 2006. Falconbridge intends to utilize its internal cash resources to fund the aggregate redemption price of approximately C$306 million (approximately US$274.2 million).

Year ended December 31, 2005 compared with year ended December 31, 2004 (restated)

Financial overview Falconbridge's consolidated assets totalled US$12.4 billion as at December 31, 2005 on a book-value basis compared with US$9.6 billion as at December 31, 2004. The increase was primarily due to the acquisition of the common shares of Falconbridge that Noranda did not already own. Total revenues increased to US$8.1 billion during 2005, an increase of US$1.3 billion over the US$6.8 billion in revenue generated in 2004, due to stronger metals prices and higher copper and nickel sales volumes. Falconbridge generated net income of US$872 million, or US$2.50 per share on a diluted basis, an increase of US$351 million from the net income of US$521 million, or US$1.70 per share on a diluted basis in 2004. The improved results were mostly attributable to higher base metals prices, partially offset by the impact of a weaker US dollar on operating costs at all Canadian and South American operations and increasing energy and supply costs throughout the operations.

Net income for 2005 included a loss of US$8 million, or US$0.02 per basic share and US$0.02 per diluted share from discontinued operations. This compares to a loss of US$73 million, or US$0.25 per basic share and US$0.24 per diluted share from discontinued operations in 2004. Discontinued operations reflect the operating results of Falconbridge's custom wheel manufacturing operations prior to its disposal in June 2005 and the net gain recorded from its disposal.

At December 31, 2005, Falconbridge held cash and cash equivalents of US$886 million. During 2005, Falconbridge's consolidated net-debt-to-capitalization declined to 37% as cash generated from operations was utilized in part to reduce debt instruments issued to effect the reorganization of Falconbridge. Cash resources, combined with undrawn credit facilities of over

US$1.6 billion, provided Falconbridge with sufficient liquidity to pursue its development projects, new investment and development opportunities and repay near-term debt maturities.

Operating assets

Of the US$12.4 billion of assets, the book value of capital assets that were contributing to earnings totalled US$6.8 billion as at December 31, 2005, while projects under development which were not then contributing to earnings totalled US$1.7 billion. Combined, these assets represented 69% of Falconbridge's total asset base. Included in the US$6.8 billion of operating assets was the US$2 billion preliminary fair market value increment on the operating assets for the purchase accounting of acquisition of Falconbridge, as well as US$77 million being transferred from projects under development to operating capital assets for the completion of the new Montcalm nickel/copper mine near Timmins, Ontario. The operating assets were distributed in the Falconbridge Group's business segments as follows:

	At December 31,	
	2004	**2005**
	(in US$ millions)	
Operating capital assets		
Copper	2,890	3,806
Nickel	1,078	2,114
Zinc	158	139
Aluminum	702	711
Other	42	33
Total	4,870	6,803

Revenues

For 2005, total revenues increased to US$8.1 billion from US$6.8 billion for the year ended December 31, 2004 primarily due to the significant increase in realized metals prices. Copper reached a new historical high and zinc and aluminum also finished the year at multi-year highs. Average historical realized prices for copper, nickel, zinc and aluminum were as follows:

	Year ended December 31,		
	2003	**2004**	**2005**
	(US$ per pound)		
Copper	0.82	1.30	1.71
Nickel	4.40	6.40	6.85
Zinc	0.43	0.52	0.70
Aluminum	0.68	0.84	0.91

Prices for by-product metals such as lead, molybdenum and precious metals, which are found and processed in conjunction with core metals, also experienced similar price increases during these periods.

Sales volumes of refined copper, nickel and fabricated aluminum products were all higher in 2005 than 2004 levels. Due to the closure of the Bell Allard mine in October 2004, mined zinc sales volumes were lower in 2005. Bauxite and alumina sales to third parties increased as the Falconbridge Group recorded its first full year of joint ownership of the St. Ann and Gramercy operations since their acquisition in October 2004. The Falconbridge Group also recorded significantly higher molybdenum concentrate sales from the Antamina mine and produced its first molybdenum concentrate from the Collahuasi mine in the fourth quarter of 2005.

Operating expenses

Operating expenses totalled US$6.3 billion in 2005, 18% higher than US$5.4 billion in 2004. Mining, processing and refining costs increased to US$2.5 billion, a 28% increase from 2004 levels of US$2.0 billion, largely due to the impact of a weaker US dollar on operating costs at all Canadian and South American operations and increasing energy costs throughout the operations. Mining, processing and refining costs included US$191 million of costs associated with the new operations at the new Montcalm mine and the acquired operations at St. Ann and Gramercy. The average value of the Canadian dollar increased 8% to US$0.83 versus US$0.77 during 2004. Upon completion of the acquisition of Falconbridge minority shares, the carried value of inventory on hand was increased by US$42 million to reflect its preliminary fair value, which is charged to income as the related inventory is sold. As a result, the increased cost reduced 2005 income by US$42 million, lowering income in 2005 as a result of the acquisition.

The value of raw material purchases was US$3,235 million, 11% higher than US$2,904 million in 2004, due to higher metal prices and increased custom feed processing at the Nikkelverk nickel refinery and at all copper smelting and refining operations. Higher purchased raw material values are recovered at the time of sale of the metals contained in the materials treated.

Depreciation, amortization and accretion expense increased to US$555 million from US$493 million in 2004, with US$21 million of the increase being attributable to the amortization of the preliminary fair value increment related to the purchase of the Falconbridge minority shareholders' interest and the resulting increase in the book value of the mining and processing assets acquired. Depreciation, amortization and accretion expense also increased due to the addition of amortization expenses associated with the new operations at Montcalm and the acquired assets at St. Ann and Gramercy.

Income from operating assets and net income

Income generated by operating assets for 2005 was US$1,820 million, 31% higher than US$1,391 million in 2004. Income from operating assets increased 61% to US$1,086 million in the copper business, decreased 6% to US$597 million in the nickel business, increased to US$60 million in the zinc business and increased 19% to US$106 million in the aluminum business.

Interest expense increased to US$152 million in 2005, an increase of 27% over US$120 million in 2004, due mostly to the inclusion of dividends that were paid on the new junior preference shares that were issued in 2005, offset partially by lower average debt levels and interest rates below the levels of 2004. Interest expense included a one-time early redemption premium of US$5 million paid to the holders at the time of the partial redemption of the junior preferred shares in August 2005. Corporate and general administration costs as well as research and development costs increased from 2004 primarily due to strengthening of the Canadian dollar.

Minority interest in earnings of subsidiaries decreased to US$155 million from US$297 million, largely as a result of the elimination of the Falconbridge minority share ownership since the completion of the merger of Noranda and Falconbridge on June 30, 2005.

In 2005, Falconbridge also recorded a US$17 million gain, net of restructuring costs and other, compared to US$84 million in 2004. Included in the US$84 million gain in 2004 was the US$80 million gain on the settlement of an alumina supply contract upon acquisition of the Gramercy alumina joint venture. Tax expenses recorded increased to US$511 million from US$351 million during 2005, due primarily to the increase in net income from continuing operations before taxes and minority interest to US$1,546 million from US$1,242 million.

Net income for the year ended December 31, 2005 was US$872 million or US$2.50 per common share on a diluted basis, compared with a net income of US$521 million or US$1.70 per common share on a diluted basis for 2004. The significant improvement in 2005 results was due to higher average realized prices for all four primary metals and strong operational performance from each business unit supported by improved by-product credits. Offsetting the impact of price increases and cost containment initiatives was the impact of rising energy costs and supply costs, combined with the further weakening of the US dollar relative to both the Canadian dollar and Chilean peso, thereby increasing operating costs in those jurisdictions.

Production

Production of refined copper and nickel increased substantially in 2005, as increased quantities of concentrates were processed, versus 2004 levels. Copper production benefited from increased anode production at the Altonorte smelter and the ramp-up of cathode production at the CCR Refinery. Nickel production benefited from increased custom feed processing. Production of refined zinc was lower than 2004 levels mostly due to a month-long strike at the Kidd Creek metallurgical complex in October. Mined copper production was higher in 2005 at the Antamina, Kidd Creek, Lomas Bayas and Montcalm mines, but was offset by lower production at the Collahuasi mine and reduced production from the Louvicourt mine which closed in July 2005. Mined nickel production was stable in 2005 as the new Montcalm mine contributed its first full year of production offsetting lower production at Raglan and Sudbury mines, resulting from lower grades. Mined zinc production was lower due to the closure of the Bell Allard mine, which closed in October 2004. Primary aluminum production was slightly lower in 2005 than in 2004, due mostly to the impact of the fall hurricanes, while fabricated aluminum products sales were higher in 2005 versus the prior year.

Falconbridge Copper Business

The following table sets out estimated mine life information in respect of certain Falconbridge Group copper mines. Information regarding estimated mine life is subject to risks and uncertainties; see the section of this Offering Memorandum headed "Special note regarding forward-looking statements".

	Mine Life Estimated number of years
Copper Mine	
Collahuasi	40+
Antamina	15+
Lomas Bayas	20+
Kidd Creek	10+

The following table sets out a percentage break down of the Falconbridge Copper Business copper mining, processing and refining costs incurred in the year ended December 31, 2005:

	Percentage (%)
Energy	16
Labor	24
Supplies and consumables	25
Contract and other	35
Total	100%

The table below provides selected summary financial information in relation to the Falconbridge Copper Business for the year ended December 31, 2004 and for the year ended December 31, 2005:

	Audited Canadian GAAP Year ended December 31	
	2004	**2005**
	(in US$ millions, except as otherwise stated)	
Revenues	3,592	4,421
Mining, processing and refining costs	803	993
Purchased raw materials	1,882	2,082
Income generated by operating assets	673	1,086
Realized copper price (US$ per pound)	US$1.30	US$1.71
Operating cash cost (US$ per pound of copper)	US$0.38	US$0.31
Sales and throughput (000s tons)[(1)]		
Copper in concentrates	275	267
Copper metal	612	627
Copper concentrate processed	1,810	1,899
Zinc in concentrates	68	83
Zinc metal	120	116
Sulfuric acid	749	811

Note:

(1) 100% basis except for Collahuasi (44%) and Antamina (33.75%)

Revenues. For the year ended December 31, 2005, consolidated revenues for the Falconbridge Copper Business were US$4,421 million, an increase of 23%, over the US$3,592 million for the same period of 2004. Higher realized copper, zinc and molybdenum prices accounted for the increase in revenues. During 2005, the realized copper price averaged US$1.71/lb, compared to US$1.30/lb in 2004. Sales volumes of refined copper and copper anodes increased 2% in 2005, as a result of increased production at CCR, Altonorte, Kidd Creek and Lomas Bayas. By-product revenues from molybdenum also increased from US$19 million in 2004 to US$138 million in 2005.

Costs. Total operating expenses were US$3,335 million in 2005, versus US$2,919 million in 2004. Mining, processing and refining costs totalled US$993 million in 2005, versus US$803 million in 2004. The increase was due to higher energy costs, supply costs, contractor costs, and the impact of the weaker US dollar. Value of purchased raw materials increased to US$2,082 million from US$1,882 million, a 11% increase year over year due to higher metal prices and increased throughput at CCR and Altonorte. In 2005, the operating cash cost of producing a pound of copper was US$0.31/lb versus US$0.38/lb in 2004.

Income generated from operating assets. Falconbridge Copper Business income generated from operating assets was US$1,086 million in 2005, compared to US$673 million in the same period for 2004. The US$413 million increase was mainly attributable to higher copper, zinc and molybdenum prices which more than offset lower mine production from Collahuasi and higher operating costs resulting from the impact of a weaker US dollar and higher energy and supply costs.

Production. For 2005, mined copper production totalled 415,000 tons, compared to 430,000 tons during 2004. Higher production from Antamina, Kidd Creek and Lomas Bayas was more than offset by lower production from Collahuasi. At Antamina, higher recoveries more than offset a 3% reduction in ore milled. At Kidd Creek, higher mill throughput more than offset lower copper grades as the new Mine D expansion provided more stable feed for the mill. At Collahuasi, lower production was a result of lower head grades, material handling issues and temporary problems with one of the mill motors. Copper anode production from copper smelters increased from 534,000 tons in 2004 to 563,000 tons in 2005 due to increased production at Altonorte. During the fourth quarter, annual production at the Horne smelter was increased from the recent past operating rate of 140,000 tons per year to 170,000 tons per year.

Copper cathode production at CCR and Kidd Creek increased to 415,000 tons from 404,000 tons as increased production at CCR more than offset lower production at Kidd Creek, which was affected by a month-long strike in October. CCR refined cathode output benefited from the agreement reached with Inco earlier in the year whereby CCR began the treatment of Inco's Sudbury operations copper anode output. CCR is investing in expanding its capacity to treat anodes that are higher in nickel. This is expected to allow CCR to achieve its full capacity of 370,000 tpa, compared to an average output of less than 300,000 tpa in recent years. Total copper cathode production in 2005 was 505,000 tons, compared to 492,000 tons in the previous year as higher production from CCR, Collahuasi and Lomas Bayas more than offset lower production from Kidd Creek.

During the year ended December 31, 2005, the Falconbridge Group also completed the modification of a former copper roaster at the Altonorte smelter and began the tolling of molybdenum concentrates. Construction of the US$6 million project was completed on time and on budget. Tolling operations started at the end of June 2005 and reached the design capacity run-rate of 10,000 tons per year shortly thereafter.

By-product mined zinc in concentrate totalled 182,000 tons in 2005 versus 152,000 tons in 2004. Zinc concentrate volumes increased due to higher mill throughput and higher zinc grades at Kidd Creek. By-product refined zinc volumes in 2005 were 114,000 tons versus 122,000 tons in 2004, due to the labor disruption at Kidd Creek metallurgical facilities. Mined molybdenum production at Antamina was 2,300 tons, compared to 1,200 tons in 2004, mainly due to the increase in recoveries.

Nickel Business

The following table sets out estimated mine life information in respect of certain Falconbridge Group nickel mines. Information regarding estimated mine life is subject to risks and uncertainties; see the section of this Offering Memorandum headed "Special note regarding forward-looking statements".

	Mine life Estimated number of years
Nickel mine	
Integrated Nickel Operations	15+
Falcondo	15+

The following table sets out a percentage break down of the Nickel Business nickel mining, processing and refining costs incurred in the year ended December 31, 2005.

	Percentage (%)
Energy	37
Labor	33
Supplies and consumables	23
Contract and other	7
Total	100%

The table below provides selected summary financial information in relation to the Nickel Business for the year ended December 31, 2004 and for the year ended December 31, 2005:

	Audited Canadian GAAP Year ended December 31	
	2004	**2005**
	(in US$ millions, except as otherwise stated)	
Revenues	1,824	2,146
Mining, processing and refining costs	604	810
Purchased raw materials	447	574
Income generated by operating assets	637	597
Realized nickel price (US$ per pound)	US$6.40	US$6.85
Realized ferronickel price (US$ per pound)	US$6.37	US$6.74
Operating cash cost (US$ per pound of nickel/ferronickel)	US$2.93	US$3.49
Operating cash cost (US$ per pound of nickel)	US$2.57	US$2.97
Operating cash cost (US$ per pound of ferronickel)	US$3.50	US$4.40
Sales (000s tons)		
Nickel	71	85
Ferronickel	29	26
Cobalt	4	4

Revenues. For the year ended December 31, 2005, consolidated revenues for the Nickel Business were US$2,146 million, an increase of 18%, over the US$1,824 million recorded in 2004. At the INO, sales volumes of nickel and copper increased by 20% and 16%, respectively, in 2005, as a result of increased production from the Montcalm mine, which achieved commercial production at the end of 2004 and due to increased volumes of custom feeds. Cobalt sales increased 5% from 2004 levels due to increases in production related to custom feeds. At Falcondo, sales volumes decreased 9% to 26,300 tons from 28,900 tons in 2004, reflecting destocking in the stainless steel market and the lower production level in 2005. Realized nickel prices of US$6.85/lb increased by 7%, compared with US$6.40/lb in 2004. The realized ferronickel price increased 6% in 2005, compared to 2004. Realized cobalt prices decreased by 33% versus 2004.

Costs. Total Nickel Business operating expenses were US$1,549 million in the year ended December 31, 2005 versus US$1,187 million in 2004. Mining, processing and refining costs totalled US$810 million in 2005, versus US$604 million in 2004, an increase of US$206 million reflecting a full year of operations at Sudbury (the 2004 results were impacted by a three-week labor strike), new production costs related to the Montcalm mine, increased oil purchase costs at Falcondo and the impact of the change in the value of the Canadian dollar on operating costs at the Canadian operations. The value of purchased raw materials increased from US$447 million to US$574 million due to higher metal prices and increased volumes.

The weighted average operating cash cost per pound of mined nickel for all of Falconbridge was US$3.49 in 2005, compared with US$2.93 in 2004. At INO, in 2005, the operating cash cost of producing a pound of nickel from INO mines was US$2.97 prior to the inclusion of custom feed processing credits. This cost was US$0.40/lb, or 16% higher than the 2004 cost due to the impact of the stronger Canadian dollar on operating costs at the Canadian operations, the impact of lower ore grades on mine production and higher energy costs which offset the impact of increases in by-product credits due to higher metal prices. At Falcondo, operating cash cost per pound of ferronickel was US$4.40 in 2005, compared with US$3.50 in 2004. The increase in costs was largely due to the significant increase in the oil price. Oil costs rose from US$36.63 per barrel in 2004, to US$49.09 in 2005. Purchased fuel oil costs accounted for 71% of total operating cash costs in 2005.

Income generated from operating assets. For 2005, Nickel Business income generated from operating assets was US$597 million, compared with US$637 million for 2004. The US$40 million decrease was mainly due to the amortization of the preliminary fair value increment relating to the Noranda/Falconbridge merger, and higher unit costs, again caused in part by the strengthening of the Canadian dollar, which offset the impact of higher nickel and copper prices and increases in sales volumes.

Production. Refined nickel production totalled 113,600 tons in 2005, compared to 100,900 tons in 2004, setting a new record for production. During 2005, Sudbury mines nickel production was 19,700 tons, compared with 22,600 tons in 2004. The reduction in nickel production was attributable to a reduction in ore grade. For 2005, Raglan nickel-in-concentrate production was 22,200 tons, compared with 26,600 tons of nickel in 2004. The decrease in production from 2004 levels was due to the impact of a lower nickel ore grade. In its first full year after achieving commercial production, the Montcalm mine produced 9,000 tons of nickel. In Sudbury, smelter production of nickel in matte, which established a new annual production record, was 63,100 tons in 2005, compared with 52,600 tons in 2004, as a result of the treatment of higher concentrate tonnages with lower feed grades. At Nikkelverk, 2005 refined nickel production of 84,900 tons was higher than the 71,400 tons produced in 2004, establishing a new annual production record. Nikkelverk cobalt production also set a new record at 5,000 tons. The Falcondo ferronickel operation produced 28,700 tons of nickel in ferronickel, compared to 29,500 tons in 2004.

Falconbridge Zinc Business

The following table sets out a percentage break down of the Falconbridge Zinc Business's zinc mining, processing and refining costs incurred in the year ended December 31, 2005:

	Percentage (%)
Energy	14
Labor	44
Supplies and consumables	31
Contract and other	11
Total	100%

The table below provides selected summary financial information in relation to the Falconbridge Zinc Business for the year ended December 31, 2004 and for the year ended December 31, 2005:

	Audited Canadian GAAP Year ended December 31,	
	2004	**2005**
	(in US$ millions, except as otherwise stated)	
Revenues	415	504
Mining, processing and refining costs	158	168
Purchased raw materials	187	243
Income generated by operating assets	14	60
Realized zinc price (US$ per pound)	US$0.52	US$0.70
Realized cash cost (US$ per pound)	US$0.43	US$0.50
Operating cash cost (US$ per pound of zinc)	US$0.32	US$0.41
Sales (000s tons)		
Zinc in concentrates	293	219
Lead metal	83	74

Revenues. For the year ended December 31, 2005, revenues for the Falconbridge Zinc Business increased 21%, to US$504 million from US$415 million in 2004, as higher realized prices for zinc and lead more than offset lower production and sales volumes. Sales volumes of zinc in concentrate decreased in 2005, by 25% to 219,400 tons, compared to 292,500 tons in 2004, principally due to the closure of the Bell Allard mine in Quebec in October 2004. Lead metal sales volumes decreased in 2005, by 11% to 73,700 from 83,200 tons in 2004. The decrease in lead metal sales is primarily due to a decrease in lead metal production in 2005, versus 2004, due to lower tonnage processed at the Brunswick lead metallurgical operation.

Costs. Falconbridge Zinc Business operating expenses totalled US$444 million in the year ended December 31, 2005, an increase from US$401 million in 2004. Mining, processing and refining costs totalled US$168 million in 2005, versus US$158 million in 2004. The value of purchased raw materials increased from US$187 million in 2004, to US$243 million in 2005 primarily due to higher metal prices. In 2005, the operating cash cost of producing a pound of zinc increased 28% to US$0.41, from US$0.32 in 2004. The increase is mainly due to a stronger Canadian dollar, higher energy costs, higher consumable costs, and higher freight charges and also reflects the loss of production from the Bell Allard mine which closed in October 2004.

Income generated from operating assets. For the year ended December 31, 2005, the Falconbridge Zinc Business income generated from operating assets was US$60 million, compared to US$14 million in 2004. The US$46 million increase was mainly relating to higher metal prices, which were partially offset by lower sales volumes and the negative effect of the stronger Canadian dollar on costs.

Production. During the year ended December 31, 2005, contained zinc in mine production was 265,600 tons, compared to 367,000 tons in 2004. The decrease in mine production in 2005 was attributable to the loss of production from the Bell Allard mine. Brunswick mine production was 265,600 tons of zinc in concentrate in 2005, compared with 268,100 tons of zinc in concentrate in 2004. The decrease in zinc production was attributable to ore-pass operating issues and a rock burst during the fourth quarter of 2005. During 2005, the Brunswick smelter consumed 189,700 tons of feed, compared to 205,500 tons of feed in 2004. Refined lead production totalled 76,100 tons in 2005 versus 83,800 tons in 2004, a decrease of 9% resulting from a reduction in tonnage of material processed.

The principal zinc and lead concentrate producing asset within the Falconbridge Zinc Business is the Brunswick mine. Detailed technical and economic studies of the additional mineral resources and other mining remnants located throughout the mine are continuing. If this evaluation is successful in converting remaining resources to reserves, the mine life could be extended by an additional year of operation, subject to the risks and hazards associated with the mining business and the mine in its final stage of extraction.

Aluminum Business

The following table sets out a percentage break down of the Aluminum Business's aluminum mining, processing and refining costs incurred in the year ended December 31, 2005.

	Percentage (%)
Energy	47
Labor	24
Supplies and consumables	6
Contract and other	23
Total	100%

The table below provides selected summary financial information in relation to the Aluminum Business for the year ended December 31, 2004 and for the year ended December 31, 2005:

	Audited Canadian GAAP Year ended December 31,	
	2004	**2005**
	(in US$ millions, except as otherwise stated)	
Revenues	935	1,077
Mining, processing and refining costs	420	583
Purchased raw materials	388	335
Income generated by operating assets	89	106
Realized aluminum price (US$ per pound)	US$0.84	US$0.91
Average fabricating spread (US$ per pound of foil)	US$0.42	US$0.46
Operating cash cost (US$ per pound of aluminum)	US$0.58	US$0.63
Sales (000s tons)		
Primary aluminum	249	248
Aluminum foil	174	178

Revenues. For the year ended December 31, 2005, consolidated revenues for the Aluminum Business increased 15%, to US$1,077 million from US$935 million in 2004. Primary sales volumes were slightly lower than 2004, resulting from the fewer average number of operating pots in 2005. Realized Mid-West prices in 2005 increased by 8% to US$0.91/lb, from US$0.84/lb in 2004. For the rolled products division, sales volumes were up by 2% for the year mainly due to improved production levels. Overall weighted fabrication spreads were up US$0.04/lb, or 10% from 2004 levels, due entirely to strong demand and related price increases in heavy-gauge product lines.

Costs. Total Aluminum Business operating expenses totalled US$971 million in the year ended December 31, 2005, versus US$846 million in 2004, primarily due to the inclusion of Falconbridge's share of the newly acquired St. Ann bauxite mine and Gramercy alumina refinery operating costs, which were offset by the benefits of a fully-integrated aluminum business and certainty of long-term alumina supply. Mining, processing and refining costs totaled US$583 million in 2005, versus US$420 million in 2004, an increase of US$163 million. Operating costs were negatively affected by the temporary production disruption at the Gramercy alumina refinery that resulted from the impact of hurricane Katrina and the resulting higher natural gas costs. Energy costs at the New Madrid smelter were negatively impacted by slightly higher electricity rates that came into effect under the new fifteen-year electricity supply contract, but these contract rates compare very favorably with electricity costs incurred by other US aluminum producers. The value of purchased raw materials decreased to US$335 million from US$388 million in 2004, due to the fact that alumina purchases in 2004 were from third-parties prior to the fourth quarter acquisition of Gramercy Alumina.

For the year, the net operating cash cost at the primary division was US$0.63/lb, compared with US$0.58/lb in 2004. Higher natural gas and electrical energy costs were the major contributors to the higher unit costs. For the rolled products division, conversion costs on average were down 6% from last year, due in part to a heavier-gauge product mix and improvements in manufacturing efficiencies at all plants offsetting the negative impact of higher natural gas prices.

Income generated from operating assets. For the year ended December 31, 2005, income generated from operating assets for the Aluminum Business was US$106 million, compared with US$89 million for 2004. The increase was mainly due to higher metal prices and fabrication margins, improved production levels at the rolled products divisions, and higher margins received on value-added product sales such as rod, billet and rolled aluminum products.

Production. For the year ended December 31, 2005, production of primary aluminum was 245,600 tons, compared to 247,500 tons in the year ended December 31, 2004. For the rolled products operations, shipments were 177,900 tons for the year, up 2% compared to 173,900 tons in 2004.

Average realized prices

Average realized prices for the Falconbridge Group's main products during the year ended December 31, 2005 and the year ended December 31, 2004 were as follows:

	Year ended December 31,	
	2004	**2005**
	(US$ per pound)	
Copper	1.30	1.71
Nickel	6.40	6.85
Ferronickel	6.37	6.74
Zinc	0.52	0.70
Aluminum	0.84	0.91
Lead	0.43	0.50
Cobalt	22.48	14.97
Molybdenum	16.21	31.09

Sensitivities

The following table shows the annualized impact on Falconbridge's net income from changes in metals prices and the US$/C$ exchange rate:

	Change in US$/lb price (US$)	impact on net income (US$)	Impact on income per share (US$)
Copper	0.05	37	0.10
Nickel	0.50	63	0.17
Zinc	0.05	38	0.10
Aluminum	0.05	19	0.05
Lead	0.05	6	0.02
Exchange rate C$=US$	0.01	12	0.03

Mining operations and recoveries

The following table details the results of milling operations and recoveries at the Falconbridge Group's operating mines in the year ended December 31, 2005:

		Copper		Nickel		Zinc	
	One treated (000s tons)	Grade	Recovery	Grade (%)	Recovery	Grade	Recovery
Copper mines							
Antamina	10,241	1.35	90.3	–	–	0.92	82.7
Collahuasi[1]	20,495	1.15	81.6	–	–	–	–
Kidd Creek	2,320	2.02	93.0	–	–	6.19	83.5
Lomas Bayas – heap leach	13,286	0.50	76.8	–	–	–	–
Lomas Bayas – ROM leach	22,432	0.22	24.6	–	–	–	–
Louvicourt	369	2.20	95.0	–	–	–	85.6
Nickel mines				–			
Falcondo	3,920	–	–	1.18	75.3[2]	–	–
Montcalm	750	0.79	85.6	1.52	82.1	–	–
Raglan	934	0.84	80.4	2.84	86.4	–	–
Sudbury	2,171	1.26	93.3	1.16	80.5	–	–
Zinc mines							
Brunswick	3,529	0.35	48.9	–	–	8.59	87.7

Notes

(1) Collahuasi figures reflect a weighted average of sulfide and oxide ores.

(2) Falcondo upgrade circuit.

Financial position and liquidity

During the year ended December 31, 2005, the corporate initiatives undertaken to simplify the ownership structure of Falconbridge resulted in a significant repositioning of Falconbridge to enhance liquidity and reduce the cost of capital.

On May 4, 2005, Noranda completed a US$1.25 billion issuer bid and acquired for cancellation 63.4 million common shares in exchange for the issue of US$1.25 billion of junior preferred shares at a price of C$19.72 per common share. The junior preferred shares were issued in three series as follows:

	Principal amount	Mandatory redemption date	Dividend rate (%)
	(in US$ millions)		
Series 1	500	June 30, 2008	6.0
Series 2	500	June 30, 2010	6.2
Series 3	250	June 30, 2013	6.5
Total	1,250		

The issuer bid represented an opportunity for Noranda to acquire 63.4 million common shares at attractive price levels, and reduced the dilution of common shareholder interest when common shares were subsequently issued to acquire the remaining common shares outstanding of Falconbridge.

The junior preferred shares were issued at a time of relative uncertainty regarding Noranda's ability to complete the acquisition of Falconbridge and therefore have unrestricted access to the cash flow of the combined entity. As such, the junior preferred shares were issued with Falconbridge retaining the right to redeem these shares at any time for 101% of fair value; were issued with an average term to maturity of seven years to provide an opportunity to refinance these instruments without placing undue strain on the liquidity of Falconbridge; and Falconbridge retained the right to repay the junior preferred shares at their maturity in common shares of Falconbridge at the then prevailing common share price.

These provisions provided Falconbridge with maximum flexibility. As a result of the share attributes, the junior preferred shares were classified as debt instruments on the balance sheet and dividend payments on these instruments were classified as interest expense.

On June 30, 2005, Noranda completed the acquisition of the minority interest in Falconbridge through the two-step transaction and the issuance of 132,840,641 common shares, representing a total acquisition price of US$2.5 billion. The consolidation of the ownership and simplification of the capital structure of the combined entity created a financially stronger entity with opportunities to further reduce the weighted average cost of capital of the combined entity.

Following the successful completion of the merger of Noranda and Falconbridge, Falconbridge received affirmation of its ratings from its respective rating agencies in recognition of the combined entities continued strong cash flow, liquidity and the sustained strength of metal prices.

The completion of the merger also altered the credit risk profile of the combined entity, and the enhancement of the availability of other long-term sources of capital as a result of the investment grade ratings caused Falconbridge to redeem US$500 million of junior preferred shares for cash in August 2005, from available cash resources.

Working capital (defined as current assets, less current liabilities on consolidated balance sheets for the purposes of this section of the Management's Discussion and Analysis), excluding cash and cash equivalents, and debt due within a year, decreased to US$1,024 million at December 31, 2005 from US$1,119 million at December 31, 2004. During the year ended December 31, 2005, Falconbridge continued to improve its balance sheet and operating capacity to support its strategic objective of maintaining an investment grade credit rating.

Cash and cash equivalents at December 31, 2005 totalled US$886 million, compared to US$884 million at December 31, 2004. In addition to its cash balances, Falconbridge's liquidity and financial flexibility was augmented by revolving credit facilities. Committed lines of credit at December 31, 2005 totalled US$780 million, none of which had been drawn upon.

Long-term debt, excluding the amount due in less than one year and junior preferred shares liabilities, amounted to US$2,598 million at December 31, 2005, compared to US$2,736 million at December 31, 2004. In June 2005, Noranda issued US$250 million aggregate principal amount of 12-year notes and US$250 million aggregate principal amount of 30-year notes. The 12-year notes, which are unsecured, bear interest at the rate of 5.5% per annum and mature on June 15, 2017. The 30-year notes, which are also unsecured, bear interest at the rate of 6.2% per annum and mature on June 15, 2035. Both series of notes are redeemable in whole, or in part, at any time, at a redemption price equal to 100% of their principal amount plus a make-whole premium. At December 31, 2005, Falconbridge's consolidated net-debt-to-total-capitalization ratio was 36.9%, compared to 43.2% at December 31, 2004, following the repayment of in excess of US$1 billion in debt during 2005.

Shareholders' equity at December 31, 2005 was US$5 billion, an increase of US$2.2 billion compared with shareholders' equity at December 31, 2004, due to the issue of common shares to acquire the minority interest of Falconbridge, retained earnings in excess of dividends paid, offset by the reduction in common equity as a result of the substantial issuer bid completed in May 2005.

Falconbridge's long-term public debt ratings at December 31, 2004 and December 31, 2005 are noted below:

	As at December 31,	
	2004	**2005**
Standard & Poor's	BBB-	BBB-
Moody's	Baa3	Baa3
Dominion Bond Rating Services	BBB	BBB

Note:

A security rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time by a rating organization.

Cash flows

Operating activities

Cash generated from operations, before net changes in non-cash working capital, totalled US$1,650 million in the year ended December 31, 2005, up from US$1,461 million in the year ended December 31, 2004. The increase was primarily the result of the higher sales volumes and higher metal prices despite the adverse impact of increasing energy and supply costs and foreign exchange movements on the mining, processing and refining costs. Higher accounts receivable and inventories resulting from higher metal prices were mostly offset by higher accounts and taxes payable as non-cash working capital increased by US$15 million during the year ended December 31, 2005.

Investment activities

Capital investments totalled US$737 million in the year ended December 31, 2005, compared to US$666 million in the year ended December 31, 2004. Major capital expenditures during the year ended December 31, 2005 included the expansion and transfer of the mining operations at the Collahuasi copper mine, the Kidd Creek Mine D underground extension, the Montcalm nickel mine, the Nickel Rim South underground exploration project (initiated in early 2005) and US$100 million for equipment and services relating to the Koniambo project. During the year ended December 31, 2005 proceeds from dispositions totalled US$93 million mostly from the sale of the Falconbridge Group's wholly-owned wheel manufacturer and from the sale of cost-accounted investments.

Financing activities

In the year ended December 31, 2005, Falconbridge used US$843 million to reduce its net debt outstanding (repaying US$1,394 million of debt while issuing US$551 million). This does not include the junior preferred share transaction as this did not involve the receipt of any cash by Falconbridge. During the year ended December 31, 2005, Falconbridge's common and preferred share dividend payments were US$150 million, compared to US$122 million in the year ended December 31, 2004. Total dividend obligations increased due to the increase in the total common shares outstanding that resulted from the acquisition of the minority interest in Falconbridge that Noranda did not already own.

The annual common share dividend was C$0.48 per share in the year ended December 31, 2005, which remained unchanged from the year ended December 31, 2004. Significant future obligations of Falconbridge and its partially-owned subsidiaries, excluding the employee future benefit obligations, at December 31, 2005, are summarized as follows:

	Payments by year						
	2006	**2007**	**2008**	**2009**	**2010**	**There-after**	**Total**
	(in US$ millions)						
Nature of obligation							
Convertible debentures and other loans	15	120	23	–	5	–	163
Senior debentures	250	–	150	–	–	1,943	2,343
Preferred share liabilities	–	–	126	–	300	450	876
	265	120	299	–	305	2,393	3,382
Debt of joint ventures	87	87	87	87	40	42	430
Capital leases	1	5	1	1	1	7	16
Operating leases and purchase commitment	172	18	13	9	8	21	241
Total	525	230	400	97	354	2,463	4,069

Capital expenditures, capacity enhancements and projects under development

In the year ended December 31, 2005, Falconbridge increased its copper and nickel ore reserves, enhanced its copper and nickel processing capacity, added new zinc projects, expanded its primary and fabricated production capacity and acquired bauxite mining and alumina refining assets to fully integrate its aluminum operations. These investments substantially increased Falconbridge's baseline earnings and its leverage to metal prices. The following is a summary of these initiatives and their impact on Falconbridge.

Investments in development projects at the end of the year ended December 31, 2005 totalled US$1,707 million, an increase of US$541 million since December 31, 2004. As shown in the following table, Falconbridge had expansion projects in both of these commodities that were under development at December 2005.

Projects under development – capital spending in the year ended December 31, 2005

	Falconbridge's interest (%)	Unaudited book value at December 31 2004	2005
		(in US$ millions)	
Copper			
El Morro pre-feasibility	70.0	12	16
Kidd Creek mine extension	100.0	404	518
Nickel			
Koniambo	49.0	180	276
Nickel Rim South	100.0	101	173
Kabanga	50.0	–	34
Other		469	690
Total		1,166	1,707

Risk assessment and reduction in the evaluation, selection and implementation of projects

Falconbridge's preference for lower-risk brownfield expansion projects provides inherent risk reduction due to the Falconbridge Group's knowledge of the environment in which the expansion project is to be undertaken and its ability to tap into existing human and physical resources. When the Falconbridge Group chooses to invest and grow via the development of greenfield projects, away from existing infrastructure, risk assessment and reduction is the top priority.

The Falconbridge Group has taken several steps to ensure the success of its current and future capital projects including the following:

- the formation of highly experienced projects group with project leaders dedicated to securing the investment performance of major capital projects;
- the implementation of a "Six Sigma-based Stage Gate" process for project evaluation. This process is a disciplined system which addresses and quantifies key sources of project impact and risk in support of management decision making;
- the addition of parameters in the Stage Gate process that measure social, business and strategic elements;
- the recognition of investment returns as the primary measure of project success; and
- the assignment of accountability.

Six Sigma

Since significant deployment in 1999 and Falconbridge Group-wide adoption in 2002, application of Six Sigma has contributed to improving performance at the Falconbridge Group. Six Sigma is a process-centered, step-by-step analytical approach to reviewing operational performance and driving continuous improvement. During 2005, 154 Six Sigma projects were completed for total annualized benefit of US$60 million at an average savings value of US$390,000 per project.

Exploration

The objectives of the Falconbridge Group's exploration team are aligned with those of the Falconbridge Copper Business, the Nickel Business and the Falconbridge Zinc Business. Joint-venture arrangements are pursued with both junior and senior mining companies to increase the level of focused exploration activity thereby sharing cost and risk, and improving the likelihood of success. The Falconbridge Group's exploration team is supported by an experienced mergers and acquisitions team and a strong project engineering team with a track record of building mines around the world.

As a Founding Patron of the Association of Professional Geoscientists of Ontario and a Founding Partner of the Prospector and Developers Association of Canada's Environmental Excellence in Exploration initiative, the team of geoscientists is committed to being fully compliant with NI 43-101 requirements and in consistently conducting safe and environmentally responsible global exploration.

As at December 31, 2005, the exploration team consisted of 119 employees, including 92 geologists and geophysicists. Exploration activity is primarily focused on Canada, Chile, Brazil, Mexico, Norway, Australia, Africa, Papua New Guinea, China and Mongolia.

Transactions with related parties

Related-party transactions for the year ended December 31, 2005 were as follows:

Related party	Description	Revenue	Product revenue	Service purchases	Receivables	Payables
				(in US$ millions)		
Noranda Income Fund	Processing & administration agreement	210	65	–	44	–
Noranda Income Fund	Trading activity	–	3	35	–	11
Antamina	Trading activity	–	–	260	–	65
Gramercy	Trading activity	–	–	136	–	6
Collahuasi	Trading activity	–	–	109	–	25

Critical accounting policies

Falconbridge has historically prepared its financial statements under Canadian GAAP.

Set forth below are the accounting policies considered by the Falconbridge directors at the time to be critical in relation to the Falconbridge Annual Financial Information and the Falconbridge Interim Financial Information.

Falconbridge management is required to make estimates in preparing its financial statements in conformity with Canadian GAAP. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Changes to these estimates would result in material changes to these line items.

The critical accounting estimates made by Falconbridge relate to the Falconbridge Group's accounting for the following items:

- property, plant and equipment:
  - the determination of mineral reserves;
  - impairment assessments of long-lived assets; and
  - amortization of property, plant and equipment;
- employee future benefits;
- asset retirement obligations; and
- the determination of taxes.

Property, plant and equipment

Included in operating capital assets of US$6.8 billion at December 31, 2005 was primarily property, plant and equipment. As such, the estimates used in accounting for property, plant and equipment and the related depreciation and amortization charges are critical and have a material impact on Falconbridge's financial condition and earnings. Property, plant and equipment and related capitalized interest and development and pre-production expenditures are recorded at cost and are subject to impairment testing as discussed below.

Determination of mineral reserves

One of the most significant estimates which impacts the accounting for property, plant and equipment and the related depreciation and amortization, is the estimate of proven and probable mineral reserves. The process of estimating reserves is complex, requiring significant assumptions, estimates and decisions regarding economic (i.e. metal prices, production costs and exchange rates), engineering, geophysical and geological data. A material revision to existing reserve estimates could occur because of changes to any of these inputs. Changes in reserves could result in impairment of the carrying amount of property, plant and equipment and a change in amortization expense.

Impairment assessments of long-lived assets

Falconbridge reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Asset impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on recoverable minerals, expected commodity prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, and are all based on detailed life-of-mine plans. The term "recoverable minerals" refers to the estimated amount of metal that will be obtained from proven and probable ore/ mineral reserves, after taking into account losses during ore processing and treatment. Significant management judgement is involved in estimating these factors, which include inherent risks and uncertainties. The assumptions Falconbridge uses are consistent with its internal planning. Management periodically evaluates and updates the estimates based on the conditions that influence these factors. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus accounting estimates may change from period to period. If other assumptions and estimates had been used in the current period, the asset balances could have been materially impacted. If management uses different assumptions or if different conditions occur in future periods, future operating results could be materially impacted.

In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups, taking into consideration movements of intermediate products to ensure the utilization of available capacity across Falconbridge's operations. All assets at a particular operation are considered together for purposes of estimating future cash flows.

Amortization of property, plant and equipment

Depreciation of property, plant and equipment is based on the estimated service lives of the assets (4-40 years), calculated primarily on a straight-line basis for metallurgical operations and on a units-of-production method for mining operations. Resource properties are depleted and preproduction and mine development expenditures are amortized on a units-of-production method. Units-of-production method is defined as tons milled during the period over proven and probable ore reserves at the start of the period. Construction in progress will be depreciated once the project is substantially completed.

The most critical estimates which impact the above accounting policy are the estimated quantities of proven and probable mineral reserves which are the underlying bases for the calculation for the units-of-production method. Changes in the quantity of reserves would result in changes in amortization expense in the periods subsequent to the revision.

Employee future benefits

Assets are valued at current market value. The expected return on plan assets, currently 7%, is based on current bond yields and expected long-term rate of return on equities. The long-term rate of return on assets assumption is reviewed on an annual basis.

Liabilities are determined as a present value of future anticipated cash flows using a discount rate based on corporate AA bond yields at the valuation date and an inflation expectation consistent with the corporate AA bond yield curve. Differences between the estimated future results and actual future results are amortized (to the extent that the cumulative experience gain or loss is in excess of the permitted 10% corridor under Canadian GAAP) over the expected average remaining service life of the active members (EARSL). This 10% corridor represents 10% of the greater of the postretirement benefits obligations and the fair value of plan assets. The return on assets assumption and the discount rate, salary and inflation assumptions used to value the liabilities are reviewed annually and are determined based on a consistent framework from year to year. The most significant risk is that the assumption will prove to be either too high or too low in the long term. It is reasonable to assume that there will be a significant variation between the assumptions (which are set within the framework of a long-term commitment) and actual experience in any one year, but are expected to produce an appropriate reflection of costs over the long term.

For post-employment benefits other than pensions, the discount rate is the same as for pensions. The inflation rate assumed for medical costs is based on Falconbridge's history of healthcare spending. The assumption for the ultimate health care trend rates relates to the overall economic trends.

Falconbridge estimated that a 0.5% increase or decrease in the return on assets assumption would result in a corresponding US$10 million increase or decrease in annual pension expense. Changes to the return on asset assumption would have no significant effect on funding requirements, as Falconbridge's contributions are primarily determined based on the applicable Canadian regulatory solvency funding requirements. Under this valuation methodology, liabilities for solvency valuation are based on market bond yields, and the excess of liabilities over assets must be amortized over a five-year period. Falconbridge estimated that a 0.5% increase or decrease in the discount rate assumption would result in a corresponding US$10 million increase or decrease in the pension expense.

Asset retirement obligations

As a result of Falconbridge's mining activities, Falconbridge incurs legal obligations associated with the retirement of tangible long-lived assets, from the acquisition, construction, development or normal operations of those assets, which an entity is required to settle as a result of an existing or enacted law or contract. CICA 3110, which was adopted January 1, 2004, requires that, when a legal obligation is incurred, Falconbridge records the fair value of estimated asset retirement obligations and a corresponding deferred charge presented as an asset grouped with property plant and equipment. The liabilities are accreted to full value over time through a charge to earnings. The asset is depreciated over the useful life of the associated long-lived asset on a straight-line basis. The fair value of the obligation as of December 31, 2005 was US$424 million.

The fair value of these obligations are determined by discounting the projected cash flows required to settle the legal obligations at Falconbridge's credit adjusted risk-free interest rate over the time periods over which the obligations were incurred. The future cash flows required to settle the obligations were determined by detailed engineering and environmental reviews assuming the most probable outcome based on present facts, circumstances and legislation.

Critical estimates and judgement were made by Falconbridge management in the determination of the fair value of Falconbridge's obligation. Cash outflows to settle these obligations will be incurred for periods exceeding 50 years. Due to the combined effect of the uncertainty associated with such extended time periods, the estimated discount and inflation factors, and potential changes to applicable legislation, the fair value of Falconbridge's asset retirement obligations could materially change from period to period.

Income and mining taxes

The provision or relief for income taxes is calculated based on the expected tax treatment of transactions recorded in the consolidated financial statements. The objectives of accounting for income and mining taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the consolidated financial statements or tax returns. In determining both the current and future components of income and mining taxes, Falconbridge interprets tax legislation in a variety of jurisdictions as well as make assumptions about the expected timing of the reversal of future tax assets and liabilities. If Falconbridge's interpretation differs from those of tax authorities or if the timing of reversals is not as anticipated, the provision or relief for income and mining taxes could increase or decrease in future periods. In estimating deferred income and mining tax assets, a valuation allowance is determined to reduce the future income tax assets to the amount that is more likely than not to be realized.

Evaluation of disclosure controls and procedures

As of December 31, 2005, an evaluation of the effectiveness of Falconbridge's disclosure controls and procedures (as such term is defined under the rules adopted by the Canadian securities regulatory authorities and by the SEC) was carried out by Falconbridge management, under the supervision of, and with the participation of, Falconbridge's then Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based upon that evaluation, the CEO and CFO concluded that as of such date Falconbridge's disclosure controls and procedures were effective such that information relating to Falconbridge, including its consolidated subsidiaries, required to be disclosed by Falconbridge in the reports it files or submits to such regulatory authorities (a) is recorded, processed, summarized and reported within the time periods specified under applicable securities laws and (b) is accumulated and communicated to Falconbridge management, including Falconbridge's principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosure.

Critical accounting policies

Noranda prepared its financial statements under Canadian GAAP.

Set forth below are the accounting policies that the Directors of Noranda considered to be critical in relation to the historical financial statements of Noranda for year ended December 31, 2004 as included in the Falconbridge Annual Financial Information incorporated by reference.

Noranda management was required to make estimates in preparing its financial statements in conformity with Canadian GAAP. These estimates affected the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Changes to these estimates would result in material changes to these line items.

The critical accounting estimates made by Noranda relate to the Falconbridge Group's accounting for the following items:

- property, plant and equipment:

- the determination of mineral reserves;
- impairment assessments of long-lived assets; and
- amortization of property, plant and equipment;

- employee future benefits;
- asset retirement obligations; and
- the determination of taxes.

Property, plant and equipment

Included in operating capital assets of US$4.9 billion at December 31, 2004, was a property, plant and equipment carrying value of US$4.2 billion. This represented 86% of the book value of the asset base. As such, the estimates used in accounting for property, plant and equipment and the related depreciation and amortization charges were critical and had a material impact on Noranda's financial condition and earnings. Property, plant and equipment and related capitalized interest and development and pre-production expenditures were recorded at cost and were subject to impairment testing as discussed below.

Determination of mineral reserves

One of the most significant estimates which impacted the accounting for property, plant and equipment and the related depreciation and amortization, was the estimate of proven and probable mineral reserves. The process of estimating reserves is complex, requiring significant assumptions, estimates and decisions regarding economic (i.e. metal prices, production costs, and exchange rates), engineering, geophysical and geological data. A material revision to existing reserve estimates could occur because of changes to any of these inputs. Changes in reserves could result in impairment of the carrying amount of property, plant and equipment and a change in amortization expense.

Impairment assessments of long-lived assets

Noranda reviewed and evaluated its long-lived assets for impairment when events or changes in circumstances indicated that the carrying amount may not be recoverable. In the year ended December 31, 2004, an asset impairment charge of US$50 million was realized with respect to a wholly-owned subsidiary, American Racing Equipment, a wheel manufacturing subsidiary located in the United States. Asset impairment was considered to exist if the total estimated future cash flows on an undiscounted basis were less than the carrying amount of the asset. An impairment loss was measured and recorded based on recoverable minerals, expected commodity prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, and were all based on detailed life-of-mine plans. The term "recoverable minerals" refers to the estimated amount of metal that will be obtained from proven and probable mineral reserves, after taking into account losses during ore processing and treatment. Significant management judgement is involved in estimating these factors, which include inherent risks and uncertainties. The assumptions Noranda used were consistent with its internal planning. Noranda management periodically evaluated and updated the estimates based on the conditions that influenced these factors. The variability of these factors depended on a number of conditions, including uncertainty about future events, and thus accounting estimates could change from period to period. If other assumptions and estimates had been used in the year ended December 31, 2004, the asset balances could have been materially impacted. If Noranda management used different assumptions or if different conditions occur in future periods, future operating results could be materially impacted.

In estimating future cash flows, assets were grouped at the lowest levels for which there were identifiable cash flows that were largely independent of future cash flows from other asset groups, taking into consideration movements of intermediate products to ensure the utilization of available capacity across Noranda's operations. All assets at a particular operation were considered together for purposes of estimating future cash flows.

Amortization of property, plant and equipment

Noranda generally depreciated plant and equipment on a straight-line basis over the lesser of their useful service lives or the lives of the producing mines to which they related. Mine facilities were depreciated over the estimated lives of the mines based on the unit of production basis. Depletion of resource properties was provided over the estimated lives of the resources recoverable from the properties on the unit of production basis. Development and pre-production expenditures, together with certain subsequent capitalized development expenditures were amortized over periods not exceeding the lives of the producing mines and properties.

The most critical estimates which impacted the above accounting policy were the estimated quantities of proven and probable mineral reserves which were the underlying bases for the calculation of the depletion of resource properties using the unit of production method. Changes in the quantity of reserves would result in changes in amortization expense in the periods subsequent to the revision.

Employee future benefits

Assets were valued at then current market value. The expected return on plan assets, 7%, was based on then current bond yields and expected long-term rate of return on equities. The long-term rate of return on assets assumption was reviewed on an annual basis.

Liabilities were determined as a present value of future anticipated cash flows using a discount rate based on corporate AA bond yields at the valuation date and an inflation expectation consistent with the corporate AA bond yield curve. Differences between the estimated future results and actual future results were amortized (to the extent that the cumulative experience gain or loss was in excess of the permitted 10% corridor under Canadian GAAP) over the expected average remaining service life of the active members (EARSL). This 10% corridor represented 10% of the greater of the postretirement benefits obligations and the fair value of plan assets. The return on assets assumption and the discount rate, salary and inflation assumptions used to value the liabilities were reviewed annually and determined based on a consistent framework from year-to-year. The most significant risk is that the assumption will prove to be either too high or too low in the long term. It is reasonable to assume that there will be a significant variation between the assumptions (which are set within the framework of a long-term commitment) and actual experience in any one year, but are expected to produce an appropriate reflection of costs over the long term.

For post-employment benefits other than pensions, the discount rate was the same as for pensions. The inflation rate assumed for medical costs was based on Noranda's history of healthcare spending. The assumption for the ultimate healthcare trend rates related to the overall economic trends.

Noranda estimated at February 3, 2005 that a 0.5% increase or decrease in the return on assets assumption would result in a corresponding US$9 million increase or decrease in annual pension expense. Changes to the return on asset assumption would have no significant effect on funding requirements, as Noranda's contributions were primarily determined based on the applicable Canadian regulatory solvency funding requirements. Under this valuation methodology, liabilities for solvency valuation are based on market bond yields and the excess of liabilities over assets must be amortized over a five-year period. Noranda estimated at February 3, 2005 that a 0.5% increase or decrease in the discount rate assumption would result in a corresponding US$4 million increase or decrease in the pension expense.

Asset retirement obligations

As a result of Noranda's mining activities, the Falconbridge Group incurred legal obligations associated with the retirement of tangible long-lived assets, from the acquisition, construction, development or normal operations of those assets, which an entity was required to settle as a result of an existing or enacted law or contract. CICA 3110, which was adopted on January 1, 2004, required that, when a legal obligation was incurred, Noranda recorded the fair value of the Falconbridge Group's estimated asset retirement obligations and a corresponding deferred charge presented as an asset grouped with property plant and equipment. The liabilities were accreted to full value over time through a charge to earnings. The asset was depreciated over the useful life of the associated long-lived asset on a straight-line basis. The fair value of the obligation as of December 31, 2004 was US$436 million.

The fair value of these obligations was determined by discounting the projected cash flows required to settle the legal obligations at the Falconbridge Group's credit adjusted risk free interest rate over the time periods over which the obligations were incurred. The future cash flows required to settle the obligations were determined by detailed engineering and environmental reviews assuming the most probable outcome based on present facts, circumstances and legislation.

Critical estimates and judgements were made by Noranda management in the determination of the fair value of the Falconbridge Group's obligations. Cash outflows to settle these obligations were due to be incurred at February 3, 2005 during periods ranging from one to 62 years. Due to the combined effect of the uncertainty associated with such extended time periods, the estimated discount and inflation factors and potential changes to applicable legislation, the fair value of the Falconbridge Group's asset retirement obligations could materially change from period to period.

Income and mining taxes

The provision or relief for income taxes was calculated based on the expected tax treatment of transactions recorded in Noranda's consolidated financial statements. The objectives of accounting for income and mining taxes were to recognize the amount of taxes payable or refundable for the year ended December 31, 2004 and deferred tax liabilities and assets for the future tax consequences of events that had been recognized in Noranda's consolidated financial statements or tax returns. In determining both the current and future components of income and mining taxes, Noranda interpreted tax legislation in a variety of jurisdictions as well as making assumptions about the expected timing of the reversal of future tax assets and liabilities. If Noranda's interpretation differs from those of tax authorities or if the timing of reversals is not as anticipated, the provision or relief for income and mining taxes could increase or decrease in subsequent or future periods. In estimating deferred income and mining tax assets, a valuation allowance was determined to reduce the future income tax assets to the amount that was more likely than not to be realized.

Changes in accounting policies including initial adoption

Asset retirement obligations

Under the standard applicable before the year ended December 31, 2004, costs related to ongoing site restoration programs were expensed when incurred. A provision for mine closure and site closure costs was charged to earnings during the life of the operations. Under the standard applicable for the year ended December 31, 2004, a capital asset and corresponding long-term liability equal to the present value of the legal obligation for asset retirement, at the date that the obligation arose was recorded. Provisions recorded under the prior standard were reversed to retained earnings. The capital asset was depreciated and charged to earnings on a straight-line basis over the life of the related asset. Interest on the obligation was accreted and charged to earnings. This standard was applied retroactively with restatement of prior years.

As of January 1, 2003, the cumulative impact of the adoption of the standard was to decrease retained earnings by US$27 million, increase capital assets by US$70 million, increase the asset retirement obligation by US$97 million, decrease future income taxes by US$5 million and increase interest of other shareholders by US$5 million. The adoption of the new standard reduced net income by US$11 million for the year ended December 31, 2003.

Hedging relationships

As of January 1, 2004, Noranda adopted CICA guideline AcG 13, which established new standards for when hedge accounting may be applied. Under the provisions of the standard, Noranda's interest rate hedge positions and certain energy price hedges were not eligible for hedge accounting. As a result of the implementation of this standard, on January 1, 2004 Noranda recorded a deferred mark-to-market gain of US$27 million on its interest rate hedges while recording a long-term receivable and long-term payable of US$67 million and $40 million, for those contracts in a gain and loss position, respectively. During the year ended December 31, 2004, US$7 million of this deferred gain was amortized into income as an adjustment of interest expense.

Financial instruments and other instruments

Noranda used financial and other instruments in the following instances:

Foreign currency exposure

Noranda used forward foreign exchange and option contracts to hedge the effect of exchange rate changes on identifiable foreign currency exposures. A summary of these positions at December 31, 2004 is tabled below:

	2005		2006 and beyond		Totals as at December 31, 2006			
	Amount C$m	Rate	Amount C$m	Rate	Amount C$m	Rate	Unrealized gain US$m	Realized gain US$m
Noranda	224	1.5014	12	1.5157	236	1.5022	39	24
Falconbridge[(1)]	274	1.3835	–	–	274	1.3835	30	53
Total	498	1.4366	12	1.5157	510	1.4385	69	77

Note

(1) Falconbridge's totals include gains/(losses) on foreign exchange option contracts.

Commodity price exposure

Generally, Noranda did not hedge the price it realized on the sale of its own production and accepted realizations based on market prices prevailing around the time of delivery of metals to customers. Under certain circumstances, Noranda entered into futures and option contracts to hedge the effect of price changes on a portion of the raw materials it purchased on a custom processing or resale basis. Gains and losses on these contracts were reported as a component of the related transactions. Designated contracts meeting the definition for hedge accounting under GAAP were not recorded.

Interest-rate management

Noranda also entered into interest rate swap agreements, including foreign exchange cross-currency swaps, to modify the interest characteristics of its outstanding debt. The differential to be paid or received, for interest rate swaps for which Noranda received hedge accounting, was accrued and recognized as an adjustment to interest expense related to the debt. The following table sets out a summary of these positions at December 31, 2004:

	Total notional principal amount
Maturity 2005	400
Maturity 2006	325
Maturity 2008[1]	136
Maturity 2011	300
Maturity 2012	350
Maturity 2015	500
Fair value[2]	86

Note

(1) Includes a cross-currency interest rate swap (with a notional amount of US$111.3 million) designated as a hedge of a Canadian dollar debenture. The total fair value of this instrument at December 31, 2004 was US$46.3 million of which US$34.1 million related to the currency component of the swap and US$12.2 million related to the interest component.

(2) Includes the fair value of US$34.1 million related to the currency component of the cross currency interest rate swap discussed in note (1) above.

BUSINESS OF THE XSTRATA GROUP

Overview

The Xstrata Group is the fifth largest diversified mining group in the world with top four industry positions in copper, thermal coal, ferrochrome, zinc, nickel and vanadium, and a top five industry position in coking coal. In addition, the Xstrata Group has recycling facilities, additional exposures to platinum, gold, cobalt, lead and silver and a suite of global technologies, many of which are industry leaders.

The Xstrata Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, New Caledonia, Norway, Papua New Guinea, Peru, The Philippines, South Africa, Spain, Tanzania, the United Kingdom and the United States.

The Xstrata Group had revenues of approximately US$17.6 billion for the year ended December 31, 2006, and US$14.2 billion for the six months ended June 30, 2007. As at June 30, 2007, the Xstrata Group had approximately US$22.4 billion in equity. The Ordinary Shares are traded on the London Stock Exchange and the SWX. As at November 12, 2007, the market capitalization of Xstrata was approximately US$66 billion. Xstrata is a member of the FTSE-100, an index that comprises the 100 largest publicly-traded UK companies by market capitalization.

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

Copper: The Xstrata Group is the world's fourth largest producer of mined copper with mining and processing operations in five countries. The Copper Business is a fully-integrated producer of copper metal and concentrate. The Xstrata Group operates two mines, a smelter and a refinery in an integrated division in Queensland, Australia. In South America, the Copper Business operates mines and processing facilities in three countries: in Argentina, with the Minera Alumbrera mine and associated processing facilities; 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 mine and processing facilities (including an SX-EW refinery). The Copper Business includes the Xstrata Group's 33.75%-owned Antamina copper and zinc mine in Peru and its 44% stake in the Collahuasi copper mine and processing facilities in Chile. In North America, the Copper Business operates the Kidd copper and zinc mine in Canada as well as smelting, refining and recycling facilities in Canada and the United States.

Coal: On a managed basis, the Xstrata Group is one of the world's largest producers of export thermal coal, one of the largest producers of export semi-soft/PCI coal and among the top five producers of export coking coal. It has interests in 34 operating coal mines, 20 of which are located in Australia, 13 in South Africa and one in Colombia.

Nickel: The Xstrata Group is the fourth largest producer of refined nickel in the world, and one of the largest recyclers and processors of nickel and cobalt-bearing materials. Its operations include mines and processing facilities in Canada, Norway and the Dominican Republic. The Jubilee Offer (if completed) will consolidate Xstrata's position as a top-tier nickel producer.

Zinc: The Xstrata Group is one of the world's largest producers of zinc, and also produces lead and silver. The Zinc Business incorporates zinc smelting operations in Spain, Germany and Canada, interests in four operating mines and a lead smelter in Australia and a lead refining plant in the United Kingdom, interests in the Antamina copper and zinc mine in Peru, the Brunswick zinc mine in Canada, a lead smelter and refinery in New Brunswick in Canada and a minority interest in a zinc smelter in Valleyfield, Quebec, Canada.

Alloys: The Xstrata Group is the world's largest producer of ferrochrome and one of the world's leading producers of primary vanadium, with integrated production facilities in South Africa. It also has a platinum group metal joint venture with Rustenburg Platinum Mines and Kagiso in South Africa. The Xstrata Group has also announced the acquisition of Eland, which is a significant integrated platinum producer in South Africa. The Eland Acquisition, which is expected to be completed in mid-November 2007, will significantly strengthen the Xstrata Group's current foothold in PGMs.

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

Information on the Xstrata Group's recent developments (including information on its acquisitions and disposals), is set out below in "Business of the Xstrata Group – Recent developments".

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 recognizes 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 Xstrata Group's size and momentum and focuses on:

- commitment, capacity and headroom to grow in moves that are themselves creators of 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, being:

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

History and development of Xstrata

Xstrata is the holding company of the Xstrata Group.

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 Enex and Duiker and the shares of Xstrata plc were admitted to the Official List of the UK Financial Services Authority, to trading on the London Stock Exchange's market for listed securities and to listing on the SWX.

In December 2002, the Xstrata Group acquired the Nordenham zinc smelter from Metaleurop SA.

In June 2003, Xstrata acquired, through a wholly-owned subsidiary, MIM.

In May 2006, the Xstrata Group acquired one-third of the Cerrejón thermal coal operation in Colombia; in June 2006, the Xstrata Group acquired the Tintaya mine and associated satellite deposits in Peru; and in November 2006, the Xstrata Group completed the Falconbridge Acquisition.

On May 15, 2007, Xstrata increased its offer for LionOre to C$25 per share, maintaining the recommendation of the LionOre Board and the support agreement between Xstrata and LionOre. The support agreement was also amended to include the LionOre Termination Fee in the event that a competing offer was recommended by the LionOre Board and in certain other circumstances.

On May 23, 2007, Norilsk increased its offer to C$27.50 per share. Xstrata subsequently announced on June 1, 2007 that it had elected not to exercise its right to match Norilsk's offer under its support agreement with LionOre. Following Xstrata's decision, LionOre terminated the support agreement between Xstrata and LionOre, paid Xstrata the LionOre Termination Fee and entered into a support agreement with Norilsk. Xstrata's offer subsequently expired on June 28, 2007 and was not extended, and on June 29, 2007 Norilsk announced it had acquired approximately 90% of LionOre.

In July 2007, the Alloys Business announced an offer to acquire the entire issued share capital of Eland by way of a scheme of arrangement. The scheme of arrangement has received the necessary support from Eland shareholders and is no longer subject to any regulatory approvals. An application will be made to the High Court of South Africa on November 13, 2007 to sanction the scheme.

In September 2007, the Xstrata Group announced the proposed acquisition of the Anvil Hill Coal Project from Centennial Coal Limited and a proposed takeover offer for Austral (the owner of the Tahmoor Mine). The Anvil Hill Acquisition was completed on October 17, 2007. The Xstrata Group assumed operational control of Austral on October 30, 2007.

On October 29, 2007, the Xstrata Group announced that Xstrata and Australian nickel producer, Jubilee, entered into a bidding agreement for an all-cash offer by Xstrata, to acquire Jubilee by way of a recommended off-market takeover offer. The offer values Jubilee at approximately US$2.9 billion. The directors of Jubilee unanimously recommended the offer by Xstrata in the absence of a superior offer. The Jubilee Offer will be financed through the Xstrata Group's existing credit facilities and cash on hand.

Information on the Xstrata Group's recent developments (including information on its acquisitions and disposals), is set out in "Business of the Xstrata Group – Recent developments".

The successful acquisition and integration of the former Enex and Duiker coal assets in 2002, of MIM in 2003 and of Falconbridge in 2006 were key elements in the transformation of Xstrata. In addition to the positive impact and improved investment rating of greater scale and diversification, significant additional value has been secured for all stakeholders through the improvement of capital and operational efficiencies within the acquired operations. In addition to the Cerrejón Acquisition which completed in May 2006, the Tintaya Acquisition which completed in June 2006, the offer for LionOre which was terminated in June 2007, the Eland Acquisition which is expected to complete in mid-November 2007 and the Jubilee Offer which, if successful, is expected to complete in early 2008, a number of other transactions were considered in 2006 and 2007. As indicated before, the Board of Directors of Xstrata remains alert to further opportunities, some of which may be substantial and company transforming.

Copper Business summary

Introduction

The Xstrata Group is the world's fourth largest producer of mined copper with mining and processing operations in five countries. The Copper Business was initially acquired by Xstrata in June 2003 as part of the acquisition of MIM. The business expanded in June 2006 with the acquisition of the Tintaya mine and associated satellite deposits in Peru and was further expanded in August 2006 following completion of the Falconbridge Acquisition.

The Copper Business is a fully-integrated producer of copper metal and concentrate. The Xstrata Group operates two mines, a smelter and a refinery in an integrated division in Queensland, Australia. In South America, the Copper Business operates mines and processing facilities in three countries: in Argentina, with the Minera Alumbrera mine and associated processing facilities; 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 mine and processing facilities (including an SX-EW refinery). The Copper Business includes the Xstrata Group's 33.75%-owned Antamina copper-zinc mine in Peru and its 44% stake in the Collahuasi copper mine in Chile. In North America, the Copper Business operates the Kidd copper and zinc mine in Canada as well as smelting, refining and recycling facilities in Canada and the United States.

The Copper Business markets copper cathodes directly to producers of industrial products from the Copper Business's CCR Refinery in Montreal-East, Quebec, the Kidd Creek refinery in Timmins, Ontario, the Townsville refinery in Queensland, Australia, the Tintaya operation in Peru and the Lomas Bayas operation in Chile. Altogether, sales of copper metal cathodes in the six months ended June 30, 2007 were made to 26 customers in 11 countries. Approximately 80% of the Copper Business's sales of copper metal in the six months ended June 30, 2007 were made in North America with the balance sold in Europe and Asia. The Copper Business's Chilean operations produce approximately 290,000 tons of copper anodes per year that are sold in Canada, Chile, Europe and Asia.

Copper production is dependent on mine supply from integrated and third party sources as well as secondary recycled materials sourced globally from third parties. In the six months ended June 30, 2007, 65% of Horne, 65% (59% with Glencore) of Altonorte and 34% (23% excluding Glencore) of Kidd Creek's primary feed stocks came from non-related third parties. In addition, approximately 12% of the Copper Business's Horne smelter's feed tonnage came from recycled electronics and other copper and precious metal bearing secondary materials, which were sourced from third parties. Antamina copper concentrates are sold to customers globally. See "Business of the Xstrata Group – Relationship with Glencore – Commercial relationship – Copper Business".

Reserve and resource base

The table below sets out the Copper Business's attributable copper reserve and resource base at each operation as at June 30, 2006 or December 31, 2006:

				Ore Reserves [1]		Mineral Resources[1]		
Name of Operation	% ownership	Mining Method	Commodity	Proved (Mt)	Probable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)
Australia								
Ernest Henry	100							
June 30, 2006								
Open Cut		OC	Ore	41	20	41	20	1
			% Copper	0.9%	0.8%	0.9%	0.8%	0.4%
			Gold g/t	0.5	0.4	0.5	0.4	0.2
Underground		UG	Ore	–	–	–	21	23
			% Copper	–	–	–	1.5%	1.4%
			Gold g/t	–	–	–	0.7	0.7
Mount Isa	100							
June 30, 2006								
X41 Mine 1100 and 1900 Orebodies		UG	Ore	28	21	76	7.0	10
			% Copper	2.1%	1.8%	2.1%	1.8%	2%
Enterprise Mine 3000 & 3500 Orebodies		UG	Ore	32	5.7	61	8.1	1
			% Copper	3.6%	3.2%	3.3%	2.7%	2%

Name of Operation	% ownership	Mining Method	Commodity	Ore Reserves (1) Proved (Mt)	Ore Reserves (1) Probable (Mt)	Mineral Resources(1) Measured (Mt)	Mineral Resources(1) Indicated (Mt)	Mineral Resources(1) Inferred(2) (Mt)
500 Orebody		UG	Ore	–	–	–	–	70
			% Copper	–	–	–	–	1%
Open Pit		OC	Ore	–	–	98	69	110
			% Copper	–	–	1.4%	1.2%	1%
Americas								
Antamania	33.75	OC	Copper Ores	60	251	87	349	105
December 31, 2006			% Copper	1.23%	1.13%	1.03%	1.11%	0.96%
			% Zinc	0.18%	0.15%	0.17%	0.15%	0.10%
			Silver g/t	8.8	9.8	7.7	9.8	14.2
			% Molybdenum	0.040%	0.037%	0.04%	0.035%	0.028%
			Copper-Zinc Ores	32	90	43	134	18
			% Copper	1.05%	1.14%	0.92%	1.13%	0.89%
			% Zinc	3.15%	2.72%	2.62%	2.63%	1.90%
			Silver g/t	22.3	19.4	19.4	18.5	21.8
			% Molybdenum	0.009%	0.009%	0.011%	0.009%	0.010%
Bajo de la Alumbrera	50	OC	Ore	360	23	380	23	–
December 31, 2006			% Copper	0.45%	0.42%	0.44%	0.42%	–
			Gold g/t	0.48	0.43	0.47	0.43	–
Collahuasi	44	OC	Sulfide Ore	193	1,534	434	1,767	1,820
December 31, 2006			% Copper	1.09%	0.86%	0.86%	0.83%	0.75%
			% Molybdenum	0.02%	0.03%	0.02%	0.03%	0.03%
		OC	Oxide & Mixed Ore	2	29	3	30	0.5
			% Copper	1.15%	0.97%	1.09%	0.97%	0.74%
Kidd Creek Division (not including Mine D, Stage2)	100	UG	Ore	19.6	1.4	21.3	1.8	0.4
December 31, 2006			% Copper	2.00%	1.61%	2.24%	1.80%	1.7%
			% Zinc	5.29%	5.97%	5.73%	6.28%	3.2%
			% Lead	0.17%	0.11%	0.19%	0.13%	0.2%
			Silver g/t	53	33	57	38	34
Lomas Bayas	100	OC	Oxide & Mixed Ore	87	158	100	248	2
December 31, 2006			% Copper	0.37%	0.29%	0.37%	0.26%	0.30%
Tintaya	100	OC	Ore	51	60	60	77	13
December 31, 2006			% Copper	1.45%	1.25%	1.44%	1.25%	1.25%
			Gold g/t	0.16	0.11	0.15	0.11	0.13
Projects								
Antapaccay	**100**	OC						
December 31, 2006								
Antapaccay North			Ore	–	–	58	61	23
			% Copper	–	–	0.70%	0.62%	0.65%
			Gold g/t	–	–	0.12	0.10	0.07
			Silver g/t	–	–	2.0	1.6	1.7
			% Molybdenum	–	–	0.004%	0.006%	0.007%
Antapaccay South			Ore	–	–	81	156	93
			% Copper	–	–	0.82%	0.78%	0.73%
			Gold g/t	–	–	0.17	0.17	0.15
			Silver g/t	–	–	1.6	1.6	1.8
			% Molybdenum	–	–	0.008%	0.006%	0.006%
Las Bambas	**100**	OC	Ore	–	–	–	432	76
December 31, 2006			% Copper	–	–	–	1.21%	0.74%
			% Molybdenum	–	–	–	0.0230%	0.0158%
			Gold g/t	–	–	–	0.1	0.1
Kidd Mine D, Stage 2	**100**	UG	Ore	–	–	1.0	1.0	6.3
December 31, 2006			% Copper	–	–	1.50%	2.12%	1.8%
			% Zinc	–	–	7.89%	4.35%	5.6%
			% Lead	–	–	0.40%	0.24%	0.2%
			Silver g/t	–	–	177	69	77
El Morro	**70**	OC	Ore	–	–	189	300	227
December 31, 2006			% Copper	–	–	0.69%	0.53%	0.5%
			Gold g/t	–	–	0.58	0.49	0.41

Definitions

OC = open-cut, UG = underground

Notes

The above table sets out the Copper Business's attributable copper reserve and resource base, based on the total mine basis figures in the Xstrata Group Ore Reserves and Mineral Resources Report. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of the reserve and resource estimates.

(1) Reserves are a subset of resources and are included in the resource estimate. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of reserve amounts.

(2) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Inferred resources" for an explanation of the basis of preparation of inferred resource estimates.

Production

The tables below set out the total and attributable mine production and attributable smelter and refinery production of the Copper Business for the years ended December 31, 2005 and December 31, 2006:

				Year ended December 31,			
				2005		2006	
Copper production[1]	Type of mine	Life of mine (years)[2]	The Xstrata Group's Attributable Interest (%)	Mine Production[4]	Attributable Production[4]	Mine Production[4]	Attributable Production[4]
				tons			
Mount Isa	UG	13	100	177,482	177,482	194,135	194,135
Ernest Henry Mine	OC	5	100	129,010	129,010	83,968	83,968
Bajo de la Alumbrera[3]	OC	9	50	187,317	93,659	180,144	90,072
Kidd Creek	UG	9	100	–	–	50,405	50,405
Collahuasi	OC	30+	44	–	–	167,289	73,607
Antamina Copper	OC	13	33.75	–	–	129,675	43,765
Tintaya	OC	10	100	–	–	78,318	78,318
Total Xstrata Group Copper Business				493,809	340,151	883,934	614,270

Definitions

OC = open-cut, UG = underground

Notes

The above table does not include 2005 production information for Kidd Creek, Collahuasi, Antamina Copper or Tintaya, which were acquired in the second half of 2006.

(1) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis of preparation of the production amounts.

(2) Life of mine figures are estimates based on planned and scheduled extraction of reserves.

(3) The Xstrata Group has a 50% interest in the mines' operating company, Minera Alumbrera Limited.

(4) These production figures refer to contained copper, produced from ore (excluding reprocessed slag).

Attributable smelter and refinery production[1]	Year ended December 31, 2005	2006
	tons	
Mount Isa Copper Smelter (anode)	220,263	212,721
Townsville Refinery (refined)	219,198	209,188
Horne (anode)	–	184,989
CCR Refinery (refined)	–	368,319

Note

The above table does not include 2005 attributable production information for Horne and CCR Refinery, which were acquired in the second half of 2006.

(1) These production figures refer to contained copper.

Financial information

The table below provides (a) unaudited pro forma financial information in relation to the Copper Business for the year ended December 31, 2006 (which has been extracted without material amendment from the Xstrata Pro Forma Consolidated Financial Information (the pro forma segmental analysis) included in the Xstrata 2006 Annual Financial Information), and (b) unaudited selected summary financial information for the six months ended June 30, 2007 (which has been extracted without material amendment from the Xstrata Interim Financial Information):

	Unaudited pro forma Consolidated year ended December 31, 2006[4]		Unaudited IFRS Six months ended June 30, 2007	
Copper Business		As a percentage of the Xstrata Group		As a percentage of the Xstrata Group
	US$m	*(%)*[3]	*US$m*	*(%)*[3]
Revenue	12,508	46.5	5,975	42.0
EBITDA (before non-trading items)[1],[2]	5,399	51.7	2,330	41.0
EBIT (before non-trading items)[1],[2]	4,528	54.3	1,919	41.1

Notes

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

(2) IFRS does not define the measures EBITDA (before non-trading items) (being earnings before interest, tax, depreciation and amortization and before non-trading items) or EBIT (before non-trading items) (being earnings before interest and tax and before non-trading items). For a description of how these amounts are derived, see "Presentation of information – Presentation of financial information".

(3) As a percentage of Xstrata's consolidated EBITDA (before non-trading items) and EBIT (before non-trading items) from continuing operations before common costs and income.

(4) See "Presentation of information – Presentation of financial information – Pro forma financial information".

Mining operations

Alumbrera

The Alumbrera copper-gold mine produced 180 kt of copper in concentrate and 641,000 ounces of gold in concentrate and doré in the year ended December 31, 2006.

The Xstrata Group holds a 50% interest and management rights in Minera Alumbrera Limited ("MAA"), the operating company of the Alumbrera mine, with Goldcorp Inc. (following its merger with Wheaton River Minerals Ltd. in 2005) and Northern Orion Resources Inc., holding 37.5% and 12.5%, respectively. MAA has an interest in the proceeds of the Alumbrera mine under an agreement with a state-owned corporation in Argentina (referred to by its Spanish acronym "YMAD") which owns the deposit. Under the terms of the agreement, MAA has the right to a 100% working interest in the mine. The Alumbrera project began commercial production in 1998. Under the project documentation, following recovery of the initial capital costs by the joint venture parties, YMAD is entitled to a 20% net proceeds royalty payment payable on a quarterly basis for the balance of the mine life, which is currently estimated at nine years. The first such net proceeds royalty payment of US$33 million was paid to YMAD in August 2006, after taking into account previous advance payments totalling US$16 million which in 1997 were agreed to be made to YMAD over subsequent periods to assist the local community. As at September 2007, a total of US$264 million has been paid to YMAD in net proceeds royalty payments.

The mine is located in the Province of Catamarca in North West Argentina. Alumbrera comprises the following principal facilities: an open-pit mine and concentrator; a 316 kilometer long concentrate slurry pipeline; a 202 kilometer long power line; a filter plant; and port and handling facilities near Rosario on the Paraná River. Copper ore is mined from an open-pit mine and processed in a concentrator. The processing plant is a conventional flotation concentrator using semi-autogenous grinding mills, followed by ball mills, flotation circuits, and concentrate thickeners. A copper concentrate containing gold and a separate gold-silver doré is produced from the gravity circuit. The final copper concentrate is thickened and then is pumped via a slurry pipeline to a filter plant located near Tucuman. The filter plant produces a low-moisture cake, which is loaded onto rail cars for transport to the MAA port facilities at Puerto General San Martin, for shipment to third party smelters.

The Alumbrera concentrator throughput expansion from 37 Mtpa to 40 Mtpa was successfully commissioned in November 2006. The project was delivered 35 days ahead of the scheduled start-up date and completed within the original budget of US$15.5 million. The expansion is aimed at further improving mill productivities, maintaining a more consistent production profile and fully utilising the downstream capacity of the pipeline and filter plant.

The molybdenum flotation circuit constructed adjacent to the existing Alumbrera concentrator was commissioned in September 2007 with steady-state production expected to be achieved in the fourth quarter of 2007. The new plant is expected to produce more than 2,000 tons of molybdenum in concentrate per annum.

Following the addition of 120 million tons of reserves to the ore reserve base at Alumbrera in 2004 and 2005, Alumbrera management continued with the in-pit resource definition program in 2006 and 2007, with additional reserves of 40 million tons reported in August 2006 and a further 20 million tons reported in July 2007.

In addition, the Copper Business has continued its Alumbrera district exploration program independently of the Alumbrera joint venture work. Continuing drilling at the Filo Colorado project has confirmed the geological model of a porphyry deposit hosting copper, gold and molybdenum mineralization. Work during the second half of 2007 will focus on additional drilling to quantify the geological resource at the project, together with mapping and sampling of surface excavations to guide the construction of an updated geological and mineralization model.

Antamina

Located in the Andes mountains in Peru, approximately 270 kilometers northeast of Lima and at an elevation of 4,300 meters, the Antamina deposit is one of the largest copper/zinc ore bodies in the world, with a milling rate of 85,000 tons per day.

A capital investment of US$2,148 million was made to bring Antamina into production. Of this amount, US$1,320 million was financed using senior project debt.

The Xstrata Group's beneficial interest in Antamina is 33.75%, with the other beneficial owners comprising BHP Billiton at 33.75%, Teck Cominco at 22.5% and Mitsubishi Corporation with a 10% interest.

Antamina began commercial production in October 2001. In 2006, Antamina produced 1,357,588 tons of copper concentrate grading 28.30% copper, 293,051 tons of zinc concentrate grading 53.27% zinc and 15,273 tons of molybdenite concentrate containing 51.56% molybdenum. In 2006, payable metal contained in the concentrates sales was 818,417,000 pounds of copper, 296,231,000 pounds of zinc, 17,545,000 pounds of molybdenum and 8,093,000 ounces of silver.

Collahuasi

The Xstrata Group owns a 44% interest in Compañía Minera Doña Inés de Collahuasi S.C.M. ("Collahuasi"), an independent company which owns the mining and water rights and other assets comprising the Collahuasi operation, together with Anglo American, which also holds a 44% interest, and a Japanese consortium holding the remaining 12% interest.

A capital investment of US$1,792 million was required to bring Collahuasi into commercial production. The financing requirement, including working capital, was approximately US$1,870 million.

The Collahuasi property covers 446 exploitation concessions over 133,803 hectares and 185 exploration concessions over 66,500 hectares. The property is located in northern Chile, about 180 kilometers southeast of the port of Iquique, at an elevation of 4,800 meters. 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 Huinquintipa oxide copper deposit is located downstream from the Rosario deposit. In addition, the property hosts high-grade copper mineralization at the adjacent Rosario West deposit.

Production is expected to average 502,077 tpa of copper in concentrates and 52,073 tpa of copper cathode from 1999 to 2012. The mine site is serviced under power supply contracts with Celta and Gas Atacama which run until 2015; however, current shortages of gas supply from Argentina into Chile mean that costs are increasing and power supply is not guaranteed.

During the year ended December 31, 2006, 172.2 million tons of material were mined, 41.3 million tons of ore were milled at the concentrator and 6.5 million tons of ore were processed at the copper oxide leaching plant. The Xstrata Group's share of copper produced by Collahuasi during the year ended December 31, 2006 was 26,312 tons of cathode copper and 161,685 payable tons (167,289 contained tons) of copper in concentrate.

The Ujina pit was practically depleted during the year 2004 and ore extraction ramped up in the Rosario Pit to achieve full capacity in the last months of 2004.

During 2004, Collahuasi's board of directors approved the construction of a molybdenum separation plant. The project was commissioned during October 2005 and the capital investment reached US$35.6 million. The plant is currently in full operation, and its production is approximately 640 dmt of concentrates per month grading 48.3% molybdenum.

Canadian Copper and Recycling ("CC&R")

CC&R mines and procures copper and precious metal concentrates and secondary materials for processing at the Xstrata Group's copper smelters and refineries and markets copper and related by-products.

The Xstrata Group and its predecessors in title have been mining the Kidd Creek copper/zinc deposits since 1966. The Kidd Creek mining operation's principal copper/zinc properties in the Timmins area are located in Kidd Township, Porcupine mining division, Ontario. The property in the Timmins area of northern Ontario comprises six half lots, or 960 acres, in the Porcupine Mining Division, District of Cochrane, Ontario. The properties are 100% held by the Xstrata Group. The Kidd Creek deposits are currently mined through one surface shaft, which accesses the upper mine and two winzes, which access progressively deeper levels known as the lower mine and Mine D. In the year ended December 31, 2006, the upper mine (formerly No. 1 and No. 2 mines) accounted for 13% of production, the lower mine (formerly No. 3 mine) accounted for 51% and Mine D accounted for 36% of the Kidd Creek Mining Division's mine ore production.

Ore production at the Kidd Creek Mining Division ("Kidd Creek Mining") for the year ended December 31, 2006 was approximately 2.52 Mt and for the six months ended June 30, 2007, was approximately 1.20 Mt. The milled grades as at June 30, 2007 were copper 1.95% and zinc 5.2%, compared with copper 2.05% and zinc 5.26% at December 31, 2006. Metals in concentrate produced during the year ended December 31, 2006 totalled 50,405 tons of copper and 114,984 tons of zinc, compared with 22,503 tons of copper and 54,401 tons of zinc during the six months ended June 30, 2007.

The development of Mine D was approved in 2000, to extend the depth of the Kidd Creek orebody beyond the limits of the No. 3 mine at 6,800 feet (2,070 meters) to a depth of 8,800 feet (2,682 meters) for Stage 1. Stage 2, going down to 10,200 feet (3,109 meters), has been approved to 91 level as of October 2007. Further deepening is currently being studied. Production from Mine D began in the second half of 2004 and reached 480,000 tons in 2005, with production ramping up to 907,000 tons in 2006. Stage 1 of the Mine D project was completed in the fourth quarter of 2006.

Ernest Henry

The Ernest Henry copper-gold mine, located approximately 38 kilometers northeast of Cloncurry in northwest Queensland, commenced operation in 1997. Ernest Henry's operations are 100% owned by the Xstrata Group.

Ernest Henry produced approximately 84 kt of copper in concentrate and 106,000 ounces of gold in concentrate in the year ended December 31, 2006.

The mine is an open-pit operation. Mining of ore is scheduled to cease in 2010, although ore from the long-term ore stockpiles will be processed until 2012. The resource is open at depth and the potential to extend the mine life through underground mining is under investigation.

The plant is a conventional concentrator, with the capacity to process up to 11 Mtpa of ore to produce flotation concentrate. The copper-gold ore is crushed in a gyratory crusher, ground in an SAG-ball mill and floated for the production of a copper-gold concentrate, which is predominately trucked to Mount Isa for smelting, with the excess shipped to Townsville for transport to third party smelters.

Lomas Bayas

The Lomas Bayas mine comprises seven exploitation concessions covering approximately 2,022 hectares. The Lomas II deposit (also known as Fortuna de Cobre) comprises 11 exploitation concessions covering approximately 1,216 hectares. The Xstrata Group also holds 25 exploitation concessions and two exploitation concession applications covering approximately 4,669 hectares between the Lomas Bayas mine and the Fortuna de Cobre deposit as well as 61 exploration concessions and two exploitation concession applications covering an area around the Fortuna de Cobre deposit.

The Lomas Bayas mine is located in the Second Region of Chile, approximately 110 kilometers northeast of the port city of Antofagasta. The mine is situated at an altitude of 1,500 meters in the Atacama Desert. The Fortuna de Cobre deposit is situated three kilometers to the south of the Lomas Bayas mine.

In July 2001, the Falconbridge Group acquired 100% of the Lomas Bayas copper mine and adjacent Lomas II copper deposit from Boliden for an initial cash payment of US$66 million. In July 2006, Falconbridge exercised its rights to retain the Lomas II deposit by paying a further US$15 million to Boliden.

Lomas Bayas currently operates one open-pit mine. High-grade ore is crushed and placed on leach pads by a series of portable conveyors and a stacking system. Lower-grade ore that does not economically justify the cost of crushing and additional handling is placed directly on separate leach pads by mine haulage trucks. Solutions containing sulfuric acid are then applied to leach the ores and copper recovery occurs by a solvent extraction-electrowinning process. The copper cathode is transported by truck and rail to the port at Antofagasta and shipped to customers overseas. Lomas Bayas is serviced by the electrical grid of northern Chile under a contract that expires in the second half of 2008 with a local electricity supplier. A new contract with Edelnor which was negotiated in conjunction with the Altonorte Smelter will commence in the second half of 2008.

In the year ended December 31, 2006, Lomas Bayas yielded 41.6 Mt of ore and rehandling material from which 64,312 tons of cathode copper were produced.

The Copper Business is proceeding with an expansion to production and an extension to the operating life of the Lomas Bayas open-pit copper mine in northern Chile's Antofagasta Region. The US$70 million expansion project will increase copper production capacity by 15%, from 65,000 tons a year to 75,000 tons a year of copper cathode, and is planned to be commissioned in the third quarter of 2008.

The successful integration of the development of the nearby Lomas II deposit into the existing processing operations will extend the operational life at Lomas Bayas from 2013 to 2020.

Mount Isa

Total Mount Isa mine production amounted to approximately 194 kt of copper in concentrate from ore in the year ended December 31, 2006.

Copper operations at Mount Isa, located in North West Queensland, include two underground mines (X-41 and Enterprise), with a flotation concentrator, copper smelter and associated infrastructure. The Mount Isa operations are 100% owned by the Xstrata Group.

Ore is processed in a conventional copper concentrator with a throughput capacity of 7 Mtpa. Concentrates are smelted in the Mount Isa smelter to produce copper anodes.

During 2004, the development of the Northern 3500 underground copper orebody at Mount Isa's Enterprise copper mine was approved. The project provides an additional high-grade mining zone in Enterprise, enabling the mine to maintain its rated capacity of 3.5 Mtpa and improve the utilization of the existing hoisting and concentrator capacity. The main access development has been completed and initial production has commenced, with full production scheduled to be achieved in 2008.

The Copper Business has established a dedicated project team at Mount Isa to evaluate the potential for exploiting known resources contained within the 500 orebody and "halo" mineralization surrounding the 1100 orebody. Pre-feasibility work commenced in 2006 and is ongoing, and as part of this scope a definitive resource for the 500 orebody will be updated at the end of 2007. Project work will continue on both the 500 and halo areas into 2008 with the view to focusing on mine design, metallurgy and geotechnical issues. Further resource updates are expected throughout 2008.

Tintaya

Tintaya is located in the Espinar province, southern Peru, and consists of an open-pit mine and processing operations, comprising both a copper concentrator for sulfide ore and an SX-EW processing plant for oxide ore. SX-EW is a two-stage process that first dissolves oxide copper into solution and upgrades copper ions from low-grade leach solutions into a concentrated electrolyte, and then deposits pure copper onto cathodes using an electrolytic procedurel. Both copper concentrates from the sulfide ore and cathodes from the SX-EW plant are trucked to the port of Matarani.

The nearby Antapaccay and Coroccohuayco satellite deposits may also provide significant future development potential.

Tintaya produces around 120,000 tons of copper in concentrate and high-quality copper cathode per annum, and has significant growth potential. Tintaya has proved and probable ore reserves of 114 million tons, comprising copper oxide ore at an average 1.56% copper and copper sulfide ore at an average 1.12% copper, as at June 30, 2007. In addition, at that date Tintaya had a further 2 million tones of inferred resources at 0.49% copper compared to the resource as at December 31, 2006.

Smelting and refining operations

Altonorte smelter

The Xstrata Group owns 100% of the Altonorte copper smelter located in northern Chile. The Altonorte custom smelter processes copper concentrate from third party mines located mainly in Chile. Approximately 35% of the Altonorte smelter's production is sold to Codelco and is refined at Codelco's Chuquicamata refinery near Calama, Chile. The balance of the smelter's anode production is exported and sold to Cumerio, LS Nikko, CCR Refinery and Townsville Refinery. The smelter's sulfuric acid production is sold to customers located in the northern region of Chile.

The smelter completed a major modernization and US$170 million phase three expansion project in 2003, which more than doubled its capacity to a nominal 850,000 tpa of copper concentrate throughput, copper anode output capacity to approximately 290,000 tpa and sulfuric acid capacity to 790,000 tpa. The construction of the phase four expansion at the Altonorte smelter in northern Chile commenced in July 2007, following environmental approval from the Antofagasta Region environmental authority Corema. The expansion is scheduled to be commissioned in the first quarter of 2009.

The operational upgrade, with an original investment estimate of US$58 million, will increase production capacity by almost one-third from around 290,000 tons a year of copper in anodes to 380,000 tons a year. Sulfuric acid production will increase from 800,000 tons to 1.1 million tons a year.

Altonorte intends to invest a further US$14 million to install double contacts in the new sulfuric acid plant, with the objective of increasing emissions capture from 93% to 95.5%. This will take the total expansion capital to US$72 million.

Altonorte also intends to implement various other projects to upgrade the smelter's environmental performance, requiring an additional US$28 million investment. These projects include further measures to capture fugitive emissions and a smelter dust treatment plant.

CC&R

CC&R operates the Horne copper smelter located in Rouyn-Noranda, Quebec, the CCR Refinery in Montreal-East, Quebec, the Kidd Creek Metallurgical Division, a copper/zinc complex located in Timmins, Ontario and two recycling facilities located in the United States.

CC&R has the capacity to process approximately 1,300,000 tpa of copper and precious metal-bearing feed materials at the Horne and Kidd Creek smelters. In the six months ended June 30, 2007, the Xstrata Group processed 628,000 tons of feed and in the year ended December 31, 2006, the Xstrata Group processed 1,264,000 tons of feed in total for the Horne and Kidd Creek smelters. More than 50% of the CC&R feed is procured from North America, with the balance from South America and other sources.

The ore from Kidd Creek Mining Division is transported by an Xstrata-owned railway to the Kidd Creek Metallurgical Division's mineral processing facilities, located 27 kilometers southeast of the mine. The mill produces copper and zinc concentrates, and treats all ores from the Kidd Creek Mining Division in two of four circuits. The remaining two circuits are available to process custom feed. In 2004, one of these circuits was rehabilitated and converted to treat 750,000 tpa of nickel ore from the Xstrata Group's new Montcalm mine, located approximately 100 kilometers west of the metallurgical site. Nickel concentrate from the circuit is shipped to Sudbury for processing. The Kidd copper concentrate produced, as well as the by-product Montcalm copper concentrate, are processed at the Kidd Creek Metallurgical Division's copper smelter. In addition to these feeds, the smelter also treats copper concentrate from the Nickel Business's Sudbury Strathcona mill, as well as other copper custom feeds. The smelter has the capacity to produce 150,000 tpa of blister copper. The 67,020 tons of blister produced at the Kidd Creek smelter in the six months ended June 30, 2007 and the 128,771 tons of blister produced there in the year ended December 31, 2006 were either sent as anode for refining at its refinery, or shipped to the Copper Business's CCR Refinery. For the six months ended June 30, 2007, the Kidd Creek copper refinery produced 61,478 tons of copper cathode, having produced 125,520 tons in the year ended December 31, 2006.

The Kidd Creek zinc plant has the capacity to produce 145,000 tpa of zinc. In October 2004, a new precious metal recovery circuit was commissioned in the zinc plant. The new circuit allows the plant to process Agnico-Eagle's Laronde Mine precious metal bearing zinc concentrates, and to recover the gold and silver as precious metals-lead residue that is further refined at the Copper Business's Horne smelter. Approximately 100,000 tons of Laronde zinc concentrate are received on an annual basis. The balance of the zinc plant's feed is Kidd zinc concentrate, and any surplus Kidd zinc concentrate is available for processing at facilities such as the CEZ refinery located in Valleyfield Quebec. In the six months ended June 30, 2007, the Kidd Creek zinc plant produced 63,329 tons of saleable zinc, having produced 144,006 tons in the year ended December 31, 2006.

In addition to the mineral processing facilities, copper smelter, copper refinery and zinc plant, the Kidd Creek Metallurgical Division also operates a cadmium plant, an indium plant, two sulfuric acid plants and a liquid sulfur dioxide plant. In the six months ended June 30, 2007, the Kidd Creek Metallurgical Division produced 253,742 tons of sulfuric acid, having produced 521,311 tons in the year ended December 31, 2006.

In October 2005, the copper, zinc, and milling operations of the Kidd Creek Metallurgical Division were impacted to varying degrees by a four-week strike by the site's unionized workforce, Canadian Auto Workers – Local 599. The Falconbridge Group subsequently agreed to a new three-year collective agreement with Canadian Auto Workers – Local 599 in respect of the Kidd Metallurgical Division.

The Horne smelter uses two technologies that work together to optimize its production: continuous smelting and continuous converting. Through its continuous smelting process, the Horne Smelter is able to treat concentrates containing impurities such as arsenic, antimony, bismuth, mercury, lead and other materials in addition to conventional copper concentrates. In 2006 and for the six months to June 30, 2007, approximately 29% and 20% respectively of the total volumes treated by the Horne Smelter, was intercompany sourced and the balance was sourced from third parties under contracts with durations of one to three years or purchased on a spot basis. In September 2005, the Noranda Converter (NCV) at the Horne smelter was brought back online. The operating rate increased from 600,000 tpa to 800,000 tpa of concentrate. Anode production capacity increased from 140,000 tpa to 180,000 tpa. In 2006, the operating rate further increased to 840,000 tpa of concentrate and the anode production capacity increased to 185,000 tpa of anode. This increase in operating rate was based on the availability of concentrates on economical treatment terms. Total anode output from the Horne smelter was 84,467 tons in the six months ended June 30, 2007, and 184,989 tons in the year ended December 31, 2006. All anodes produced at the Horne copper smelter were refined at the Copper Business's CCR Refinery. The smelter also produced 293,724 tons of sulfuric acid in the six months ended June 30, 2007, and 608,827 tons of sulfuric acid in the year ended December 31, 2006.

In September 2006, Xstrata announced a major project at the Horne smelter aimed at significantly reducing the presence of metal-bearing particulates, and in particular arsenic, in the Notre Dame neighborhood adjacent to the smelter, at an anticipated project cost of approximately C$20 million (approximately US$18 million). The various elements of the project are intended to be completed between 2006 and 2009. Once completed, a subsequent study will be undertaken to identify new opportunities to further reduce the impact of smelter operations in the Notre Dame neighborhood. Since 1998, emissions of gases and dusts (lead, arsenic and total dust) have been reduced by more than 80%, following the successful implementation of a series of environmental and process optimization projects. The Horne smelter has committed to continually reduce the environmental impact of its activities, with particular attention to the Notre Dame neighborhood adjacent to the smelting operations. The paving of dirt roads, purchase of a vacuum cleaning truck and the construction of a concentrate storage building (to reduce outdoor storage of concentrate) are all projects completed to reduce dust emissions in the neighborhood.

The CCR Refinery processes copper anodes from the Horne, Altonorte and CVRD-Inco smelters as well as other unrefined copper and precious metals from the Xstrata Group and third party sources. In the six months ended June 30, 2007, the refinery produced 164,022 tons of copper cathode, approximately 490,600 ounces of gold and 14 million ounces of silver; and in the year ended December 31, 2006, the refinery produced 368,319 tons of copper cathode, approximately 926,900 ounces of gold, 29.8 million ounces of silver; and, in each period, other by-products including selenium, tellurium, nickel sulphate and a concentrate of PGM. A contract was signed in early 2005 for the refining of Inco anodes at the CCR Refinery and shipments commenced in August 2005. In September 2005, the CCR Refinery moved to a seven-day operation cycle, in order to increase 2006 production to 368,000 tons.

The Copper Business is a leader in the recovery of copper, gold, silver and PGM from the recycling of electronics and other copper and precious metal-bearing secondary materials. In addition to materials delivered directly to the Xstrata Group's smelters and refineries, the Copper Business operates two sampling facilities in California and Rhode Island for the sampling and preparation of recycle feeds for plants. During 2005, a new commercial office and warehouse was opened in Penang, Malaysia, to assist Asia-based customers with the collection of electronic scrap from production facilities and shipment to the sampling plants in San Jose or Rhode Island. This new company is called Xstrata Recycling Malaysia.

During 2007, the business name was changed to Xstrata Recycling. The end-of-life recycling assets, comprising three shredding and de-manufacturing facilities in the United States and Canada, were sold to SIMS Recycling in March 2007. The output from these plants continues to be processed at Xstrata Group smelters. Xstrata Recycling continues to operate precious metals recovery and sampling facilities in the United States, and global commercial offices have been maintained to continue the acquisition of recyclable materials.

The Copper Business's processing plants and technology enable the treatment of large tonnages of recycled materials. In the six months ended June 30, 2007, recycled materials comprised 13% of the feed for the Horne smelter and approximately 10% of the copper, 16% of the gold and 6% of the silver metals produced by the CCR Refinery. In the year ended December 31, 2006, recycled materials comprised 11% of the feed for the Horne Smelter and approximately 9% of the copper, 18% of the gold and 6% of the silver metals produced by the CCR Refinery.

Copper refinery

The copper refinery in Townsville produces 99.997% pure LME Grade A copper cathode, using ISAPROCESS technology (developed by Xstrata Technology). The plant currently has a nameplate capacity of 280,000 tpa of cathode copper, although production is constrained by the throughput of anode copper from the Mount Isa copper smelter. Production is expected to increase to 300,000 tpa as anode throughput increases. A facility for producing stainless steel cathodes for use in the ISAPROCESS technology adjoins the refinery. Copper produced using ISAPROCESS technology accounts for over 30% of global refined copper production.

Isa copper smelter

The Isa copper smelter, which utilizes ISASMELT furnace technology, is part of the Mount Isa operations, with a current nameplate capacity of 240 ktpa of anode copper. The concentrate feed sources are the adjacent Mount Isa copper mill and the Ernest Henry mine. The primary product from the smelter is anode copper, which is sent by rail to the Xstrata Group's Townsville copper refinery.

In November 2004, capital expenditure was approved to expand the capacity of the Mount Isa copper smelter and improve its efficiency. The project comprises the installation of a second rotary holding furnace and a slag crushing plant. These are designed to increase the smelter's nameplate capacity from 240,000 tpa to 280,000 tpa of anode copper. The second rotary holding furnace was commissioned in the third quarter of 2006 and the crushing plant was commissioned in the second quarter of 2007. The construction and commissioning of two additional oxygen plants, to achieve a production capacity of 300,000 tpa, are planned by the end of 2007.

The smelter also has an ESP leaching plant in operation; however, the plant is currently not achieving the targeted recovery. Further work is planned before the end of 2007 to provide facilities to allow direct acid addition to increase recovery.

The smelter is connected to a third party acid plant, which treats sulfur dioxide gases from the primary and secondary smelting stages. Approximately 80-85% capture is currently achieved and following additional planned capital investment, capture levels are expected to reach 90-95% in the next few years.

Townsville

The Townsville operations encompass a copper refinery, port operations, marketing, customer services and logistics.

Townsville port operations

The facility is at the Port of Townsville in North Queensland. Bulk copper and zinc concentrates are received by rail and transferred to covered storage before ship loading. The site also handles copper cathode and lead bullion through Northern Shipping and Stevedoring Pty Ltd, in which Xstrata has a 50% shareholding.

The bulk handling operation includes a rail car dumper, conveyors, covered storage, conveyors for ship loading, and cranes with "clam shell" buckets for ship unloading. Ships of 45,000 tons capacity can be received at the berths.

Sales and marketing

Concentrates from the Mount Isa and Ernest Henry operations which are not processed in the Mount Isa copper smelter are sold to Glencore International under a concentrate off-take agreement. Copper cathode from the Townsville refinery is sold to third parties in both the Australian market and the export market. Copper cathode destined for the export market is sold to Glencore under an off-take agreement. See "Business of the Xstrata Group – Relationship with Glencore – Commercial relationship – Copper Business".

The Alumbrera concentrate is of high quality and consistency, with high gold value. Approximately 90% is sold under smelter or trader frame contracts and the remainder is sold into the spot market.

The Copper Business also has sales and marketing activities based in Toronto, Canada; Santiago, Chile; Zug, Switzerland; San Jose, California; and Cleveland, Ohio. Primary functions include the purchase of custom concentrates and recycled materials, and the sale of concentrates, blister, copper cathodes, precious and PGM and sulfuric acid, as well as refinery by-products.

Projects and developments

Antamina, Peru

Added throughput capacity at the concentrator will be realized early in 2008 upon completion of a pebble crushing circuit, currently being installed. This new circuit will be particularly beneficial to improve SAG milling capacity on harder M4/M4A ores. When coupled with other minor plant modifications and operating improvements achieved through the mine-to-mill program, the overall throughput benefits are expected to represent an increase of approximately 12% over current mill throughputs, beginning in the second quarter of 2008.

El Morro, Chile

The El Morro property is located in Region III, 140 kilometers east of the port of Huasco at an elevation of 4,000 to 4,300 meters. The La Fortuna zone on the El Morro property contains measured, indicated and inferred mineral resources estimated at a total of 720 Mt grading 0.56% copper and 0.49 grams per tonne gold, at a copper cut-off grade of 0.3% copper.

The Xstrata Group acquired a 70% interest in the El Morro property from Metallica Resources Inc. for US$10 million in cash. If either party dilutes its interest in the property to 10% or less, their interest will convert to 2% net smelter royalty. Other agreement obligations have been met, including an initial cash payment of US$300,000, subscribing for US$1 million in shares of Metallica Resources Inc. and completing total expenditures on the property of more than US$10 million. The Xstrata Group intends to satisfy its outstanding legal and environmental obligations and is now preparing a feasibility study. Feasibility level work in 2007 upgraded metallurgical studies and revisited key development concepts, such as tailings disposal and constructability issues.

El Pachón, Argentina

The acquisition of the El Pachón project was completed in September 2001. The property is located in the province of San Juan, Argentina at an elevation of 3,600 to 4,100 meters, about three kilometers from the Chilean border and five kilometers from the Los Pelambres mine. Diamond drilling, geological mapping and reinterpretation of the resource model were completed in 2003, with the objective of identifying higher grade resources within the known resource and test exploration targets.

In 2004, the Xstrata Group commissioned an external review of the resource estimate and updated the feasibility study prepared by Cambior in 1997. Work on the pre-feasibility study began in 2006, using SNC Lavalin as the main engineering contractor company. The pre-feasibility study involves both site data collection and various engineering, environmental and technical studies.

By late 2006, the site access road was re-opened to allow site data collection to continue. The site remained open through April 2007 when it closed once again due to snow accumulations. The drilling program included resource, geotechnical, hydro-geological and geometallurgical drilling. Environmental baseline data collection continued in all project areas. The various engineering and technical studies are currently underway, with a target to complete the pre-feasibility study by the end of 2007. Subject to corporate reviews and approvals, the project may progress into the feasibility study stage by early 2008.

Frieda River, Papua New Guinea

The project is located in north-west Papua New Guinea, approximately 200 kilometers from the coast. It is a joint venture between Xstrata Frieda River Limited (73.7%), Highlands Frieda Limited (16.4%) and OMRD Frieda Co. Limited (9.9%). The Copper Business exercised its option to elect and take equity and management of the project in January 2007. The Copper Business must deliver a feasibility study by January 2012 to retain project equity. During this period the Copper Business has an option to purchase the Nena prospect (which lies within the Frieda River property boundary) for US$10.8 million. The Government of Papua New Guinea retains an option to purchase 30% equity in the project at cost.

Copper mineralization was first identified in the region in 1965 and since then there have been numerous exploration initiatives. As reported in the Falconbridge Annual Financial Information, in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves, this exploration activity has defined a measured and indicated mineral resource of 43 Mt at

3.1% copper, 0.59g/t gold at the Nena Prospect and 430 Mt at 0.60% copper, 0.38g/t gold in the inferred and indicated categories at the Horse-Ivaal-Trukai porphyry system, which both use a 0.5% copper cut-off. No resource estimation has been conducted by the Copper Business.

The project was acquired by Xstrata as part of the Falconbridge Acquisition. The objective of the current work plan is to determine the value of the project through a scoping study. The study is to assess a wide range of development options and conduct further metallurgical tests on the Nena deposit. The results are expected to be delivered in December 2007.

Kidd Creek operations, Ontario

Exploration support of the Kidd Creek operations in 2004 to 2006 were conducted in five areas within 200 kilometers of the Xstrata Group's core infrastructure in Timmins. Exploration was undertaken in conjunction with junior mining company partners, as part of a plan to test all near-surface airborne electromagnetic targets on properties in the Detour-Normetal, Halliday Dome, Kamiskotia, Blake River and FedNor areas. No significant results were returned from these exploration programs.

Significantly, the exploration expenditures in 2006 started to shift back to the focused exploration zone, comprising 150 square kilometers of highly prospective base metal stratigraphy immediately surrounding the Kidd Mine. This work was undertaken in part in a joint venture with Vismand Exploration Inc. Historically, the Falconbridge Group conducted exploration in this same area, but aimed above a depth of 200 meters.

Ongoing exploration at the Kidd Creek mine in Mine D is on hold pending favorable drill locations through the deepening of the down-ramp.

Work on the shaft bottom and lateral development was completed in the first quarter of 2006. Production from block 2 began in the fourth quarter of 2005 and production from block 3 began in the third quarter of 2006.

The capital expenditures associated with Stage 1 of this project were C$659 million (approximately US$580 million).

Las Bambas

In August 2004, the Xstrata Group acquired rights to explore and develop the Las Bambas copper-gold-molybdenum project in southern Peru for US$120 million. To date, 241,000 meters of exploration and resource definition drilling have been completed. As at March 2007, a mineral resource of 508 million tons at a grade of 1.14% copper, 220ppm molybdenum and 0.11 grams per tonne gold (cut-off grade of 0.5% copper) was released for the Ferrobamba, Chalcobamba and Sulfabamba deposits, which was the basis for a concept stage study that indicated an economically viable and technically feasible project. An updated resource estimate based on the 2007 drilling campaign is in progress, with results expected to be released in early 2008. Currently, the project is entering the pre-feasibility stage, where Xstrata will optimize development options based on an additional 87,000 meters of drilling and detailed engineering and test work to be completed during 2008. Results continue to be encouraging and point towards a mineral district that could support a 300 ktpa copper and molybdenum operation, with potential additional resources from other satellite deposits.

Lomas Bayas Expansion, Chile

As part of the Falconbridge Group's review of the Lomas II deposit (also known as Fortuna de Cobre), the development of the exploration tunnel began in March 2005 and is now complete. Construction of the pilot plant was completed in August 2005 and pilot testing completed in November 2006. The results of conceptual studies to optimize the development of Fortuna and integration with Lomas have been assessed. The development of the Lomas II deposit is planned to commence in 2010, with operations commencing in 2011. The project is aimed at ensuring sustained copper production at Lomas Bayas at the expanded level of 75,000 tons per annum.

Collahuasi, Chile

Since initial start-up of the Collahuasi concentrator with a nameplate treatment capacity of 60,000 tpd and its later expansion to a nameplate capacity of 110,000 tpd (commissioned in 2004), operational experience and process improvements have increased throughput capacity at Collahuasi to approximately 126,000 tpd currently. Additional operating enhancements and minor process capital enhancements are planned to further improve the concentrator throughput to 140,000 tpd by 2009 and to 170,000 tpd beginning in 2010.

The previous production plan called for the Collahuasi Leach-SX-EW facility to be wound down in 2009 with the exhaustion of oxide and mixed ores from the Huinquintipa and Capella deposits as well as from upper zones in the main Ujina and Rosario pits. The current plan is to maintain the operation of the SX-EW plant by exploiting low grade secondary copper sulfide reserves in stockpiles at the Ujina pit, as well as in-situ low grade sulfide reserves at Ujina for an additional 10 years, at similar cathode production rates. This extension will require the expansion of the existing facilities and a new leach pad area to be constructed in 2008 and 2009 to allow the conversion to sulfide leaching.

The first stage of the inferred resource estimate on Collahuasi's Rosario West zone was completed in 2005. Exploration results indicate that the Rosario West zone contains an inferred mineral resource esimated at 248 million tons grading 1.54% copper at a 0.4% copper cut off. The joint venture parnters (Anglo American, Xstrata and a Japanese consortium led by Mitsui & Co., Ltd.) believe that these exploration results further demonstrate the potential of developing resources at Collahuasi.

The mineral resource is located in the central part of the Rosario West zone, and only 300 meters from the projected edge of the Rosario open-pit.

Copper mineralization is principally contained in a structurally controlled chalcocite supergene blanket that has formed over a swarm of high sulfidation veins. The exploration results indicate that there is potential to extend the life of the current operation, with the possible addition of leachable and/or concentrate producing resources to the existing reserve base. Portions of the resource contain elevated arsenic content that will be subject to further study.

In addition to the Rosario West area, drilling during 2007 has also investigated potential in the Rosaria Extension zone (between the existing Rosario pit and the Rosario West area), the Ovalo zone (south of the Rosario West area), and the Poderosa zone (immediately southeast of the existing Rosario pit). Exploration and definition drilling will continue in all of these areas during 2008 and conceptual engineering and planning will continue to define the best manner for incorporating these potential additional resources into the medium term growth plans for Collahuasi.

Roseby

In March 2005, the Copper Business agreed to invest in a listed exploration company, Universal Resources Limited. The investment provides the Copper Business with the right to explore and options to acquire 51% of the Roseby copper deposits in the Mount Isa Inlier in north-west Queensland. The investment in Universal is being used to part-fund an exploration project undertaken by the Copper Business for additional copper sulfide mineralization within the Roseby tenement area. Known as the Sulfide Extension Exploration Project ("SEEP"), its principal exploration targets are expected to be beneath and adjacent to the native copper deposits within the Roseby Feasibility Project. Drilling in the SEEP commenced in the second half of 2005, following delineation of the more prospective areas and a number of new mineralized systems were intersected at Cabbage Tree Creek, Blackard and Scanlon in 2006. Evaluation of the Roseby RFP Feasibility Study (completed in late 2006) highlighted that as a stand-alone project, it is currently uneconomic. The decision was made in June 2007 to exercise the SEEP option, with a view to the broader sulfide exploration potential of the Roseby tenements and to take advantage of the opportunity to upgrade the existing RFP resource. Drilling is planned to further test and delineate these systems in 2007 and 2008.

Tampakan

On December 21, 2006, the Xstrata Group exercised its option to acquire 62.5% of the controlling interest in the Tampakan project in The Philippines and assumed management control on March 30, 2007 through its Philippine affiliate, Sagittarius Mines, Inc. Straddling the municipalities of Tampakan (South Cotabato), Kiblawan (Davao del Sur), and Columbio (Sultan Kudarat) in southern Mindanao, the Tampakan project is one of the biggest undeveloped copper-gold deposits in south-east Asia. The mineral resource estimate for the Tampakan deposit as reported by Indophil Resources NL in 2006, totals 2 billion tons in indicated and inferred categories, containing 11.6 million tons of copper and 14.7 million ounces of gold at a 0.3% copper cut-off grade, with good further exploration potential for copper-gold deposits.

A pre-feasibility study was completed by the Xstrata Group's joint venture partner, Indophil Resources NL, in October 2006. The project is currently in an extended pre-feasibility study phase with the launch of a final feasibility study expected in mid-2008.

West Wall, Chile

The West Wall property is located in Region V, about 100 kilometers north of Santiago, Chile, at an elevation of 3,000 meters to 3,700 meters. The Falconbridge Group satisfied all outstanding earn-in obligations in 2005 under a joint venture with Minera Anglo American Chile, and the Xstrata Group currently has a 50% interest. A low-grade porphyry resource was identified on the property in the 1980s by Minera Anglo American Chile; and Xstrata has discovered a new porphyry system, referred to as the Lagunillas zone, located three kilometers to the southwest. Diamond drilling in 2002 and 2005 outlined a secondary enriched blanket of copper mineralization underlain by significant primary mineralization. The zone extends over an area of 1,200 meters north-south and ranges from 350 to 450 meters in width.

In August 2007, the contract mining company West Wall was incorporated by the joint venture partners. Rotational administration between the two partners was agreed and for the first period project management will be undertaken by Anglo American until July 2008. A total budget of US$2 million, contributed in equal parts by the partners, was approved in order to develop a drill campaign of 8,000 mts during 2007 and 2008. The objective of the exploration program is to define a high-grade primary ore in depth.

Energia Austral, Chile

The Energia Austral project is based on assets (water, rights and land), which were originally acquired to form part of a proposed aluminum smelter project (Alumysa Project). In 2005, based on an analysis of the Chilean power situation, it was concluded that the water rights have hydro-electric potential with very significant strategic and economic value.

The hydropower plants considered by the Energia Austral Project are:

- Rio Cuervo: The Rio Cuervo Hydropower Plant will be located in the Municipal District of Aysen, about 45 kilometers north-west of Puerto Aysen, and consists of the construction and operation of a reservoir and hydroelectric power project with an estimated installed capacity of 600 MW to generate an annual average of more than 3,900 GWh of energy.

  The constructed works to be built in this project include two dams, a reservoir, a spillway, an intake, a power tunnel, a tailrace tunnel, an underground powerhouse with four generation units, a landing and a dock, two access roads and temporary support facilities.

- Rio Blanco: The Rio Blanco Power Plant will be located in the Municipal Districts of Aysen and Coyhaique, approximately 30 kilometers to the southeast of Puerto Aysen and consist of the construction and operation of a reservoir and hydroelectric power project with an estimated installed capacity of 360 MW, to generate an annual average of more than 2,500 GWh of energy.

  The constructed works to be built in this project include a dam, a reservoir, a spillway, an intake, an underground powerhouse with three generation units, a power tunnel, a tailrace tunnel, an access road and temporary support facilities.

- Lago Condor: The Lago Condor Power Plant will be located in the Municipal District of Aysen, approximately 30 kilometers to the southwest of Puerto Aysen and consist of the construction and operation of a reservoir and hydroelectric power project with an estimated installed capacity of 54 MW to generate an annual average of more than 400 GWh of energy.

  The constructed works to be built in this project include three dams, a reservoir, a spillway, an intake, an underground powerhouse with three generation units, a power tunnel, a tailrace channel, an access road and temporary support facilities.

This year, the Energia Austral Project is starting the pre-feasibility stage.

Coal Business summary

Introduction

On a managed basis, the Xstrata Group is one of the world's largest producers of export thermal coal, one of the largest producers of export semi-soft/PCI coal and among the top five producers of export coking coal. The Coal Business produces a significant amount of coal for sale in the Australian and South African domestic markets from a portfolio of cost competitive mines. The Cerrejón operation, in which the Xstrata Group acquired a one-third interest from Glencore in 2006, exports high-grade thermal coal from Colombia to principally markets in Europe and the Americas.

The Coal Business's portfolio comprises interests in 20 operating coal mines in Australia, 13 operating coal mines in South Africa and the Cerrejón coal mine in Colombia. The Xstrata Group focuses on the cost-effective production of thermal and coking coal for export and domestic use in coke making/steel production, electricity generation and industrial applications.

In August 2006, the Xstrata Group and ARM established a new black-controlled coal mining company, ARM Coal, with operating assets and growth projects in South Africa and participation in the export and domestic thermal coal markets. ARM owns 51% and the Xstrata Group owns 49% of the issued share capital of ARM Coal, which holds a 20% interest in the coal operations of Xstrata South Africa, excluding the Goedgevonden project, and a direct 51% interest in the Goedgevonden project. In August 2006, ARM exercised an option to increase its direct interests in the coal operations of Xstrata South Africa (excluding the Goedgevonden project) for a cash investment of ZAR400 million (approximately US$51.7 million). As a result, historically disadvantaged South Africans now control approximately 36% of the Coal Business's South African operations.

In 2006, on a managed tonnage basis, the Xstrata Group's coal mining operations supplied approximately 32% of Australia's thermal coal exports and approximately 20% of South Africa's thermal coal exports. The Coal Business's Australian operations export primarily into Asia, particularly Japan. Semi-soft coking coal production, on a managed tonnage basis, in 2006 represented approximately 15% of the New South Wales operations' output, and coking coal represented approximately 41% of the Queensland operations' output which is exported worldwide. Approximately 19% of the Xstrata Group's attributable tons in the year ended December 31, 2006 were sold into the Australian and South African domestic markets. In 2006, Cerrejón produced approximately 28.5 Mt of export thermal coal predominately for the European and United States power generation markets (of which the Xstrata Group's one-third share was 9.5 Mt).

The Coal Business exports its coal from seven major coal port facilities, five in Australia (the Port Waratah Coal Terminal and the Port Kembla Coal Terminal in New South Wales and the Abbott Point, Dalrymple Bay Coal Terminal and R.G. Tanna/Barney Point Coal Terminals in Queensland), one in South Africa (the Richards Bay Coal Terminal) and one in Colombia (Puerto Bolívar).

The purchasing power of the Australian and South African operations has enabled them to negotiate a number of longer term agreements for the purchase of goods and services required by the Coal Business in those jurisdictions, including mining equipment and replacement parts, explosives, fuel, tyres and lubricants, as well as freight, rail and port handling services, which has enabled the operations to gain access to scarce resources (such as tyres). The supplier base continues to be stable and Xstrata believes the Coal Business 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 Xstrata Group holds most of its Coal Business interests in mines through joint ventures, in which it generally holds a majority interest. Given the relationships between its joint venture partners and its customers, Xstrata believes that these joint ventures provide the Coal Business with a valuable link to its customer base.

In Australia, the Xstrata Group has, either on its own account or through its interests in mines through joint ventures, all underlying mining tenements and access (whether freehold, leasehold or otherwise) to all land that is required for the Coal Business's current mining operations.

The Coal Business's portfolio of operating coal assets allows management to reduce the impact of variations that can be experienced within a single mining operation and the volatility of a single market. This combination of complementary factors includes:

- access to diverse markets – the Coal Business product distribution, on a managed tonnage basis in Australia and South Africa, of export coking coal (including semi-soft coal), export thermal coal and domestic thermal coal is approximately 19%, 61% and 20%, respectively, and the acquisition of the Cerrejón Business has provided increased access to markets in Europe and the Americas;

- the geographical distribution of production between Australia, South Africa and Colombia; and

- a unique combination of open-cut and underground production sources, and a mixture of owned and operated mines with mines where production is managed under contract. From this combination, Xstrata believes the Coal Business has a balanced risk profile, with a diverse portfolio of assets and the ability to meet a variety of customer coal quality requirements.

The Xstrata Group continues to place a priority on cost competitiveness and growth and has been actively involved in the consolidation of the coal industry in Australia and South Africa. Xstrata believes that there is scope for further consolidation of the Australian coal sector and will continue to consider acquisition opportunities as they arise. In September 2007, the Xstrata Group announced the proposed acquisition of the Anvil Hill Coal Project from Centennial Coal Limited and a proposed takeover offer for Austral (the owner of the Tahmoor Mine). The Anvil Hill acquisition was completed on October 17, 2007. The Xstrata Group assumed operational control of Austral on October 30, 2007. During 2007, Xstrata has also acquired the minority interests in the Cumnock and Narama mines. The Coal Business regularly reviews its coal holdings and from time to time will dispose of assets which are considered non-core or non-strategic.

The Coal Business's attributable proved and probable reserves (excluding Cerrejón) as at June 30, 2006 were approximately 1.6 billion tons of coal. In addition, Cerrejón had a saleable reserve base in excess of 900 Mt as at June 30, 2006.

The Coal Business's marketing strategy takes advantage of its substantial production volume of prime quality coals from a diversified asset base. Xstrata believes that the Coal Business established relationships with coal buyers and a proven track record for stable supply will enable it to continue expanding sales to match future production levels. The ability to secure spot sales when required, including for lesser quality thermal coals and into diversified markets, is supported through the Coal Business's relationship with Glencore, a leading coal trader.

See "Coal Business summary – New South Wales operations – Sales and marketing of the New South Wales operations' coal", "Coal Business summary – Queensland operations – Sales and marketing of the Queensland operations' coal", "Coal Business summary – South African operations – Sales and marketing of the South African operations' coal" and "Coal Business summary – Colombian operations – Sales and marketing of Cerrejón's coal" and "Business of the Xstrata Group – Relationship with Glencore – Commercial relationship – Coal Business".

The primary focus of the Coal Business's marketing strategy is to maximize the value of its sales of coal products into export markets. The Coal Business will continue to seek to maximize sales into the premium end of export markets, which for its Australian operations are principally large integrated steel producers and Asian power companies. Xstrata considers that these sectors will continue to be the major growth areas for its Australian thermal and coking coals. The north Asian power market has traditionally paid a premium over other coal buyers for Australian thermal coals to ensure secure reliable sources of supply, although the price difference to more distant markets is also due to the landed cost competitiveness of other exporting countries.

Located in La Guajira state, in the North-Eastern part of Colombia adjacent to the Venezuelan border, Cerrejón is positioned to supply the import markets of Europe and the Eastern and Gulf Coasts of the United States and South America.

The export marketing and logistics activities of the Coal Business, other than for Cerrejón coal, are managed from its head office in Sydney for Australian coals and from its Zug and Johannesburg offices for South African coals. The export of coal from Australia and South Africa is subject to the Market Advisory Agreement between Xstrata Coal Marketing AG, Xstrata AG and Glencore International. Cerrejón coal is marketed through CMC Coal Marketing Company Limited, which is owned by the three Cerrejón joint venture partners.

Coal produced at Cerrejón benefits from relatively low ash content (approximately 8.2%), a low sulfur dioxide emissions profile and high calorific value, making it ideal for power generation. The typical quality of thermal coals mined by the Coal Business in Australia for the export market varies in ash content from 8% to 17% on an air-dried basis and the Coal Business's Australian domestic coal varies in ash content from 22% to 39% on an air-dried basis. The typical gross calorific value of the Xstrata Group's Australian washed coals is in the range of 6,300 to 7,300 kilocalories per kilogram on an air-dried basis. These qualities provide a range of coals to meet customers' needs and also provide an opportunity to blend coals to meet the specifications of particular customers.

The typical quality of washed thermal coals mined by the Coal Business in South Africa for the export and domestic industrial market varies in ash content from 13% to 18% on an air-dried basis and the Coal Business's South African domestic power station coal varies in ash content from 20% to 35% on an air-dried basis. The typical gross calorific value of the Xstrata Group's

South African washed coals is in the range of 6,300 to 6,600 kilocalories per kilogram on a gross air-dried basis.

Sales to the Australian domestic market are pursued when attractive, both through the renewal of existing contracts and the identification of new opportunities. The New South Wales operations are one of the largest suppliers to domestic market power stations and the Coal Business is continuing to seek additional sales in this market.

Due to differing margins as well as a wide range of qualities, sales to the domestic market in South Africa will continue to be pursued when attractive, both through the renewal of existing contracts and the identification of new selling opportunities. Coal produced at Cerrejón is exported to markets principally in Europe and the Americas.

The Coal Business's coking coal production is exported predominantly to the major steelmakers in Asia, Europe and South America.

In December 2005, the Xstrata Group and its joint venture participants were awarded the exclusive right to apply for a license to develop the Donkin coal resource block in Cape Breton, Nova Scotia, Canada. The Xstrata Group holds a 75% participating interest in the joint venture. The joint venture partner is Erdene Gold Inc ("Erdene") of Canada, with a 25% interest. The award of a special license, in May 2006, allows the Coal Business and its partners to pursue evaluating the feasibility of mining the estimated 200 Mt Donkin thermal and metallurgical coal resource located off Cape Breton Island in the Sydney coal field. Work on the project has commenced, with the evaluation of the resource and the development of feasibility studies expected to take about two years to complete. The budget estimate for the feasibility study until the first quarter of 2008 is C$17.5 million (approximately US$15.7 million). The Xstrata Group intends to finance its share of the investment from its general corporate facilities.

In February 2006, Xstrata, through its wholly-owned subsidiary Xstrata Coal Canada Limited ("Xstrata Coal Canada") entered into an alliance agreement with Erdene, pursuant to which Xstrata Coal Canada subscribed for 3,000,000 common shares of Erdene at C$1.00 per share. This represents approximately 4.69% of Erdene's issued share capital. In September 2007, Xstrata entered into a subscription agreement to acquire a further 1,000,000 shares, thereby increasing its interest to 6.16%. This transaction will complete following the release of an independent Preliminary Assessment Report currently being prepared by Norwest Corporation and expected to be issued in November 2007. Erdene is a Toronto-listed mineral exploration company with a significant profile and a large number of exploration projects in Mongolia, including coal and base metals. Xstrata Coal Canada has a first option to enter into a joint venture and earn a 75% interest in any coal opportunity in Mongolia identified by Erdene by funding all work through completion of a feasibility study. Xstrata Coal Canada will also have the right to participate in other mineral development opportunities with Erdene and has the right to name a nominee to the board of directors of Erdene.

Reserve and resource base

The table below sets out the Xstrata Group's attributable coal reserve and resource base, broken down between the Australian and South African operations, as at June 30, 2006:

	Coal reserves[1]				Coal resources		
			Marketable				
Region	Proved	Probable	Proved	Probable	Measured	Indicated	Inferred[2]
				Mt			
New South Wales, Australia	431	291	324	229	1,346	1,504	936
Queensland, Australia	254	159	222	102	547	994	1,747
South Africa	727	131	429	80	1,977	1,029	1,831
Total Coal Business[2]	1,412	580	974	411	3,870	3,526	4,513

Notes

The above table sets out the Xstrata Group's attributable coal reserve and resource base, based on the total mine basis figures in the Xstrata Group Ore Reserves and Mineral Resources Report. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of the reserve and resource estimates.

(1) Reserves are a subset of resources and are included in the resource estimate. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of reserve amounts.

(2) See "Presentation of information – Inferred resources" for an explanation of the basis of preparation of inferred resource estimates.

The table below sets out Cerrejón's total mine reserve and resource summary as at June 30, 2006 (the Xstrata Group has a one-third interest in the Cerrejón operation, following completion of the Cerrejón Acquisition on May 12, 2006)[1]:

	ROM Reserves[2]		Saleable Reserves[2] [3]		Resources[4]		
	Proved	Probable	Proved	Probable	Measured	Indicated	Inferred[5]
Mt	694.5	211.2	712.5	215.4	731.2	224.1	2

Notes

(1) Additional resources outside the 32 Mtpa pit shell are not included. Resources in the 32 Mtpa mine plan exclude coal resources underlying the Ranchería River. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of the reserve and resource estimates.

(2) Reserves are a subset of resources and are included in the resource estimate. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of reserve amounts.

(3) Saleable Reserves: As sold basis are reserves adjusted for yield losses in the preparation plant (if applicable) and converted to a saleable moisture basis.

(4) Resources are Gross Tons in Situ Resources (GTIS). The resources within a defined optimized pit shell which conform to specific quality and thickness criteria and which have been discounted for geological losses.

(5) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Inferred resources" for an explanation of the basis of preparation of inferred resource estimates.

Production

The tables below set out the total mine production and attributable production of the Coal Business broken down between the Australian, South African and Colombian operations for the years ended December 31, 2005 and December 31, 2006:

Total mine production(1)	Year ended December 31, 2005	Year ended December 31, 2006
	Mt	
New South Wales, Australia	36.1	36.9
Queensland, Australia	20.9	24.4
South Africa	18.6	20.5
Colombia	—	28.5
Total Coal Business	75.6	110.3

Note

The above table does not include 2005 production information for Colombia as Xstrata's interest in Cerrejón was acquired in the first half of 2006.

(1) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis of preparation of the production amounts.

Attributable production(1)	Year ended December 31, 2005	Year ended December 31, 2006
	Mt	
New South Wales, Australia	26.9	29.5
Queensland, Australia	11.8	14.4
South Africa	19.2	20.5
Colombia	—	9.5
Total Coal Business	57.5	73.9

Note

The above table does not include 2005 production information for Colombia as Xstrata's interest in Cerrejón was acquired in the first half of 2006.

(1) See "Presentation of information – Resources and reserves, production and sales" for an explanation of the basis of preparation of the production amounts.

The table below sets out consolidated and attributable production and sales data and average received export free on board coal prices, broken down between the Xstrata Group's Australian, South African and Colombian operations and commodity types, for the years ended December 31, 2005 and December 31, 2006:

	Year ended December 31,	
	2005	2006
	Mt (except as otherwise stated)	
Total consolidated production[1],[2]:		
Queensland coking	4.8	5.6
New South Wales semi-soft coking	4.8	5.3
Australian thermal	33.6	35.6
South African thermal	18.6	20.5
Colombian thermal	—	9.5
Total consolidated production	**61.8**	76.5
Total consolidated Australian sales[2],[3]:		
Queensland coking export	4.8	5.4
New South Wales semi-soft coking export	4.8	5.3
Thermal export	28.1	29.0
Domestic	5.0	7.6
Total consolidated Australian sales	**42.7**	47.3
Total consolidated South African sales[2],[3]:		
Thermal export	13.5	13.3
Thermal domestic	6.9	7.1
Total consolidated South African sales	**20.4**	20.3
Total consolidated Colombian thermal sales	—	9.2
Attributable Australian sales[3]:		
Queensland coking export	4.8	5.4
New South Wales semi-soft coking export	4.4	4.9
Thermal export	26.1	26.8
Domestic	4.8	7.3
Total attributable Australian sales	**40.1**	44.4
Attributable South African sales[3]:		
Thermal export	13.5	13.3
Thermal domestic	6.9	7.1
Total attributable South African sales	**20.4**	20.3
Total attributable Colombian thermal sales	—	9.2
Average received export FOB coal price:		
Queensland coking (US$/t)	111.5	111.2
New South Wales semi-soft coking (US$/t)	70.3	68.0
Australian thermal (US$/t)	51.2	46.4
South African thermal (US$/t)	48.5	45.8
Colombian thermal (US$/t)	—	49.3

Notes

The above table does not include 2005 production information for Colombia as Xstrata's interest in Cerrejón was acquired in the first half of 2006.

(1) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis of preparation of production amounts. 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 Xstrata 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 Xstrata Group controls, irrespective of the Xstrata Group's shareholding in that subsidiary.

(3) All sales data is ex-mine and therefore does not include sales of third party purchased coal. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis of preparation of sales amounts. Sales figures have been extracted without material amendment from Xstrata's management records.

Financial information

The table below provides (a) unaudited pro forma financial information in relation to the Coal Business for the year ended December 31, 2006 (which has been extracted without material amendment from the Xstrata Pro Forma Consolidated Financial Information (the pro forma segmental analysis) included in the Xstrata 2006 Annual Financial Information), and (b) unaudited selected summary financial information for the six months ended June 30, 2007 (which has been extracted without material amendment from the Xstrata Interim Financial Information):

Coal Business	Unaudited pro forma Consolidated year ended December 31, 2006[4]		Unaudited IFRS Six months ended June 30, 2007	
		As a percentage of the Xstrata Group		As a percentage of the Xstrata Group
	US$m	*(%)*[3]	*US$m*	*(%)*[3]
Revenue[1]	3,757	14.0	1,871	13.1
EBITDA (before non-trading items)[1],[2]	1,320	12.6	509	9.0
EBIT (before non-trading items)[1],[2]	937	11.2	282	6.0

Notes

(1) Includes minority interests.

(2) IFRS does not define the measures EBITDA (before non-trading items) (being earnings before interest, tax, depreciation and amortization and before non-trading items) or EBIT (before non-trading items) (being earnings before interest and tax and before non-trading items). For a description of how these amounts are derived, see "Presentation of information – Presentation of financial information".

(3) As a percentage of Xstrata's consolidated EBITDA (before non-trading items) and EBIT (before non-trading items) from continuing operations before common costs and income.

(4) See "Presentation of information – Presentation of financial information – Pro forma financial information".

In the 12 months ended December 31, 2005, the entire Cerrejón operation recorded combined consolidated EBITDA (before non-operating income/expense) of US$726 million and, in the 12 months ended December 31, 2006, the entire Cerrejón operation recorded combined consolidated EBITDA of US$672 million (giving figures attributable to the Xstrata Group's one-third interest in Cerrejón acquired by the Xstrata Group on May 12, 2006 of approximately US$242 million and US$224 million, respectively). The Cerrejón financial information presented above has been extracted without material adjustment from, or is based upon, audited "pro forma" combined financial statements prepared under IFRS as at and for the 12 months ended December 31, 2006, with comparatives for the 12 months ended December 31, 2005.

Australian operations

Overview

In the year ended December 31, 2006, the Coal Business's production, on a managed tonnage basis, in Australia was 61.3 Mt of coal, of which attributable production was 46.5 Mt. Managed export sales during this period amounted to 51.9 Mt (39.6 Mt attributable) and Xstrata believes that this represented approximately 22% of all coal exported from Australia (17% on an attributable export sales basis). Approximately 70% of the Coal Business's 2006 export sales from Australia were thermal coal (73% on an attributable tonnage basis).

New South Wales operations

Overview

The Xstrata Group owns interests in 12 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 12 mines, nine are predominantly export mines while the remaining three service the domestic power generators. Expansions currently underway at a number of these mines are expected to increase managed production beyond 40 Mtpa by 2009. During 2007, Xstrata has acquired the minority interests in the Cumnock and Narama mines. In addition, in September 2007 the Xstrata Group announced the proposed acquisition of the Anvil Hill Coal Project from

Centennial Coal Limited in addition to a proposed takeover offer for Austral. The Anvil Hill acquisition was completed on October 17, 2007. The Xstrata Group assumed operational control of Austral on October 30, 2007. The Xstrata Group has an attributable interest of 15% in the operator of the Port Waratah Coal Terminal, located at the port of Newcastle, New South Wales. The Xstrata Group also has a consolidated interest of 40% in the Port Kembla Coal Terminal, located at the port of Wollongong, New South Wales.

Description of the New South Wales operations' assets

The following table sets out certain information about each of the Xstrata Group's principal operating coal mines in New South Wales:

Coal mine	Coal product type	Type of mine[1]	Life of mine (years)[2]	The Xstrata Group's attributable interest (%)	Year ended December 31, 2006 Mine production[3]	 Attributable production[3] Mt	 Attributable sales[4]
Oakbridge Group	**Thermal**						
Bulga open-cut	Thermal	OC	11	68.3	5.6	3.8	3.8
Beltana	Thermal	UG	24	68.3	4.9	3.3	3.4
Baal Bone	Thermal	UG/OC	3	74.1	2.0	1.5	1.9
Macquarie Coal Joint Venture	**Thermal**						
West Wallsend	Thermal	UG	14	80.0	2.2	1.8	2.0
Westside	Thermal	OC	6	80.0	0.8	0.6	0.6
Liddell Group	**Thermal**						
Liddell open-cut	Thermal	OC	17	67.5	3.0	2.0	2.1
Cumnock[5]	**Thermal**	OC	2	84.0	1.0	0.9	1.0
Mount Owen Complex	**Thermal**	OC	15	100.0	5.6	5.6	5.5
United	**Thermal**	UG	4	95.0	2.3	2.2	2.3
Ulan	**Thermal**						
Ulan Underground	Thermal	UG	14	90.0	2.5	2.2	2.5
Ulan OC	Thermal	OC	2	90.0	2.9	2.6	2.5
Ravensworth Group	**Thermal**						
Narama[5]	Thermal	OC	5	50.0	2.5	1.2	1.2
Ravensworth West	Thermal	OC	5	100.0	1.8	1.8	1.6
Total					36.9	29.5	30.5

Notes

(1) OC = open-cut. UG = underground.

(2) Life of mines figures are estimates based on planned and scheduled extraction of reserves.

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

(4) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis preparation of sales amounts. Sales figures have been extracted without material amendment from Xstrata's management records.

(5) In 2007, the Xstrata Group acquired the minority interest in the Cumnock and Narama mines.

Mines, projects and developments

Cumnock

Open-cut mining operations at Cumnock are conducted under contract. The Xstrata Group continues to progress its investigation to determine whether viable mining options exist on the current lease area beyond the completion of mining of existing economically viable reserves, which are expected (based on current extraction rates) to be exhausted in late 2008. In September 2007, Xstrata acquired the minority interest in Cumnock.

Liddell Group

Mining operations at Liddell are conducted under contract. The expansion to the coal handling and preparation plant at Liddell will increase run of mine production from its 2006 level of 4 Mtpa to 6 Mtpa by 2008.

Macquarie Coal Joint Venture

The Macquarie Coal Joint Venture includes the West Wallsend underground mine, the smaller Westside open-cut mine and the Teralba and Cardiff Borehole resources.

The West Wallsend mine produces a combination of semi-soft coking and high quality thermal coal for the export market, while the adjacent Westside open-cut supplies to a local power station under a life of mine contract.

Mount Owen

The Mount Owen mine complex was expanded over 2004 and 2005 by combining with an adjacent mining area, Ravensworth East. This mining complex now operates as a single production facility by sharing coal preparation, stockpiling and rail loading infrastructure.

In 2003, the Xstrata Group acquired the then-outstanding 34% share of the Glendell project. This acquisition allowed the area forming the Glendell project to be included in the adjacent Mount Owen Mining Complex. The development of the Glendell mine will enable coal extraction from the area in 2008 and will leverage the significant synergy benefits available from the expansion of the existing coal handling and preparation plant. The plant, once the expansion is completed in mid-2008, will allow processing of coal from the three combined mines, with total throughput capacity of 14 Mtpa.

The mining operations at Mount Owen and Ravensworth East are conducted under separate mining contracts by the same independent contractor.

Oakbridge Group

The Oakbridge Group includes the Bulga open-cut mine and the Beltana underground mine (operating as the Bulga joint venture), and the Baal Bone underground mine.

An upgrade to the coal handling and preparation plant at Bulga was completed in 2005 bringing the mines' capacity to 16 million run-of-mine tons producing 10.5 million tons of high quality export coal. The Beltana mine is recognized as the most productive underground mine in Australia. Construction is underway on the Blakefield South mine, which is the next stage of the Bulga underground and which will replace Beltana (whose reserves will be exhausted by 2009).

The Baal Bone underground mine is situated near Lithgow in NSW's western coalfield and exports approximately 2 Mtpa via Port Kembla Coal Terminal.

Ravensworth Group

The Ravensworth Group includes the Narama open-cut mine and the new Ravensworth West development.

The Narama resource is fully contracted to supply the local power generator. This contract was upgraded during 2005 by accelerating the annual sales tonnage for the life of the resource.

A new mine at Ravensworth West was approved for development during 2005 and commenced production in 2006, to fulfil a 1 Mtpa supply contract with the local power generator.

Ulan

The Ulan facilities comprise an underground mine and an open-cut mine. The Ulan underground mine was expanded in 2006 from a 250-meter-wide longwall face to a 400-meter-wide, longwall face, along with upgrades to the coal clearance and handling system. This expansion has increased the capacity of the mine to seven million tons. The Ulan open-cut is the most productive open-cut mine in NSW and produces coal both for the export market and a long-term domestic supply contract.

United

The United underground mine produces a high-quality semi-soft coking product for export and local steel manufacturers. Studies are currently underway to examine the feasibility of additional reserves, which may extend the mine life.

Sales and marketing of the New South Wales operations' coal

In 2006, approximately 80% of the New South Wales operations' attributable sales were to the export market. The New South Wales operations coal sales are diversified among most of the major power companies and steel mills in Japan, Korea, Mexico and Taiwan with sales also to Brazil, China, India and Europe when demand and prices support such sales. The Coal Business is 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 2006, both domestic and export, on a managed tonnage basis, approximately 77% was sold for use in electric power generation, approximately 15% for use in steel mill applications and approximately 18% to general industry (which includes third parties that on-sell to various users).

In 2006, the New South Wales operations' six largest thermal coal customers represented, on a managed tonnage basis, approximately 57% 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 81% of the New South Wales operations' total exported semi-soft coal. Domestic coal sales are predominantly to electricity generators in New South Wales.

The following table sets out the geographical breakdown of sales of operating coal mines in New South Wales for the year ended December 31, 2006 on a managed tonnage basis:

	Percentage of sales (%)
Japan	46
Australia	23
Mexico	8
Taiwan	15
Other	8
Total	100

In 2006, the New South Wales operations sold, on a managed tonnage basis, approximately 56% of their total sales volume under coal supply agreements with terms extending beyond one year, with either at fixed prices or on annually renewable terms.

The Coal Business 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.

Transportation 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 (previously called Freightcorp) and QR National provide the New South Wales mines with all freight services. Rail freight contracts are negotiated with Pacific National Limited and QR National by producers individually, rather than on an industry basis.

Coal from the Mount Owen complex, Bulga complex, West Wallsend, Liddell, Ulan, Cumnock and United mines is exported through the Port Waratah Coal Terminal. The terminal facility is owned and operated by Port Waratah Coal Services Limited, in which the Xstrata Group has an attributable interest of 15%. It is located in the port of Newcastle, approximately 125 kilometers north of Sydney. The shiploading capacity is approximately 100 Mtpa and rail capacity is being constructed to meet this. Coal from Baal Bone is exported through the Port Kembla Coal Terminal, located in the port of Wollongong, New South Wales, approximately 85 kilometers south of Sydney. It is operated by Port Kembla Coal Terminal Ltd, in which the Xstrata Group has a 40% interest. The terminal has a shiploading capacity of approximately 15 Mtpa. Domestic coal is transported to power stations by a combination of rail, truck and conveyor.

Queensland operations

Overview

The Queensland operations in Australia were acquired by the Xstrata Group in June 2003 as part of its acquisition of MIM.

The Coal Business manages the Oaky Creek, Newlands-Collinsville-Abbot Point ("NCA") and Rolleston joint ventures. 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.

In the year ended December 31, 2006, the Coal Business's attributable production, on a managed tonnage basis, in Queensland was approximately 23 Mt of coal, approximately 91% of which was exported. Approximately 41% of the Queensland operations' production was coking coal, approximately 50% was export thermal coal and the remaining 9% was supplied to the domestic market.

Description of the Queensland operations' assets

The following table sets out certain information about each of the Xstrata Group's principal operating coal mines in Queensland:

					Year ended December 31, 2006		
Coal mine	**Coal product type**	**Type of mine(1)**	**Life of mine (years)(2)**	**The Xstrata Group's attributable interest (%)**	**Mine production(3)**	**Attributable production(3) Mt**	**Attributable sales(4)**
Oaky Creek	Coking	OC/UG	30	55	7.3	4.0	3.9
NCA							
Newlands	Thermal	OC/UG	18	55	6.4	3.5	2.9
	Coking	OC	12	55	1.1	0.6	0.5
Collinsville	Thermal	OC	8	55	3.0	1.6	1.9
	Coking	OC	8	55	1.7	0.9	1.0
Cook	Coking	UG	–	95	—	—	0.1
Rolleston	Thermal	OC	26	75	4.9	3.7	3.7
Total					24.4	14.4	13.9

Notes

(1) OC = open-cut. UG = underground

(2) Life of mine figures are estimates based on planned and scheduled extraction of reserves.

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

(4) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis preparation of sales amounts. Sales figures have been extracted without material amendment from Xstrata's management records.

Mines, projects and developments

NCA

NCA includes the Newlands and Collinsville mining operations and the Abbot Point port and coal handling facilities (which are owned by Ports Corporation of Queensland and managed by the Xstrata Group).

Newlands

Newlands operations include both open-cut dragline and truck and shovel operations and underground continuous miner development and longwall extraction.

Open-cut production continues at Newlands from a number of pits and deposits. These include a new hard coking and thermal coal pit (called Wollombi) adjacent to the existing Sutton Creek open-cut mine, which commenced prime coking coal production in June 2006 and has a production target of 2 Mt in 2007. Additional truck and shovel capacity is being purchased to ramp up Wollombi production in 2008 to 2.7 Mt.

The Newlands Northern underground longwall operation commenced operations in early 2006. The high capacity operation produces thermal coal for sale into Japan and other Asian markets. The recent construction of a dense media, spiral and flotation plant has increased the metallurgical efficiency and throughput capacity.

Collinsville

Collinsville Coal is an open-cut truck, shovel and excavator coal mine, which also has a dragline, operated under a mining contract by an independent operator. The operations produce several brands of coal, including a hard coking coal for export, a domestic hard coking coal for the local Bowen Coke works, a low-volatile thermal coal for the local Collinsville power station and export markets and an ultra-low-volatile coal for export.

Oaky Creek Joint Venture ("OCJV")

The OCJV assets comprise two underground longwall-based operations, namely Oaky North and Oaky No.1. The Oaky Coal Preparation plant was recently upgraded to improve metallurgical efficiency and therefore yield.

Rolleston

Rolleston is located in the southwest of the Bowen Basin, approximately 16 kilometers west of the town of Rolleston and approximately 275 kilometers due west of the coal port of Gladstone.

The open-cut dragline mining operations commenced in 2005 following the completion of a 110-kilometer rail link to provide domestic thermal coal under a long-term contract and large tonnages of thermal coal to the export market through the port at Gladstone, Queensland. The first coal was railed from Rolleston on time and within budget in October 2005. In the second quarter of 2007, a second dragline was introduced providing the mine with the ability to produce in excess of 8 Mtpa.

Rolleston coal is a low-rank, high-volatile bituminous coal (ASTM International classification).

Exploration and project assessment

A significant program of exploration and project assessments continues to be a priority. The following projects and developments are being funded from the Xstrata Group's existing resources.

Wandoan Coal Project

The Wandoan Coal Project is the largest known coal resource in the northern part of the Surat Basin, located in Central Queensland. The Surat Basin contains extensive resources of thermal coal. Development of the basin's coal assets to supply export markets is contingent on construction of suitable infrastructure such as mine-to-port rail links. The Coal Business has commenced investigations into the feasibility of developing an open-cut thermal coal mine at Wandoan, located in the Taroom Shire. Initial production of the proposed mine is expected to be in excess of 20 Mtpa run of mine coal, for an expected life of 30 years.

The first stage of the Wandoan Project will include feasibility studies and the preparation of an Environmental Impact Statement ("EIS"). A decision to proceed with the mine development is not expected before late 2009, following the resolution of the environmental and planning assessment process and a decision by the Queensland Government.

Cook

The Cook Project is located 30 kilometers south of the township of Blackwater, in Central Queensland's Bowen Basin. The previous cook operations located in the Southern area of the resource were sold to Caledon Resources plc in 2006 for A$45 million (approximately US$35 million). The Xstrata Group retained the large Northern Resource and exploration continues to target coking resources.

Other exploration

The Xstrata Group is currently analysing development options and opportunities at Togara North (which is located midway between the newly developed Rolleston mine and Blackwater), large areas adjacent to the Xstrata Group's existing NCA operations, the Redrock area to the south of Oaky Creek and Pentland (a thermal coal tenement located west of Townsville).

Sales and marketing of the Queensland operations' coal

Thermal coal is supplied to various customers in Europe and Asia whilst North Queensland customers use Collinsville's thermal coal mainly for the generation of electricity. Domestic quality coking coal is supplied to the Bowen Coke works, which is owned and operated by a subsidiary of Xstrata.

The Bowen Coke works supply coke to the Mount Isa lead smelter as a feed material in the smelting process. It also sells a small amount as coke products to the local market. The plant has a nameplate capacity of 45 ktpa.

The OCJV 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.

The following table sets out the geographical breakdown of sales of the Queensland operations' mines in the year ended December 31, 2006 based on attributable sales:

	Percentage of sales (%)
Japan	23
Korea	20
Europe	10
India	7
Australia	10
Other Asia	15
Other	15
Total	100

Transportation of the Queensland operations' coal

OCJV production is washed at the Oaky Creek coal handling and preparation plant, where coking coal is prepared for export. Treated coal is then transported by rail to the ports of Dalrymple Bay and Gladstone.

The OCJV exports most of its product through the multi-user coal facility at Dalrymple Bay, located just south of Mackay approximately 300 kilometers to the north of the mine.

OCJV production can also be shipped through Gladstone, approximately 390 kilometers to the southeast 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 located approximately 20 kilometers north of Bowen. Abbot Point Bulkcoal Pty Ltd, a wholly-owned subsidiary of Xstrata, operates the port of Abbot Point.

Coal from the Rolleston Joint Venture is unwashed and transported by rail to the port of Gladstone.

South African operations

Overview

The Xstrata Group is South Africa's third largest exporter of thermal coal. In the year ended December 31, 2006, the Xstrata Group's attributable production of coal from its South African mines was 20.5 Mt and attributable sales were 20.40 Mt of which approximately 65% was exported. Xstrata believes that during 2006 the Coal Business produced approximately 20% of all thermal coal exported from South Africa and supplied approximately 4% of all coal supplied to the South African market. The Xstrata Group has an interest in 13 operating coal mines, 11 of which are operated by the Xstrata Group. The new 5-Seam mine commenced production in the first half of 2007.

The Xstrata Group also has a 20.91% interest in the Richards Bay Coal Terminal. Xstrata believes the Xstrata 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. In 2007, Richards Bay Coal Terminal confirmed an expansion program to increase throughput capacity from 72 Mtpa to 91 Mtpa at a total project cost of approximately ZAR1 billion, underwritten by the existing Richards Bay Coal Terminal shareholders. ARM Coal has been successful in obtaining an additional 3.2 Mtpa export capacity for the Goedgevonden project in this Phase V expansion of the Richards Bay Coal Terminal.

The 11 mines the Xstrata Group manages in South Africa fall into five operating divisions:

- the Tweefontein Division, consisting of the three coal-handling preparation plants at Waterpan, Boschmans and Witcons which are serviced by both underground and multiple open-cut operations;
- the iMpunzi Division, consisting of the Phoenix mine, plus the ATC and ATCOM mines. In December 2006, Xstrata acquired the minority interests in the ATC and ATCOM mines from Total Coal South Africa;
- the Southstock Division – consisting of the Tavistock and South Witbank mines, and the new 5-Seam mine;
- the Mpumalanga Division, consisting of the Tselentis and Spitzkop mines; and
- the Goedgevonden Division, consisting of the Goedgevonden mine.

The two mines not operated by the Coal Business form part of the Douglas Tavistock joint venture with BECSA, and include the Douglas and Middelburg mines.

The Xstrata 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 the Coal Business operates as well as the Xstrata Group's non-managed joint venture mines fall within the Witbank Coalfield with the exception of Tselentis and Spitzkop, which are in the Ermelo Coalfield. Production and planning across all the Coal Business's mines are co-ordinated to maximize exports whilst servicing the growing demand for inland and Eskom qualities.

The South African operations use more labor-intensive mining techniques and less capital-intensive technology in multi-section mechanized underground operations than the Australian operations, because there are less complex mining conditions and the South African operations have access to a more cost-effective work force. The Coal Business's South African operations have demonstrated significant productivity improvements at a number of the mines over the last three years through the introduction of additional modern mining equipment technology, improving mine operating procedures and training of its employees.

The Xstrata Group owns surface rights in freehold in respect of most of the mines falling within the Tweefontein, iMpunzi and Mpumalanga Divisions (see "Statutory authorizations, licenses and concessions").

In February 2006, Xstrata announced an agreement between the Xstrata Group and ARM to establish a new black-controlled coal mining company, ARM Coal, with operating assets and growth projects in South Africa and participation in the export and domestic thermal coal markets. The transaction completed on August 24, 2006. ARM owns 51% and the Xstrata Group owns 49% of the issued share capital of ARM Coal, which holds a 20% interest in the existing coal operations of Xstrata South Africa excluding the Goedgevonden project, and a direct 51% interest in the Goedgevonden project. In August 2006, ARM exercised an option to increase its direct interests in the coal operations of Xstrata South Africa (excluding the Goedgevonden project) for a cash investment of ZAR400 million (approximately US$51.7 million). As a result, historically disadvantaged South Africans now control approximately 36% of the Coal Business's South African operations.

Description of the South African operations' coal assets

The following table sets out certain information about each of the Xstrata Group's operating South African coal mines:

Coal mine	Coal product type	Type of mine(1)	Life of mine (years)(2)	The Xstrata Group's attributable interest (%)	Year ended December 31, 2006 Mine production(3)	Attributable production(3) Mt	Attributable sales(4)
Tweefontein Division	**Thermal**						
Waterpan	Thermal	OC/UG	26	100	2.2	2.2	2.0
Boschmans	Thermal	UG	26	100	2.8	2.8	2.7
Witcons	Thermal	UG	26	100	1.2	1.2	1.2
iMpunzi Division	**Thermal**						
Phoenix	Thermal	UG	6	100	1.0	1.0	1.0
ATC	Thermal	UG	5	50	1.6	0.8	0.9
ATCOM	Thermal	OC	17	50	1.9	1.0	1.0
Southstock Division	**Thermal**						
Tavistock	Thermal	UG	7	100	2.2	2.2	2.3
South Witbank	Thermal	UG	13	100	2.1	2.1	2.0
Mpumalanga Division	**Thermal**						
Tselentis	Thermal	OC	10	100	1.9	1.9	1.7
Spitzkop	Thermal	OC/UG	12	100	0.8	0.8	0.7
Goedgevonden Division	**Thermal**	OC	32	74	1.4	1.0	0.7
Mines operated by Ingwe	**Thermal**						
DTJV(5)	Thermal	OC/UG	27	16	21.4	3.4	3.7
Total					40.6	20.5	19.8

Notes

(1) OC = open-cut. UG = underground.

(2) Life of mine figures are estimates based on planned and scheduled extraction of reserves.

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

(4) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis of preparation of attributable sales. Sales figures have been extracted without material amendment from Xstrata's management records.

(5) DTJV comprises the Douglas and Middelburg mines.

Mines, projects and developments

Goedgevonden Division

The Goedgevonden Division consists of the Goedgevonden mini-pit. The new GGV mine is in the process of being constructed during 2007 and 2008 and will include a state of the art coal preparation plant, rail link, and rapid load out facility as well as a fleet of new prestrip mining equipment that will support an existing BE1570W dragline.

iMpunzi Division

The iMpunzi Division consists of the Phoenix mine, plus the ATC and ATCOM mines.

Phoenix and ATC are underground operations principally using highly productive continuous miner methods. Phoenix is the only operation still using cut-drill-blast systems alongside a recently commissioned continuous mixer. ATCOM is a dragline open-pit operation utilising a BE1570W walking dragline as its principal earthmover, and truck shovel methods for pre-strip and coal recovery. Focus on the mining efficiencies at ATCOM has produced significant productivity improvements.

Also, synergies in the iMpunzi division are being captured with the integration of the underground mining at ATC and Phoenix. Additional coal-washing capacity at the more modern ATCOM CPP is planned to be utilized next year to replace the old Phoenix CPP.

Mpumalanga Division

The Mpumalanga Division consists of two wholly-owned operating mines: Tselentis and Spitzkop. Mining is taking place in the B and C Seams of the Ermelo coal field both in underground continuous miner sections and also using contractor truck-shovel methods in generally shallow outcrop areas.

Southstock Division

The Southstock Division consists of the Tavistock and South Witbank mines which are both underground operations using highly productive continuous miner methods. A new opencast mine currently feeds the new 5-Seam coal preparation plant being commissioned during 2007. A new underground continuous miner operation will be commissioned in 2008. This new mine will access the 5-Seam from an existing open-cut high wall.

Tweefontein Division

The Tweefontein Division consists of three wholly-owned mines: Waterpan, Boschmans and Witcons.

Two main mining methods are utilized in this division to extract the reserves: contractor truck-shovel open-cut methods at the Waterpan and Witcons mini-pits; and underground continuous miner board and pillar extraction at the Boschmans and Witcons reserves. The last cut-drill-blast underground section was phased out in early 2006. The productivity of the continuous miner operations has again been significantly improved in the order of 22% over the last year through the application of improved planning, measurement and training systems.

Joint venture mines managed by Ingwe

The Douglas and Middelburg mines are operated by the Xstrata Group's joint venture partner Ingwe under the Douglas/Tavistock joint venture ("DTJV"). Douglas consists of both underground and open-pit operations and Middelburg is an open-cut mine. In 2005, a pre-feasibility study was carried out in respect of the Douglas Middelburg Optimization Project (managed by BHP Billiton) designed to extend the economic life of the complex to 2033.

Projects and developments

In South Africa, the Xstrata Group is developing a major new greenfield, open-cut, thermal coal mine, Goedgevonden, at a total investment of approximately ZAR2.9 billion (approximately US$425 million).

At full production, the Goedgevonden mine will produce 3.1 Mtpa of export thermal coal and 3.6 Mtpa suitable for the domestic thermal markets, with a mine life in excess of 30 years. The mine is located in the Witbank coalfield, in Mpumalanga province.

ARM Coal, which is 51% owned by ARM and 49% owned by the Xstrata Group, holds a direct 51% interest in the Goedgevonden project.

ARM Coal will appoint the majority of representatives on the Goedgevonden JV management committee, in line with its majority interest. The Coal Business will manage the Goedgevonden project on behalf of the Goedgevonden JV. Xstrata Coal Marketing AG will market all export coal produced by the mine.

Commissioning of the new mine is expected in the first half of 2009, with full production anticipated from 2011.

The Coal Business is facilitating ARM Coal's participation in the Goedgevonden project by providing all funding required to reach commissioning. The Coal Business's funding will be on preferential terms through the use of interest and capital repayment holidays. ARM Coal has been successful in obtaining 3.2 Mtpa of export capacity for the Goedgevonden project in the revised Phase V expansion of the Richards Bay Coal Terminal.

Conceptual studies to modernize coal beneficiation and handling infrastructure in both the Tweefontein and iMpunzi areas is being progressed; the objective of the work is to identify opportunities to improve yields and reduce coal processing and handling costs. The Coal Business is also conducting further studies for a new processing plant and export load out system located at Tweefontein mine. This new plant is planned to process coal from the Boschmans, Waterpan and Witcons mines, to provide improvements in yield and operating cost.

These projects and developments are being funded from the Xstrata Group's existing resources.

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 DTJV, which are managed by Ingwe). 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 of the Xstrata Group – Relationship with Glencore – Commercial relationship – Coal Business".

On an air-dried basis, the export coals produced by the South African operations have a relatively low sulfur content and low moisture levels. The ash content of the South African operations' high-grade export coals is approximately 14% (on an air-dried basis) and they have a gross calorific value ranging from 6,400 to 6,700 kilocalories per kilogram, whereas its low-grade export coals have an ash content of approximately 20% (on an air-dried basis) and a gross calorific value ranging from 5,600 to 6,100 kilocalories per kilogram. The South African operations' coal produced for domestic customers generally has a higher sulfur and ash content and a comparatively lower calorific value than the South African operations' typical export product.

All sales figures in this Offering Memorandum in relation to the South African operations refer to attributable sales. The South African operations' principal marketing strategy is to maximize 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 20 Mt in 2006, approximately 66% was exported. The major market for exports was Europe, with the United Kingdom, Spain, Germany and France being the South African operations' largest European purchasers. Outside of Europe, Israel was the largest purchaser of the South African operations' coal production. Of the thermal coal exported by the South African operations in 2006, approximately 95% was sold for use in the power industry and the remainder mainly for use in either metallurgical or industrial applications such as the cement industry. The South African operations' eight largest export thermal coal customers represented approximately 69% of its total South African exports in 2006. Xstrata does not believe the South African operations are overly dependent upon any one customer.

The following table sets out the geographical breakdown of attributable sales of the South African operations' mines for the year ended December 31, 2006:

	Percentage of sales (%)
Europe and Mediterranean	38
South Africa	35
Other export	27
Total	100

Of the Coal Business's South African domestic sales of 7.1 Mtpa, approximately 74% was sold to Eskom, the South African state-owned electricity utility. The major domestic industrial consumers are the paper, sugar, chemical and metallurgical industries and municipal power stations. The South African operations supplied approximately 8% of the domestic industrial market in 2006 (which excludes lower margin sales to Eskom for electricity generation and Sasol for the production of synthetic fuels and chemicals, and in which the Coal Business only has an approximate 4.4% market share).

In 2006, approximately 47% of the Coal Business'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 2006, approximately 87% of the Coal Business's domestic sales were made under term contracts, the most significant being with Eskom for the Duvha Power Station, which runs until 2014 with an option to renew for two further 10-year periods.

Transportation of the South African operations' coal

In 2006, all of the coal exported by the Coal Business'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. The Richards Bay Coal Terminal loaded approximately 67 Mt onto vessels during 2006. All coal that the Coal Business'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. In 1995, the shareholders of the Richards Bay Coal Terminal entered into a 10-year agreement under which TFR agreed to provide transport of coal exports up to 69.0 Mtpa to the Richards Bay Coal Terminal. Those agreements expired in March 2005 and the shareholders entered into a new agreement in 2006, after a transitional period during which they operated under a temporary extension in order to provide the time to fully investigate an expansion of the terminal. TFR transported a total of approximately 66.4 Mt of coal to the Richards Bay Terminal (as measured at port) during 2006. Xstrata believes that TFR is one of the largest rail transporters of coal in the world.

The Xstrata Group has a 20.9% interest in the Richards Bay Coal Terminal, which is owned by seven coal-producing companies in South Africa including Ingwe (a subsidiary of BHP Billiton) and Anglo Operations Limited (a subsidiary of Anglo American). The terminal is in the deepwater port of Richards Bay, on the north-eastern coastline of South Africa. It has a nominal annual capacity of 72 Mtpa; the actual throughput for 2006 was approximately 67 Mt. The South African operations of Xstrata are entitled to approximately 13.4 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.

Richards Bay Coal Terminal Phase V expansion project

A new shareholders' agreement has been signed by the Richards Bay Coal Terminal Company shareholders providing for the Phase V expansion project, which is planned to increase total throughput capacity to 91 Mtpa. If demand exceeds 91 Mtpa, then the shareholders have agreed that the port will be further expanded to meet such demand. The incremental 19 Mtpa will have 4 Mtpa allocated to small emerging black-empowerment coal producers, 6 Mtpa to the black controlled South Dunes Coal terminal consortium and 9 Mtpa for subscription. ARM Coal has been successful in obtaining an additional 3.2 Mtpa export capacity for the Goedgevonden project in this Phase V expansion of the Richards Bay Coal Terminal.

While the capacity of the Richards Bay Coal Terminal has been a constraint on the amount of coal that the Coal Business's South African operations can export and will continue to be a constraint whilst the Phase V expansion is implemented, production and planning across all of the Coal Business's South African operations' mines are co-ordinated to optimize their entitlement to use this facility.

Mineral right applications and conversions

The Xstrata Coal South Africa ("XCSA"), the coal division of Xstrata South Africa, initially applied for 53 new order prospecting rights, of which 20 have been considered as high priority and XCSA has to date received notification from the Department of Minerals and Energy (the "DME") that 27 of the initial 53 applications have been granted and notarially executed.

The 27 new order prospecting rights that have been granted to XCSA comprise 18 of the 20 higher priority rights, which are currently considered to have reasonable prospectivity, and nine lower priority new order rights.

The balance of the initial applications (numbering 26) fall within the Mpumalanga, Northern Free State and Soutpansberg regions. Of these applications, 22 were refused by the DME and 10 are currently under appeal. The Northern Free State applications (12 in total) have, however, formally been abandoned by XCSA and have reverted back to the State. Four outstanding applications have been accepted by the DME and XCSA is awaiting the final decisions on the grant of these rights.

With regard to the conversion of existing mining authorizations into new order mining rights, XCSA has implemented processes to address, and is making real progress in, the transformational issues required by the legislation and associated black empowerment charter for the mining industry, including human resource development and employment equity issues, housing and nutrition, migrant labor and procurement from HDSAs. With regard to 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, to satisfy these conditions. See "Risk factors – Factors relating to the Xstrata Group – Australian native title and South African and Canadian land claims" and "Risk factors – Factors relating to the Xstrata Group – South African MPRDA and Empowerment Charter".

Colombian operations

Overview

The Cerrejón mining operation is a privately-owned, independently-managed joint venture, in which, through wholly-owned subsidiaries, each of BHP Billiton, Anglo American and Xstrata has a one-third indirect interest.

Cerrejón is one of the largest and lowest-cost export open-pit coal mining operations in the world, with a saleable reserve base in excess of 900 Mt as at June 30, 2006. 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 La Guajira state, in the North-Eastern part of Colombia adjacent to the Venezuelan border, Cerrejón is 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, 2006, Cerrejón produced approximately 28.4 Mt of export thermal coal, predominately for the European and American power generation markets.

Cerrejón's coal mining operations are carried out across approximately 69,000 hectares in four separate areas: the North, Central and South Zones, and the Patilla Area. Cerrejón owns an export facility 150 kilometers northeast of the mine on the Caribbean coast at Puerto Bolívar, which is connected to the mine by means of a dedicated single-track railway line.

In July 2005, as a result of growing demand in Europe and the Americas, the former joint venture partners (BHP Billiton, Anglo American and Glencore International) approved the progressive expansion of Cerrejón's coal capacity to 32 Mtpa by 2008. High quality export energy coal is produced from open-cut mines, utilising traditional truck and shovel methods. Production to meet the approved expansion is intended to be sourced from a number of lease areas, which expire in 2034 with the exception of the Oreganal lease that expires in 2022. The cost of this expansion is currently forecast to be approximately US$131 million in aggregate (or approximately US$43.6 million for each of the joint venture members).

Mine, projects and developments

The mine, support facilities and services

Cerrejón is one of the largest and lowest-cost export open-pit coal mining operations in the world.

Cerrejón's mining operations start with the removal of surface and top soil layers, which are stored for use in rehabilitation.

The overburden is drilled, blasted and loaded out utilising mining shovels and a truck fleet. Coal seams are exposed and prepared for mining, loaded and transported in trucks to stockpiles and crushers. Crushed coal is conveyed into two silos for loading onto trains for transport to Puerto Bolívar.

There are facilities on site at the Cerrejón mine for carrying out maintenance of trucks, tractors, loaders and scrapers. Other facilities include reconstruction depots, administrative offices and telecommunications systems between mine, railroad, port and Cerrejón's administrative headquarters and support offices.

There are also administrative headquarters and support offices in the city of Bogota.

Projects and developments

In May 2005, a feasibility study was completed for an expansion of the mine's infrastructure capacity from 29 Mtpa to 32 Mtpa, at a current estimated capital cost of approximately US$131 million. The expansion was approved in July 2005 by the former shareholders of Cerrejón and is underway, with completion scheduled for 2008. Work has commenced on feasibility studies to expand the coal production and export capacity beyond 32 Mtpa. Such expansion would aim to exploit the existing reserve base to take advantage of growing demand for import coal in Europe and the United States and require further capital expenditure for mining equipment, transport and other infrastructure.

Sales and marketing of Cerrejón's coal

Coal produced at Cerrejón benefits from relatively low ash content (approximately 8.2%), a low sulfur dioxide emissions profile and high calorific value, making it ideal for power generation.

The markets in which Cerrejón sells its product are competitive. Competition 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.

Cerrejón is one of the largest export thermal coal mines in the world. Significant Atlantic and global export thermal coal competitors, beside its joint venture partners Anglo American and

BHP Billiton, are currently Rio Tinto, Drummond (a privately-owned coal producer with operations in Colombia) and coal producers operating in China, Indonesia and Russia.

CMC Coal Marketing Company Limited markets coal from Cerrejón.

Transportation of Cerrejón's coal

The rail system of 150 kilometers links the mine with the export ocean terminal at Puerto Bolívar on the Caribbean coast. The coal is transported to the port facilities in trains loaded from the two silos. The complete cycle of loading, transportation, unloading at the port and the return of trains to the mine typically takes approximately 12 hours. Additionally, there is a service train that transports supplies, materials and spare parts. The rail system is electronically controlled from a central traffic station located at the mine.

Puerto Bolívar is one of the largest export coal ocean terminals in Latin America. It receives vessels of up to 175,000 dead weight tons, overall length of 300 meters and beam widths of 45 meters. Its navigable channel is 19 meters in depth, 265 meters in width and four kilometers in length.

The main coal facilities at the port are a train unloading station, three stacker-reclaimers, and a lineal shiploader to put the coal into the vessels, at a rate of 7,200 tons per hour.

The port also has a supply pier to receive ships of up to 30,000 tons that arrive with machinery, spare parts, fuel and other materials required for the mining operation.

Cerrejón also uses two airports, one at the mine and a second in Puerto Bolívar.

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 royalties.** There are three separate class actions alleging that two of the Cerrejón Operating Companies have not paid due and proper mining royalties on the coal they have produced. The combined amount of damages sought is approximately US$107 million;

- **Unpaid 2002 income tax.** The Colombian national tax authority is alleging that one of the Cerrejón Operating Companies owes it an additional US$13.7 million in respect of its 2002 income tax assessment; and

- **Privatization of Cerrejón Zona Norte.** A number of claims have been made and threatened against Cerrejón Zona Norte and others relating to the sale of the Colombian State's interest in Cerrejón Zona Norte. In three of the claims, the amount of damages sought is estimated to be US$67.7 million; however, the claimant has also requested an alternative declaration of damages of US$1.3 billion and a declaration that the privatization is null and void. In another claim, which is yet to be served on the Cerrejón Operating Companies, the amount of damages sought is approximately US$3.4 billion and one of the claimants in that claim is seeking an alternative declaration that the privatization is null and void. In another claim, the amount of damages sought from Cerrejón Zona Norte is approximately US$11 million.

Based on its external legal advice, Cerrejón considers that it is not likely that any liability will result from the above claims and the above claims are being and will be vigorously defended by Cerrejón.

Under the Cerrejón Acquisition Agreement, the Cerrejón Vendors have agreed to indemnify the Cerrejón Purchasers in respect of losses arising out of the claims referred to above. The Cerrejón Vendors have no liability under the indemnity for unpaid 2002 income tax unless the amount claimed by the Cerrejón Purchasers exceeds US$3.5 million. The Cerrejón Vendors have no liability in respect of the claims described above for unpaid mining royalties and the claims relating to the privatization of Cerrejón Zona Norte and its successors, or certain environmental and health claims by the inhabitants of certain areas where Cerrejón operates, unless the amount of the liability of the Cerrejón Vendors exceeds US$2 million.

Nickel Business summary

Introduction

The Xstrata Group is the fourth largest producer of refined nickel in the world, and one of the largest recyclers and processors of nickel and cobalt-bearing materials. The Nickel Business's operations include mines and processing facilities in Canada, Norway and the Dominican Republic.

The Nickel Business produces nickel and ferronickel that is marketed and sold to customers in 28 countries. The largest markets are Western Europe, the United States and Asia/Pacific, which in the six months ended June 30, 2007 accounted for approximately 60%, 18% and 22%, respectively, of total nickel sales.

On October 29, 2007, the Xstrata Group entered into a bidding agreement for an all-cash offer to acquire Jubilee by way of recommended off-market takeover offer. The Jubilee Offer (if it is successful) will consolidate Xstrata's position as a top-tier nickel producer.

Reserve and resource base

The tables below set out the Nickel Business's attributable nickel and copper reserve and resource base as at December 31, 2006:

Mine	% ownership	Mining Method	Commodity	Ore Reserves (1) Proved (Mt)	Ore Reserves (1) Probable (Mt)	Mineral Resources(1) Measured (Mt)	Mineral Resources(1) Indicated (Mt)	Mineral Resources(1) Inferred(2) (Mt)
Falcondo	85.3	OC	Ore	43.9	8.8	38.5	23.9	5.1
			Nickel(%)	1.22%	1.18%	1.56%	1.43%	1.4%
Koniambo	49.0	OC	Ore	17.2	45.3	21.2	54.4	156.0
			Nickel(%)	2.50%	2.36%	2.54%	2.45%	2.2%
Montcalm	100	UG	Ore	4.1	0.0	4.2	–	–
			Nickel(%)	1.38%	0.0%	1.38%	–	–
			Copper(%)	0.64%	0.0%	0.64%	–	–
Raglan	100	UG/OC	Ore	5.8	8.9	5.3	9.4	11.1
			Nickel(%)	2.56%	2.96%	2.93%	3.23%	2.9%
			Copper(%)	0.71%	0.82%	0.81%	0.89%	0.8%
Sudbury	100	UG	Ore	3.1	3.9	2.3	4.3	12.1
			Nickel(%)	1.18%	1.04%	1.80%	1.40%	1.6%
			Copper(%)	1.73%	1.25%	2.74%	1.48%	2.3%
Araguaia	100	OC	Ore	–	–	–	–	91
			Nickel(%)	–	–	–	–	1.5%
Fraser Morgan	100	UG	Ore	–	–	3.4	1.6	2.4
			Nickel(%)	–	–	1.86%	1.69%	1.8%
			Copper(%)	–	–	0.62%	0.46%	0.5%
			Cobalt(%)	–	–	0.06%	0.06%	0.1%
			Platinum(g/t)	–	–	0.14	0.12	0.1
			Palladium(g/t)	–	–	0.19	0.17	0.1
Kabanga	50	UG	Ore	–	–	–	9.7	36.3
			Nickel(%)	–	–	–	2.37%	2.8%
			Copper(%)	–	–	–	0.32%	0.4%
			Cobalt(%)	–	–	–	0.19%	0.2%
			Platinum(g/t)	–	–	–	0.07	0.3
			Palladium(g/t)	–	–	–	0.09	0.3
Nickel Rim South	100	UG	Ore	–	–	–	–	13.8
			Nickel(%)	–	–	–	–	1.7%
			Copper(%)	–	–	–	–	3.3%
			Cobalt(%)	–	–	–	–	0.04%
			Platinum(g/t)	–	–	–	–	1.8
			Palladium(g/t)	–	–	–	–	2.0
Onaping Depth	100	UG	Ore	–	–	–	14.6	1.2
			Nickel(%)	–	–	–	2.52%	3.6%
			Copper(%)	–	–	–	1.15%	1.2%
			Cobalt(%)	–	–	–	0.06%	0.1%
			Platinum(g/t)	–	–	–	0.43	0.6
			Palladium(g/t)	–	–	–	0.48	0.8

Definitions

OC = open-cut, UG = underground

Notes

The above table sets out the Nickel Business's attributable nickel and copper reserve and resource base, based on the total mine basis figures in the Xstrata Mineral Reserves and Mineral Resources Information. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of the reserve and resource estimates.

(1) In the above table, mineral resources are additional to mineral reserves and are not included in the mineral reserve estimates. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of reserve amounts.

(2) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Inferred resources" for an explanation of the basis of preparation of inferred resource estimates.

Production

The table below sets out the total mine production and attributable production of the Nickel Business for the years ended December 31, 2005 and December 31, 2006 and the six months ended June 30, 2006 and June 30, 2007:

	Year ended December 31,		Six months ended June 30,	
Total mine production[1]	2005	2006	2006	2007
		tons		
Mined nickel[2]	81,100	81,400	40,700	43,100
Refined nickel	113,600	111,600	55,500	57,600
Mined copper[2]	35,800	33,200	17,800	17,000

Notes

(1) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis of preparation of the production amounts.

(2) Contained metal in concentrates

	Year ended December 31,		Six months ended June 30,	
Attributable production[1]	2005	2006	2006	2007
		tons		
Mined nickel	76,800	77,000	38,600	40,900
Refined nickel	109,300	107,300	53,400	55,400
Mined copper	35,800	33,200	17,800	17,000

Note

(1) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis of preparation of the production amounts.

Financial information

The table below provides (a) unaudited pro forma financial information in relation to the Nickel Business for the year ended December 31, 2006 (which has been extracted without material amendment from the Xstrata Pro Forma Consolidated Financial Information (the pro forma segmental analysis) included in the Xstrata 2006 Annual Financial Information), and (b) unaudited selected summary financial information for the six months ended June 30, 2007 (which has been extracted without material amendment from the Xstrata Interim Financial Information):

	Unaudited pro forma Consolidated year ended December 31, 2006[4]		Unaudited IFRS Six months ended June 30, 2007	
Nickel Business		As a percentage of the Xstrata Group		As a percentage of the Xstrata Group
	US$m	*(%)*[3]	*US$m*	*(%)*[3]
Revenue[1]	3,364	12.5	3,221	22.6
EBITDA (before non-trading items)[1],[2]	1,386	13.3	1,699	29.9
EBIT (before non-trading items)[1],[2]	931	11.2	1,499	32.1

Notes

(1) Includes minority interests.

(2) IFRS does not define the measures EBITDA (before non-trading items) (being earnings before interest, tax, depreciation and amortization and before non-trading items) or EBIT (before non-trading items) (being earnings before interest and tax and before non-trading items). For a description of how these amounts are derived, see "Presentation of information – Presentation of financial information".

(3) As a percentage of Xstrata's consolidated EBITDA (before non-trading items) and EBIT (before non-trading items) from continuing operations before common costs and income.

(4) See "Presentation of information – Presentation of financial information – Pro forma financial information".

The Nickel Business's mining and milling operations

Falcondo

The Xstrata Group owns 85.26% of the outstanding shares of Falcondo. Of the balance, the Government of the Dominican Republic owns approximately 10%, Redstone Resources Inc. owns approximately 4.1% and various individuals own the remainder. 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 kilometers northwest of Santo Domingo, Dominican Republic.

Falcondo has been mining and processing nickel laterite ore in the Dominican Republic since 1971. Falcondo's mining concession covers approximately 21,830 hectares. Falcondo owns 4,831 hectares, 4,802 of which are inside the mining concession and include the mining areas and the mineral processing facilities, and 29 of which are outside the mining concession and include the townsite at Bonao. The term of the mining concession is for an unlimited period.

Surface mining at Falcondo is conducted using bulldozers, hydraulic shovels and trucks. Falcondo's total mine production for the year ended December 31, 2006, as obtained through a metallurgical balance calculation, was 4,096,216 dmt of ore at an average nickel grade of 1.14% and, for the six months ended June 30, 2007, was 2,044,362 dmt of ore at an average nickel grade of 1.16%.

Montcalm

The Montcalm nickel mine was brought into production in 2004. It is located 100 kilometers 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.

The Montcalm project reached its designed production capacity of 750,000 tpa during the fourth quarter of 2004. This included conversion of a redundant mill line at the Kidd concentrator to handle the Montcalm ores. Two concentrates are produced, a copper concentrate which is treated at the Kidd Metallurgical Complex and a nickel concentrate which is transported to the Xstrata Group's smelter in Sudbury.

In the year ended December 31, 2006 a total of 890,845 tons of Montcalm ore were mined and milled grading 1.50% nickel and 0.75% copper. During the six months ended June 30, 2007, Montcalm mined and milled 464,041 tons grading 1.37% nickel and 0.69% copper. During 2006, both the mine and mill were successfully test run and an 875,000 tpa rate has been confirmed.

Raglan

The Raglan property is located 105 kilometers south of the northern tip of the Ungava (Nunavik) Peninsula in the Province of Quebec, approximately 1,800 kilometers north of Montreal. The property comprises 1,235 map-designated claims covering 48,649 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.

Commercial production at Raglan began on April 1, 1998. Raglan's annual production capacity is 1.1 million tons of ore milled per year. Metal in concentrates produced for the year ended December 31, 2006 totalled 23,704 tons of nickel, 6,281 tons of copper and 486 tons of cobalt and, for the six months ended June 30, 2007, totalled 14,619 tons of nickel, 3,841 tons of copper and 289 tons of cobalt.

The ore from the Raglan mines is crushed, ground and treated at the Raglan mill to produce nickel/copper concentrate. Raglan concentrate is trucked to Deception Bay for marine shipment by sea to Quebec City and then transported by rail to the Sudbury smelter for treatment. There were six shipments from Deception Bay during 2006.

The current mill throughput is 3,200 tons of ore per day. Total ore milled in the year ended December 31, 2006 was 1,062,391 tons and total ore milled in the six months ended June 30, 2007 was 603,266 tons. With nickel grade of 2.65%, nickel capacity at the concentrator now stands at 26,700 tons of nickel-in-concentrate per year .

With its 700 employees and 350 sub-contractors, the mine is a major contributor to the region's economic vitality with expenses of approximately C$285 million (approximately US$295 million) annually, 27% of which are with companies/joint ventures from Northern Quebec.

Sudbury

The Nickel Business has 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 2,345 hectares owned by the Nickel Business and 14 hectares held under two licenses of occupation of mining rights from the Province of Ontario. The licenses of occupation are held in perpetuity.

Sudbury Mines/Mill operates three underground nickel/copper mines in the Sudbury area: the Craig, Fraser and Lindsley mines.

Metal in concentrates produced during 2006 amounted to 20,932 tons of nickel, 22,714 tons of copper and 697 tons of cobalt and, during the six months ended June 30, 2007, amounted to 10,794 tons of nickel, 11,711 tons of copper and 334 tons of cobalt.

The ore from Sudbury Mines/Mill is crushed and ground and the nickel/copper bearing sulfide materials contained in the ore are separated from waste materials at the Strathcona mill to produce nickel/copper concentrate and copper concentrate. The Sudbury Mines/Mill total ore milled for the year ended December 31, 2006 was 2,257,755 tons and for the six months ended June 30, 2007 was 1,133,752. The Strathcona mill has a capacity of approximately 8,500 tons of ore per day. The copper concentrate from the Strathcona Mill is delivered to the Copper Business's Kidd Creek and Horne Metallurgical facilities. Copper concentrate sold to the Kidd Creek and Horne smelters contained 16,566 tons of copper in the year ended December 31, 2006 and, in the six months ended June 30, 2007, contained 8,405 tons of copper. The nickel/copper concentrate from the Strathcona mill is delivered to the Sudbury smelter for smelting.

The Nickel Business's smelting and refining operations

Falcondo

The ore mined at Falcondo is milled, smelted and refined at Falcondo's mineral processing facilities, which have a capacity of approximately 29,000 tpa of nickel contained in ferronickel. The facilities include a metallurgical treatment plant, a crude oil processor and a 200-megawatt thermal power plant. Falcondo has dock facilities and a crude oil tank farm at the port of Haina (near Santo Domingo) and a 70-kilometer crude oil pipeline from the port to its mineral processing facilities. Falcondo's production of nickel in ferronickel for the year ended December 31, 2006 was 29,675 tons and, in the six months ended June 30, 2007, was 14,749 tons.

Falcondo has started a scoping study on a project to convert the main energy source in the process plant from liquid hydrocarbons to coal. This project entails the replacement of the shaft furnaces with two kilns and the restart of a mothballed electric furnace. The project will significantly decrease the operating cost at Falcondo and increase production by 3,000 tons per year. The project also permits the conversion of the crude oil processing unit to a commercial unit supplying a local market with diesel and gasoline.

Another key project is the development of the Miranda mine which is 15 kilometers from the processing plant. The mine will extend mine life by four years and could provide a production increase due to higher grades during the first years of operation.

The Miranda Mine project is scheduled to commence in 2011.

XNI

Xstrata Nickel International Limited ("XNI" (formerly, Falconbridge International Limited)), through its offices in Bridgetown, Barbados and Brussels, Belgium, is responsible for managing the Integrated Nickel Operations' ("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 availability of and profit margins associated with the custom feed processed at the Sudbury smelter and the Nikkelverk refinery are largely a function of metal grade and the level and relationship of nickel, copper, cobalt, silver, gold and PGM prices and competition for such materials.

The custom feed processed at the Sudbury smelter consists largely of nickel/copper/cobalt secondary raw materials and nickel concentrates. Most secondary raw materials are sourced on a spot basis or under contracts of one to three years' duration. Concentrates are sourced on a spot basis and through multi-year contracts. In the year ended December 31, 2006, the Sudbury smelter's output from all third party feeds included 14,100 tons of nickel, 8,300 tons of copper and 1,350 tons of cobalt and, in the six months ended June 30, 2007, the smelter's output from all third party feeds included 8,900 tons of nickel, 5,100 tons of copper and 610 tons of cobalt.

In 1985, XNI entered into a long-term agreement with BCL to treat complex nickel/copper matte from BCL's smelter in Botswana. BCL matte represented approximately 43% of all nickel treated at the Nikkelverk refinery in direct refinery custom feeds in the year ended December 31, 2006. Under the agreement, which was extended in 2002 to the end of 2015, BCL has agreed to deliver approximately 10,000 tons of nickel in matte per year.

In the year ended December 31, 2006, custom feed represented approximately 43% of the nickel, 70% of the copper, and 80% of the cobalt output at the Nikkelverk refinery compared with approximately 42% of the nickel, 68% of the copper and 76% of the cobalt output in the six months ended June 30, 2007.

Nikkelverk

Falconbridge Nikkelverk AS ("Nikkelverk"), which is wholly owned by the Xstrata Group, operates a refinery and a sulfuric acid plant at Kristiansand, Norway. The refinery processes the matte produced by the Sudbury smelter as well as custom feed from other sources, which includes the treatment of the silver, gold and PGM contained in the matte and custom feed. The refinery has an annual capacity of approximately 86,000 tons of nickel, 39,000 tons of copper and 5,200 tons of cobalt. The sulfuric acid plant has a capacity of approximately 115,000 tpa of sulfuric acid. In 2006, the refinery produced 81,974 tons of nickel, 39,657 tons of copper, 4,927 tons of cobalt and 106,227 tons of sulfuric acid. In the six months ended June 30, 2007, the refinery produced 42,871 tons of nickel, 17,969 tons of copper, 1,919 tons of cobalt and 53,417 tons of sulfuric acid.

Mattes from the Sudbury smelter and from BCL in Botswana were the main sources of nickel/copper feed materials for the Nikkelverk refinery during the six months ended June 30, 2007.

In the year ended December 31, 2006 the refinery produced approximately 420,000 ounces of PGMs and, in the six months ended June 30, 2007, it produced 249,500 ounces of PGMs.

Significant expansion of the nickel and cobalt capacity, based on matte or laterite intermediates, is possible if market conditions warrant such expansion.

Sudbury smelter

The nickel/copper concentrate from the Strathcona mill is treated at the Sudbury smelter, along with Raglan and Montcalm concentrates and custom feed from other sources. The smelter produces a matte containing nickel, copper and cobalt, as well as silver, gold and PGMs. The Sudbury smelter has the capacity to produce approximately 130,000 tpa of matte. The matte produced is shipped by rail to Quebec City and by sea to the Nikkelverk refinery in Norway for further processing.

The Sudbury smelter's output for the year ended December 31, 2006 from all sources was 61,066 tons of nickel, 20,964 tons of copper and 2,367 tons of cobalt and, for the six months ended June 30, 2007, from all sources was 33,535 tons of nickel, 11,094 tons of copper and 1,125 tons of cobalt. Sulfuric acid produced as a result of smelting activity in Sudbury was 296,528 tons in the year ended December 31, 2006 and, in the six months ended June 30, 2007, 158,039 tons.

Xstrata estimates that meeting regulatory emission reductions targets in respect of fugitive and stack emissions, particulates and sulfur dioxide at the Sudbury smelter could involve expenditure of approximately US$200 million to US$300 million by 2015. This includes a capacity increase of approximately 90,000 tons of contained nickel.

Sales and marketing of the Nickel Business's nickel

In March 2007, the Nickel Business entered into sole distributorship agreements with Glencore, for its nickel, cobalt and ferronickel production. See "Business of the Xstrata Group – Relationship with Glencore – Commercial relationship – Nickel Business".

Projects and developments

Araguaia, Brazil

The Araguaia project is located in the north-western Brazilian state of Para, approximately 2,200 kilometers north of São Paulo. Rail, road, power generation and transmission infrastructure is accessible in the vicinity of the deposits. Work continues to define the resource at Araguaia, and a scoping study is underway for completion by mid-2008.

The inferred resource base has continued to expand during 2007 and currently stands at 101 million tons at 1.45% nickel at a 1.0% nickel cut-off grade and 69 million tons at 1.61% nickel at a 1.2% nickel cut-off grade. Encouraging results have been obtained from a new deposit at Escalada and the potential exists to increase the resources at both the nearby Pau Preto and Escalada deposits, which are also part of the Araguaia project.

Definition diamond drilling has been completed at a drill spacing of an 80 by 80 meter grid at Serra do Tapa and Vale dos Sonhos. This drill spacing is expected to provide sufficient information and increase the confidence level of the resource estimate to an indicated resource category. Additional in-fill drilling will be carried out during the pre-feasibility stage at the optimum drilling space required to advance deposits to the measured category starting in the second half of 2008.

Additional drilling is underway to delineate the Pau Preto and Escalada targets. The drilling is scheduled for completion in the second quarter of 2008 and revised mineral resource estimates incorporating the data from the drilling at all four deposit areas are expected to be completed by mid-2008. Additional exploration drilling is also planned to test regional priority targets.

Engineering studies to support the development of the project at the conceptual level have recently commenced. Environmental baseline measurements will commence in the fourth quarter of 2007 and continue for approximately two years. A pre-feasibility stage is expected to start in the second half of 2008.

Significant offsite infrastructure is accessible in the vicinity of the project site (rail, road, power generation, power transmission, port facilities). A significant hydroelectric power generating facility is located 300 kilometers north of the project site. Existing rail links connecting Maraba with the port of Sao Luis belong to and connect CVRD's iron mining complex at Carajas and high voltage power lines are presently located within 130 kilometers of the project site. A deepwater port, servicing various existing mining operations in the region, is located 400 kilometers to the north.

The access or availability of the existing infrastructure that is required for the project will be verified during the scoping study. It currently assumed that a project power plant will not be required.

The primary deposit areas that form the basis for the project were discovered in late 2004. The exploration claims covering these deposits are held primarily by Impex, with a smaller number of claims held by the Nickel Business. The Nickel Business has entered into two separate agreements with Impex that enable the Nickel Business to earn 100% ownership of the exploration claims covering the primary deposit areas through a series of option payments. The first agreement covers nine claims and has a total cash commitment of US$2,405 million (with US$405,000 incurred to date). The second agreement covers seven claims and has a total cash commitment of US$26.0 million (with US$1.0 million incurred to date). The four deposits that constitute the current exploration targets are all substantially or wholly encompassed by the claims that constitute the two agreements with Impex.

Kabanga, Tanzania

In April 2005, the Nickel Business entered into a joint venture agreement with Barrick on the Kabanga nickel deposit, located in north-western Tanzania. At the time of the acquisition, Barrick estimated the inferred resource to be 26.4 Mt grading 2.6% nickel. Under the terms of the agreement, the Nickel Business acquired a 50% indirect joint venture interest in respect of the Kabanga Project for US$15 million and is the operator of the joint venture. The Xstrata Group has funded greater than US$80 million of work, including delivery of an extensive scoping study in late 2006 and a pre-feasibility study to be delivered at the end of 2007. Earlier this year, Xstrata announced additional funding to complete its initial 50/50 joint venture funding obligation of US$145 million.

During 2007, the companies continued to upgrade the resource to measured and indicated categories to support the work plan and diamond drilling is ongoing to define the current 46.1 Mt (including inferred) resource. The pre-feasibility study is scheduled to be completed in December 2007 and the feasibility study is planned to commence in 2008, concurrently with an early works program.

Koniambo Project, New Caledonia

Koniambo is a mine and pyrometallurgical complex for the production of ferronickel located in the North Province of New Caledonia. Production is targeted to commence in 2011, reaching full capacity (60,000 tpa of nickel in ferronickel) by 2013.

Koniambo benefits from a world-class resource base, providing a mine life in excess of 25 years from 62.5 million tons of saprolite reserves grading 2.40% nickel at a 2.0% cut-off grade. This major resource also has the potential to extend mine life to over 50 years of economic production. The resource base currently comprises 142.1 million tons of measured and indicated saprolite resources at 2.13% nickel at a 1.5% nickel cut-off grade, 140.7 million tons of inferred saprolite resource, grading 2.16% nickel (1.5% cut-off) and 104 million tons of inferred limonite resources at 1.5% nickel (1.2% cut-off).

Nickel will be produced using the Nickel Business's NST technology that enables improved dust containment, higher metallurgical recoveries and lower operating costs than conventional ferronickel operations. NST integrates well-proven calcining, reduction and smelting unit operations from the mineral processing industry with dust containment and counter-current gas flow technologies from the cement industry.

The Nickel Business's equity interest in the project is 49%, with its local partner SMSP (majority owned by the New Caledonian government) owning the remainder. Koniambo Nickel S.A.S. will be the operator, and Xstrata is obligated to arrange the financing for 100% of the project. A permanent finance plan has been finalized to simplify the debt structure, which allocates the project economics or participating interest based on proportional funding contribution by each partner. Xstrata and SMSP have also received an indicative financial support commitment from the French State via the Loi Girardin tax scheme for a net benefit of approximately US$216 million.

In late 2006, the Nickel Business recognized the increasingly adverse effects of the overheated global construction market on the Koniambo Project, characterized by global skills shortages, hyper-inflationary pressures on construction materials, and longer lead times for major equipment. A robust and executable business plan was required to address the challenges being faced by all contemporary projects of similar scale. To that end, a project renewal process was launched in November 2006 at a cost of US$110 million. The renewal program was completed in September 2007 and the results were endorsed by the Koniambo Nickel board.

The fully-escalated project expenditure is forecast to be US$4,142 million, of which US$296 million had been incurred by September 2007. The go-forward capital is therefore US$3,846 million.

To provide a stable environment for development and operation of the Koniambo Project, a "Project Agreement" spanning 25 years has been established with the New Caledonian and North Province governments:

- to transfer mining titles for the Koniambo orebody to Koniambo Nickel SAS;
- to extend the Project's operating and construction permits to cover the full duration of construction;
- to mitigate potential adverse effects of future fiscal and regulatory changes that could affect the Project's economic performance; and
- to define the project's contribution to the government's environmental rehabilitation program.

On October 17, 2007, Xstrata announced the approval by its board of the development of the Koniambo project.

Nickel Rim, Ontario, Canada

In 2001, the Falconbridge Group discovered Nickel Rim South – a high grade 14.5 Mt resource grading 1.6% nickel, 3.1% copper and significant platinum, palladium and gold. Situated in the East Range of the Sudbury Basin, which is home to existing the Nickel Business mines and metallurgical processing facilities, the project is currently under development. The project entails the construction of surface and underground works, to facilitate an extensive underground definition drilling program and rapid ramp-up to 60% of the ultimate 1.25 Mtpa production rate in 2009.

The project commenced in the first quarter of 2004 and remains on schedule and within the budget of US$549 million. Surface infrastructure has been constructed and is operational. The ventilation shaft is complete, with an operational temporary skip, and the main shaft is 96% complete. Preliminary underground drilling results have shown mineral location, thicknesses and grades to be consistent with expectations. More than 80,000 meters of definition drilling is scheduled for 2008. Underground development to provide access to mining infrastructure and diamond drill platforms commenced in June 2007 and continues to ramp up.

Fraser Morgan, Ontario, Canada

The Fraser Morgan Project is situated 2.7 kilometers southeast of Fraser Mine in Sudbury, Ontario, which is home to existing the Nickel Business mines and metallurgical processing facilities. The project has recently completed a pre-feasibility study and in September 2007, a capital expenditure of US$49.6 million was approved to proceed with a feasibility study and a parallel early works program.

The feasibility study is on track for completion in January 2008 and will include the first 700 meters of main access ramp development and all long lead time engineering and procurement items. The early works program accelerates the production opportunity and takes advantage of robust nickel prices and shared infrastructure costs with Fraser Mine.

As a result of the pre-feasibility study, Fraser Morgan's estimated annual production capacity is estimated at 7,500 tons of refined nickel, and a mine life of seven years.

Raglan, Quebec

An annual exploration program in 2005 resulted in the discovery of approximately 2.5 Mt of mineral resources at Zones 3, 5-8, West Boundary, Donaldson and East Lake. This is more than double the annual production rate at Raglan, which milled 934,000 tons of ore in 2005. The most significant result was the expansion of lens 8H, which is estimated to contain an inferred resource of 2.7 Mt grading 3.3% nickel (undiluted). Zone 5-8, which includes the 7 and 8-series lenses, will become the next major mining center at Raglan.

The 2006 exploration program discovered a total of 2.7Mt grading 3.0% nickel of inferred resources, expanding the 7 and 8-series lenses at Zone 5-8 and delineating open-pittable resources at Cross Lake.

The Nickel Business spent US$10.8 million (US$6.2 million after Quebec tax credits) in 2005 and US$16.3 million (US$9.2 million after Quebec tax credits) in 2006 on exploration in support of the Raglan operation.

In April 2007, the Xstrata Group shared C$16.7 million with the local Inuit communities, representing the share of the profits generated by the operations of the Raglan nickel mine located in the Nunavik Territory of Northern Quebec. This yearly profit-sharing is part of the Raglan Agreement, a comprehensive agreement signed on February 28, 1995 with the Makivik Corporation and local Inuit communities. The agreement is designed to harmonise relations and foster opportunities between the Xstrata Group and local populations and their representatives in areas such as training, hiring of local businesses and environmental management.

The Nickel Business has announced plans to evaluate the possibility to increase mine production to over two million tons of ore per year at Raglan. This would double mine output over the current annual production rate of 1.1 million tons of ore. Scoping study work has been initiated. This phase is targeted to be completed by the end of 2007. After such an expansion, Raglan would become one of the largest nickel mines in the world, with output approaching 50,000 tons of contained nickel in concentrate per annum, together with copper and PGM by-products. Plans are already underway to increase production to 1.3 Mtpa by the end of 2008.

Exploration results from the current drilling program in the first six months of 2007 have added approximately two million tons of inferred resources grading 3.0% nickel in Zone 5-8, located 4 kilometers east of Katinniq, including an intersection of 63 meters grading 4.4% nickel and 1.6% copper. Lenses 8I and 8H in Zone 5-8 are now the two largest lenses discovered at Raglan. Zone 5-8 has now replaced Katinniq as the largest ore zone in Raglan's history, with a preliminary estimate of the current inferred resource of 10 million tons at 3.2% nickel, 0.8% copper, 0.08% cobalt, 0.9 grams per tonne platinum and 2.1 grams per tonne palladium, or 4.0% nickel equivalent.

A major investment program is planned for the Nickel Business's nickel installations at the Raglan mine, involving the launch of two important studies for the Raglan mine expansion. The first will focus on developing new ore reserves to replace those depleted since the mine's opening in 1997. This investment is expected to reach nearly C$240 million (approximately US$247 million) over six years.

This amount is in addition to the nearly C$200 million (approximately US$206 million) in equipment and upgrades which the Nickel Business has invested at the Raglan Mine since 2004. The initial investment in the construction of Raglan was in excess of US$600 million.

Major renovations of Raglan's Deception Bay loading dock have been successfully completed. The C$50 million investment will extend the dock's service life and support the production increases.

Sudbury Operations, Ontario

The Sudbury area is one of the world's largest sources of nickel and contains significant copper, cobalt, silver, gold and PGMs. In addition to its operating mines, the Xstrata Group has large property holdings covering favorable geology at the Sudbury Igneous Complex.

Drilling on the Fraser Morgan zones resulted in measured plus indicated resources totalling 4.9 million tons grading 1.80% nickel and 0.56% copper in Zones 8 and 9. Zone 11 at Fraser Morgan also contains 2.4 million tons of inferred resources grading 1.8% nickel and 0.5% copper, which is presently being drilled from underground to upgrade the confidence in the resource to be included in an updated feasibility study. Ramp development to access the reserves commenced in the fourth quarter of 2006.

The Xstrata Group spent US$15.6 million on exploration in support of the Sudbury operations in 2006. This includes diamond drilling and other exploration that was carried out on certain of the Xstrata Group's properties by option and joint venture partners.

Xstrata announced in September 2006 that the Nickel Business had begun construction of a new cobalt and nickel recycling plant at the Sudbury smelter. This is expected to double the capacity of the smelter's existing recycling business, with anticipated investment of approximately C$29.0 million (approximately US$26 million). Commissioning of the new plant, which will be operated and maintained by the Nickel Business's current Sudbury employees, is complete and processing of new custom feed sources has commenced.

Zinc Business summary

Introduction

The Xstrata Group is one of the world's largest producers of zinc, and also produces lead and silver. The Zinc Business incorporates zinc smelting operations in Spain, Germany and Canada, interests in four operating mines and a lead smelter in Australia and a lead refining plant in the United Kingdom, interests in the Antamina copper and zinc mine in Peru, the Brunswick zinc mine in Canada, a lead smelter and refinery in New Brunswick in Canada and a minority interest in a zinc smelter in Valleyfield, Quebec, Canada.

The Zinc Business's main activities are the production of zinc concentrates and zinc and lead metal. Zinc production is dependent on concentrates from mines. The raw material feed stream for the CEZ and Kidd Creek zinc refineries is managed through a combination of third party purchases and the integrated mine production of the Xstrata Group. This allows the Zinc Business to take advantage of transportation, cost differentials and the treatment capabilities of its refineries. Concentrate purchases originate with both local mines and, subject to market conditions, offshore mines. The Zinc Business also markets Antamina zinc concentrates to European customers.

The Zinc Business 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. The Zinc Business unit also produces lead concentrates at the Brunswick mine and procures and processes lead/silver concentrates, residues and recycle materials at the Brunswick smelter. Marketing of the CEZ refinery and the Zinc Business's zinc metal and related alloys, as well as the Zinc Business's lead metal and related alloys, is carried out through its head office in Toronto, Ontario and affiliated marketing offices in Cleveland, Ohio. In addition, the Zinc Business operates the General Smelting of Canada foundry in Lachine, Quebec, which produces various lead and zinc alloys and anodes. The Zinc Business also operates NorFalco LLC, which markets, transports and distributes the sulfuric acid produced by all of the Xstrata Group's copper, zinc and nickel operations located in Canada to customers in North America.

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.

Ore from the Mount Isa underground mine (which closed at the end of 2005) the Black Star 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 the Zinc Business'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.

The Zinc Business markets zinc metal directly from its Kidd Creek division and acts as a marketing agent for CEZ. Most of the production from these facilities is sold directly to the steel industry and other major consumers of zinc. CEZ and Kidd Creek are jointly a major supplier of zinc metal and zinc powders, accounting for approximately 4% of world refined production. In the year ended December 31, 2006 and the six months ended June 30, 2007, over 95% of the Zinc Business's consolidated sales of zinc on behalf of Kidd Creek and CEZ were in North America, with the balance sold to customers in Europe and Asia.

Reserve and resource base

The table below sets out the Xstrata Group's attributable zinc reserve and resource base as at June 30, 2006 or December 31, 2006:

Mine	% ownership	Mining Method	Commodity	Ore Reserves[1] Proved (Mt)	Ore Reserves[1] Probable (Mt)	Mineral Resources[1] Measured (Mt)	Mineral Resources[1] Indicated (Mt)	Mineral Resources[1] Inferred[2] (Mt)
Zinc/Lead Australia - June 30, 2006								
Mount Isa	100							
Black Star Open Cut		OC	Ore	17.9	14.4	27.2	4.3	3
			% Zinc	4.9%	5.4%	5.4%	4.8%	5%
			% Lead	2.6%	3.8%	3.4%	3.0%	4%
			Silver g/t	52	72	65	60	80
Mount Isa Open Pit - Excl. Black Star		OC	Ore	–	–	87.3	69.4	180
			% Zinc	–	–	4.1%	3.9%	4%
			% Lead	–	–	3.5%	3.3%	2%
			Silver g/t	–	–	81	81	50
George Fisher	100							
George Fisher South (Hilton) Orebodies		UG	Ore	12.5	5.9	25.3	10.6	10
			% Zinc	8.3%	7.8%	9.7%	9.2%	10%
			% Lead	5.7%	5.8%	6.9%	6.6%	6%
			Silver g/t	127	126	150	139	100
George Fisher North Orebodies		UG	Ore	11.3	15.1	14.5	27.9	45
			% Zinc	8.9%	8.3%	10.4%	9.5%	9%
			% Lead	4.7%	3.9%	5.2%	4.0%	4%
			Silver g/t	91	75	101	74	80
Lady Loretta	75	UG	Ore	–	–	8.5	3.1	0.1
			Zinc	–	–	15.6%	17.5%	13.7%
			% Lead	–	–	5.9%	5.2%	3.5%
			Silver g/t	–	–	95	94	84
Lennard Shelf	50	UG	Ore	–	3.0	1.4	1.1	0.2
			% Zinc	–	7.3%	8.9%	7.9%	9.6%
			% Lead	–	1.8%	2.4%	1.8%	1.9%
McArthur RIver	100							
Open Cut		OC	Ore	–	45.4	103.0	45.9	–
			Zinc	–	9.7%	12.0%	9.1%	–
			% Lead	–	4.2%	5.0%	4.5	–
			Silver g/t	–	43	51	44	–
Woyzbun South Zone		UG	Ore	–	–	8.3	–	–
			Zinc	–	–	14.0%	–	–
			% Lead	–	–	5.6%	–	–
			Silver g/t	–	–	58	–	–
Zinc/Lead Canada - December 31, 2006								
Brunswick Mine	100	UG	Ore	11.3	0.9	14.6	2.3	–
			% Zinc	8.6%	8.2%	9.5%	8.7%	–
			% Lead	3.5%	3.3%	3.8%	3.4%	–
			% Copper	0.4%	0.2%	0.4%	0.4%	–
			Silver g/t	104	88	113	96	–
Perseverance	100	UG	Ore	4.2	0.8	4.4	0.8	–
			% Zinc	13.7%	14.2%	16.2%	13.7%	–
			% Copper	1.1%	1.0%	1.3%	1.0%	–
			Silver g/t	26.0	26.0	30.0	27.0	–
			Gold g/t	0.3	0.3	0.4	0.3	–

Definitions

OC = open-cut, UG = underground

Notes

The above table sets out the Zinc Business's attributable copper, zinc, lead and silver reserve and resource base, based on the total mine basis figures in the Xstrata Mineral Reserves and Mineral Resources Information. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of the reserve and resource estimates.

(1) In the above table, mineral resources are additional to mineral reserves and are not included in the mineral reserve estimates. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of reserve amounts.

(2) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Inferred resources" for an explanation of the basis of preparation of inferred resource estimates.

Production

The tables below set out the mine, smelter and refinery production of the Zinc Business broken down between the Xstrata Group's mines, smelters and refineries for the years ended December 31, 2005 and December 31, 2006:

Mines			Attributable interest (%)	2005 Total mine[(1)] production	2005 Attributable[(1)] production	2006 Total mine[(1)] production	2006 Attributable[(1)] production
Mount Isa			100				
Including George Fisher	Zinc	tons		231,167	231,167	209,914	209,914
North and South	Lead	tons		149,922	149,922	108,590	108,590
	Silver	koz		10,633	10,633	6,823	6,823
McArthur River			100				
	Zinc	tons		153,664	153,664	135,538	135,538
	Lead	tons		34,483	34,483	30,089	30,089
	Silver	koz		1,390	1,390	1,149	1,149
Brunswick Mine			100				
	Zinc	tons		265,600	265,600	271,838	271,838
	Lead	tons		75,400	75,400	79,431	79,431
	Silver	koz		6,559	6,559	3,689	3,689
Antamina Mine			33.75				
	Zinc	tons		184,000	62,100	156,120	52,691
Smelters and refineries							
Mount Isa Lead Smelter			100				
Lead in Bullion		tons		159,557	159,557	118,311	118,311
Silver in bullion		koz		11,362	11,362	6,273	6,273
Northfleet			100				
Refined Lead and Lead in Alloys		tons		161,350	161,350	162,737	162,737
Refined Silver		koz		11,859	11,859	8,183	8,183
Brunswick Smelter			100				
Refined Lead		tons		76,100	76,100	67,846	67,846
Silver in Dore		koz		8,166	8,166	6,814	6,814
San Juan de Nieva			100				
Total Zinc		tons		501,413	501,413	502,834	502,834
Saleable Zinc		tons		482,053	482,053	481,720	481,720
Nordenham			100				
Total Zinc		tons		147,494	147,494	151,475	151,475
Saleable Zinc		tons		140,974	140,974	144,780	144,780
CEZinc Refinery			25				
Zinc		tons		272,418	68,105	266,400	66,600
Kidd Creek Refinery			100				
Zinc		tons		114,000	114,000	144,006	144,006

Note

(1) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Resources and reserves, production and sales" for an explanation of the basis of preparation of the production amounts.

Financial information

The table below provides (a) unaudited pro forma financial information in relation to the Zinc Business for the year ended December 31, 2006 (which has been extracted without material amendment from the Xstrata Pro Forma Consolidated Financial Information (the pro forma segmental analysis) included in the Xstrata 2006 Annual Financial Information), and (b) unaudited selected summary financial information for the six months ended June 30, 2007 (which has been extracted without material amendment from the Xstrata Interim Financial Information):

Xstrata Group Zinc Business	Unaudited pro forma Consolidated year ended December 31, 2006[4]		Unaudited IFRS Six months ended June 30, 2007	
		As a percentage of the Xstrata Group		As a percentage of the Xstrata Group
	US$m	*(%)*[3]	*US$m*	*(%)*[3]
Revenue[1]	4,774	17.8	2,481	17.4
EBITDA (before non-trading items)[1],[2]	1,946	18.6	1,019	17.9
EBIT (before non-trading items)[1],[2]	1,673	20.1	870	18.6

Notes

(1) Includes minority interests.

(2) IFRS does not define the measures EBITDA (before non-trading items) (being earnings before interest, tax, depreciation and amortization and before non-trading items) or EBIT (before non-trading items) (being earnings before interest and tax and before non-trading items). For a description of how these amounts are derived, see "Presentation of information – Presentation of financial information".

(3) As a percentage of Xstrata's consolidated EBITDA (before non-trading items) and EBIT (before non-trading items) from continuing operations before common costs and income.

(4) See "Presentation of information – Presentation of financial information – Pro forma financial information".

Mining operations

Brunswick mine, New Brunswick

The Brunswick mine commenced operations in the early 1960s. The Falconbridge Group acquired a controlling interest in the mine in 1971 and a 100% interest in 1996. The mine is located approximately 27 kilometers southwest of Bathurst, New Brunswick, Canada. The Xstrata Group has surface rights and 100% ownership of the mineral rights on 1,030 hectares comprising the No. 12 Crown Grant (Nos. 35097 and 34300). The Brunswick mine is scheduled for closure in 2010.

Production occurs on five main levels to a depth of 1,125 meters. Two shafts provide access. The No. 3 shaft is 1,337 meters deep and is used to hoist personnel, ore and equipment. The No. 2 shaft is 963 meters deep and is used to hoist personnel and supplies. This shaft carries all compressed air and water services for the mine. The remaining cage hoist is used intermittently as a backup to the No. 3 shaft facilities and a second means of egress from the mine.

Mining methods are open stope with delayed backfill including pillar-less, pyramid-shaped open stope sequences and end-slicing. The orebody consists of a series of sub-parallel ore lenses with an average dip of 70 degrees, a composite width of up to 200 meters, a maximum strike length of 1,300 meters and a maximum depth of 1,150 meters.

Ore is processed in the concentrator using grinding, differential flotation, concentrate filtering and drying technologies to produce four products, including zinc, lead, bulk and copper concentrate. Flotation tailings are sent to a paste plant for recovery and production of paste backfill. Residual tailings are sent to the tailings impoundment facility. Process water is recycled back to the concentrator, while the excess runs through an effluent treatment facility prior to being discharged.

Processed mine ore increased to an average of 9,760 tons per day in the year ended December 31, 2006 and produced 271,800 tons of zinc in concentrate. Zinc recoveries in the mill were 88%

in the year ended December 31, 2006. Processed mine ore increased to an average of 9,770 tons per day in the six months ended June 30, 2007 and produced 127,600 tons of zinc in concentrate. Zinc recoveries in the mill were 88% in the six months ended June 30, 2007.

George Fisher-Hilton mine, Queensland

The Hilton mine commenced production in 1990. The George Fisher operation, situated two kilometers north of the original Hilton mine, commenced production in 2000. George Fisher is on the same zinc/lead bearing structures as those found at Mount Isa and Hilton, but mining at George Fisher is complicated by cross faulting and softer ground. Hilton and George Fisher ores are trucked to the Mount Isa lead concentrator for processing. The George Fisher-Hilton mine produced 2.61 Mt of ore in the year ended December 31, 2006.

Matagami division, Quebec

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, mine operations at Bell Allard ceased during the fourth quarter of 2004.

The Matagami/Bell Allard concentrator and other surface facilities were placed on care and maintenance to support other potential mining projects in this favorable geologic area, such as Perseverance. The facilities are located 10 kilometers southwest of the town of Matagami in north-western Quebec.

McArthur River mine

The McArthur River zinc/lead/silver mine lies approximately 900 kilometers southeast of Darwin, in the north-eastern part of the Northern Territory. It is one of the world's largest zinc deposits. Until December 2005 it was operated as a joint venture between the Xstrata Group (75%) and ANT Minerals Pty Ltd (25%), a consortium of Japanese companies. Since that time, it has been 100% owned by the Xstrata Group.

The mine was operated as a fully mechanized underground operation and underground mining operations were scaled down significantly at the beginning of October 2005 as open-pit mining commenced at the test pit. Underground production ceased in the last quarter of 2005. In August 2005, Xstrata announced its intention to convert the mine from an underground to an open-pit operation to enable production to continue, as underground mining is no longer viable. After 10 years of operation, the most accessible underground ore has been extracted and the underground mining operations, which comprise over 100 kilometers of underground tunnels, have become uneconomical. The development of an open-cut operation is the only way to access the significant ore reserves and secure the future of the operation. Such development required Northern Territory Government approval. In October 2006, the final approvals required to convert the former underground mine at McArthur River to an open-cut operation were received from the Northern Territory and Federal Australian Governments.

Production from the mine increased by 20% in 2005 compared to 2004, although the head grade declined from 12.7% zinc in 2004 to 11.9% zinc in 2005, due to the depletion of the number 2 orebody, the mining of bulk stopes and open-pit tons with lower head grades during the last quarter. As a result, in 2005 zinc in bulk concentrate production decreased by 4% compared to 2004, to 153,644 tons.

Underground mining operations at McArthur River Mine ceased in late 2005. The volume of material mined in 2006 increased by 3% over the previous year to 1.9 million tons, the vast majority of which was produced from the test open-pit. Production of zinc and lead in concentrate was 12% and 13% lower than in 2005 respectively. This was due to lower average zinc and lead head grades of 11% and 4% respectively compared to 12% and 5% in 2005 (following the depletion of the number 2 orebody, the mining of bulk stopes and the conversion to lower grade open-pit mining from the test pits) and to lower recoveries in the first half of 2006. Recoveries were impacted by highly oxidized transitional ore feed to the concentrator, but improved in the second half of 2006 following the installation of a new circuit cleaner.

The concentrator processes ore from the underground mine and utilizes conventional crushing, SAG-ball grinding, ultra-fine grinding with IsaMills, and four-stage flotation techniques to produce a bulk zinc/lead concentrate. The McArthur River Mine produced 1.78 Mt of treated ore in the year ended December 31, 2006 (1.34 Mt attributable tons to the Xstrata Group at 75% on a full-year basis, ignoring the Xstrata Group's acquisition of ANT Minerals Pty Ltd's 25% interest in December 2005).

Mount Isa mines

The Mount Isa zinc/lead/silver mines at Mount Isa, Queensland, Australia produced 2.11 Mt of ore in the year ended December 31, 2006. The new Black Star open-cut mine was commissioned in early 2005 and its production has replaced production from the Mount Isa lead mine (which closed at the end of 2005).

The zinc/lead/silver and copper orebodies at Mount Isa occur adjacent to each other and extend from the surface to about one kilometer below the surface. Individual orebodies range in widths up to 35 meters and may persist for hundreds of meters in length.

Crushed ore is conveyed to the heavy medium plant at Mount Isa, where a separation is made on the basis of ore density. Around 30-35% of the ore is rejected as gangue, waste material, containing very little valuable mineral. Around 95-97% of the zinc, lead and silver metal is recovered and fed to the zinc/lead concentrator. The pre-concentrated ore is held in bins, which feed the concentrator. Zinc concentrates are transported by rail to Townsville for distribution to third party smelters located in Townsville and around the globe to the Xstrata Group's zinc smelters and third parties. Lead concentrate is converted into lead bullion at the Mount Isa lead smelter, then transported to Northfleet for refining. The ore is processed in the Mount Isa concentrator.

Smelting and refining operations

Arnao manufacturing facility

The Arnao manufacturing facility is located approximately four kilometers from the San Juan de Nieva electrolytic zinc plant and produces zinc oxide, zinc dust and rolled lead-silver anodes.

Brunswick smelter, New Brunswick

The Brunswick smelter, located in Belledune, New Brunswick, Canada, is a lead smelter that processes lead concentrates from the Brunswick mine, as well as a wide range of offshore lead and lead/silver concentrates and residues. Consistent with the Falconbridge Group's strategy of increasing its flexibility to treat complex feed materials, construction of a new silver refinery was completed in the first quarter of 2001.

The Brunswick smelter also operates a lead-acid battery recycling facility in Belledune, New Brunswick with a processing capacity of 15,000 tons of batteries per year. Most of the used batteries are sourced from the Canadian Atlantic Provinces, with Quebec and the New England states providing the balance.

In December 2002, the Falconbridge Group announced that the Brunswick smelter would change to a seasonal operation with effect from July 1, 2003, due to the shortage of economic feed stock material. Under a seasonal operation, the plant would run for eight months a year on Brunswick mine concentrates, third party sulphates and other third party material, and will be shut down for the remaining four months each year. However, in 2004, 2005 and 2006 the plant ran for over nine months in each year due to the improved availability of concentrate and other materials.

CEZ refinery

The CEZ refinery (in which the Xstrata Group has a 25% interest via its 25% stake in the Noranda Income Fund) is located in Salaberry de Valleyfield, Quebec, Canada. The refinery processes zinc concentrate for the production of zinc metal and powders. It is located near the St. Lawrence Seaway and has access to road, rail and sea transportation links. In 2003, 2004 and 2005, over 80% of the zinc concentrate processed at the CEZ refinery was sourced from mines owned or partly owned by the Xstrata Group, including the Brunswick mine, the Bell Allard mine and Antamina. The refinery's products are marketed in the United States, Canada, Europe and Asia.

A plant optimization project increased nominal annual plant capacity from 225,000 tons to 255,000 tons in 1999.

In the year ended December 31, 2006, the plant achieved production of 266,400 tons, despite being negatively impacted by the higher iron levels in the feed mix. In the six months ended June 30, 2007, production at the plant totalled 126,200 tons, compared with 130,782 tons in the six months ended June 30, 2006. Zinc production for 2006 was 2% lower than in 2005, due to higher iron and lower zinc content in the concentrate feed mix, and a breakdown of one of the electrolyte circulation pipes in the refinery during the first quarter of 2006.

In May 2002, Noranda sold the CEZ processing facility to the Noranda Income Fund for a combination of cash and ordinary and priority units of the Fund. These priority units were then sold by Noranda pursuant to two separate public offerings. The Xstrata Group continues to own a 25% interest in the Noranda Income Fund in the form of ordinary units. The ordinary units are subordinated to the priority units in respect of cash distributions until 2017.

The Xstrata Group is party to a processing agreement to sell to the refinery up to 550,000 tons of zinc concentrate annually until 2017, an amount expected to support 100% of its annual production at planned rates for that period. The refinery pays the Xstrata Group for the concentrate based on the LME price for "payable zinc metal" contained in the concentrate less a treatment charge or processing fee, initially set at C$0.352 per pound of payable zinc metal. The processing fee is adjusted annually to reflect changes in certain costs and was C$0.365 per pound in 2006.

Pursuant to various management agreements, the Xstrata Group will continue to operate and manage the CEZ refinery and also provide management, marketing and other administrative services to the Noranda Income Fund.

Hinojedo Roasting Plant

The Hinojedo roasting plant is located in the Spanish region of Cantabria, near the Port of Santander. The major plant facilities at Hinojedo are a flash roaster and a liquid sulfur dioxide plant. Following cessation of mining activity at the Xstrata Group's former Reocín mine in Cantabria, which closed in 2003, concentrates purchased from third parties are being treated at the Hinojedo facility to produce calcine, which is then transported to the San Juan de Nieva electrolytic zinc plant.

Mount Isa lead smelter

The Mount Isa lead smelter treats lead concentrates from the Mount Isa, Black Star and George Fisher-Hilton mines as well as the BHP Billiton-owned Cannington mine, located approximately 150 kilometers from Mount Isa.

The annual production capacity of the smelter is 170 kt of crude lead bullion. In the year ended December 31, 2006, the smelter produced 118 kt.

The crude lead is transported to the Townsville port in North Queensland, from where it is shipped to Northfleet in England for refining.

Nordenham electrolytic zinc plant

The Nordenham plant is located in Germany at Nordenham on the Weser estuary, opposite Bremerhaven in Northern Germany. The plant was commissioned in 1972. Since then the plant has been expanded and modernized to the current capacity of 145 ktpa of zinc metal.

The plant comprises five major operating areas: concentrate receiving and storage; roasting and sulfuric acid plant; leaching and purification; electrowinning; and melting and casting. The Nordenham plant produces zinc ingots, zinc alloys, sulfuric acid, cadmium metal, copper cement and lead/silver concentrate. The iron residue, jarosite, is ponded approximately 10 kilometers from the plant.

NorFalco, USA

In April 1998, Noranda, Falconbridge and DuPont agreed to form Noranda DuPont LLC, a joint venture to market, transport and distribute sulfuric acid in North America. On June 29, 2001, Noranda DuPont LLC redeemed DuPont's 50% voting interest in Noranda DuPont LLC and its name was changed to NorFalco LLC ("NorFalco"). NorFalco purchases and resells to consumers all of the Xstrata Group's Canadian sulfuric acid production.

NorFalco has developed an extensive distribution infrastructure of tank cars, trucks, marine tankers and terminals to supply approximately 1.9 million tons of sulfuric acid to consumers in North America. Its staff is based at its head office near Cleveland, Ohio and at the office of its wholly-owned Canadian subsidiary, NorFalco Sales Inc., near Toronto, Ontario. NorFalco is 100% owned by the Xstrata Group.

Northfleet lead refinery

The Northfleet lead refinery has a lead refining capacity of 180 ktpa and in the year ended December 31, 2006, it produced 163 kt.

The facility is located approximately 60 kilometers outside London and has a refining line for processing Mount Isa's crude lead bullion. A second refining line and a recycling facility were closed during 2003.

San Juan de Nieva electrolytic zinc plant

The San Juan de Nieva electrolytic zinc plant is located in the Asturias region of Spain near the port of Avilés and is one of the leading plants of its kind in the world in terms of production capacity, costs and efficiencies. Following the completion of a further 7,000 tonne expansion in December 2004, the total production capacity of the plant is now 500 ktpa. Xstrata estimates that the plant accounts for approximately 5% of world production.

The plant comprises five major operating areas: concentrate receiving and storage; a roasting and sulfuric acid plant; leaching and purification; electrowinning; and casting. The plant utilizes conventional technologies for the production of zinc ingots, zinc alloys, zinc for plating and zinc dust and by-products of sulfuric acid, mercury and germanium oxide.

An oleum plant, with an annual capacity of 52 kt, which was commissioned at San Juan in 2003, provides a cost-efficient solution to the disposal of sulfuric acid.

Sales and marketing

Zinc metal sales represent about 50% of the Zinc Business's turnover, while zinc concentrate sales represent approximately 30% and refined lead and silver approximately 11%. The remainder of sales are derived from the sales of by-products such as cadmium, sulfuric acid and sulfur dioxide. The Zinc Business sells approximately 275,000 tpa of zinc metal produced on behalf of the CEZ refinery and 140,000 tpa on behalf of the Kidd Creek zinc refinery.

Practically all of the zinc metal produced by the Zinc Business is sold in EU countries, Canada and the United States. Sales are largely in the form of SHG ingots (approximately 48%), with the remainder being sold in the form of zinc alloys. European markets in order of importance are Spain, Germany, Portugal, Austria, France and the United Kingdom. In the European markets, the Zinc Business's smelters principally supply the galvanising sector. Glencore was the Zinc Business's largest customer in 2006, accounting for approximately 22% of its total zinc metal sales.

Zinc concentrates are sold mainly to Japan, South Korea, China, Australia and Europe. Glencore was the Zinc Business's largest customer in 2006, accounting for approximately 38% of total zinc concentrate sales. Sales into Europe, including Spain and Germany, command a premium over LME prices. Premiums have increased to substantial levels since 2000 as a result of Atlantic/Pacific freight costs and reduced imports of metal especially from the Pacific Rim, due to increasing Asian consumption, in particular in China. In 2006, approximately 75% of the Zinc Business's zinc metal sales were made under term contracts while approximately 25% of the Zinc Business's sales were on a spot basis.

The Zinc Business 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 2017. The Zinc Business 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.

Marketing of the CEZ refinery and the Zinc Business's zinc metal and related alloys, as well as the Zinc Business's lead metal and related alloys, is carried out through its head office in Toronto, Ontario and affiliated marketing offices in Cleveland, Ohio.

The Zinc Business procures third party lead concentrate and secondary feeds for the Belledune Lead Smelter and manages the sale of approximately 75,000 tpa of refined lead.

Projects and developments

Handlebar Hill, Australia

In June 2007, the Zinc Business approved development of the Handlebar Hill open-cut zinc/lead mine north of Mount Isa at a capital cost of approximately US$61 million.

Drilling, metallurgical testing and design has confirmed a 4.3 million tonne open-pit reserve in an area south of the George Fisher underground mine, located 22 kilometers north of Mount Isa. Ore will be mined at a rate of up to 1.75 Mtpa, crushed at George Fisher and trucked to the Mount Isa zinc-lead concentrator from mid-2008. The concentrator is currently being expanded from 6.5 Mtpa to 8 Mtpa at a capital cost of approximately US$120 million. Ore is currently supplied to the concentrator from the George Fisher underground and Black Star open-cut zinc-lead mines.

Commencement of the Handlebar Hill mine development is subject to approval of a mine plan amendment by the Queensland Department of Mines and Energy.

Lady Loretta, Australia

The Lady Loretta project is located north of Mount Isa, in Queensland, Australia. After completing a preliminary feasibility on the project, the Falconbridge Group exercised its option to acquire a 75% interest in the Lady Loretta project in December 2000 from its partner, BUKA Minerals Limited. Permitting is complete. Queensland government approval has been granted for the transfer to BUKA Minerals Limited of the adjacent Lady Annie part of the property (above 150 meters), known as the Lady Annie sublease.

Lennard Shelf, Australia

In April 2004, the Falconbridge Group entered into an agreement with Teck Cominco to earn a 50% interest in the Lennard Shelf mineral properties, plant and equipment and infrastructure in Western Australia. In order to earn its 50% interest, the Xstrata Group will be required to effectively invest approximately A$26 million in exploration, operating, capital expenditures or other advances in Lennard Shelf. The property was acquired by Teck Cominco from Western Metals Limited ("Western Metals") in October 2003 for A$26 million (approximately US$20 million).

Lennard Shelf, located in the Kimberly region of Western Australia, 2,500 kilometers northeast of Perth, consists of a number of Mississippi Valley type lead/zinc deposits and a mill with an annual capacity of 3.1 Mt of ore. In the year ended June 30, 2003, Lennard Shelf produced 176,000 tons of zinc and 70,000 tons of lead. Work was suspended by Western Metals in late November 2003.

The Xstrata Group and Teck Cominco are endeavoring to produce a redevelopment plan for the assets. Work includes a detailed review of resources, as well as mine planning and other optimization work and an exploration program to expand the current resources. A revised block model was completed in 2004 and used as a basis for a preliminary mine planning exercise. A mineral resource was estimated to contain measured and indicated resources of 2.8 Mt grading 8.47% zinc and 1.96% lead. Inferred resources totalling 300,000 tons grading 8.2% zinc and 1.7% lead were also estimated. These resource estimates include diluting materials and allowances for losses.

In 2006 the Joint Venture Operating Committee approved a work plan provided by Teck Cominco. The objective of the program is to identify additional resources. An aggressive drilling program was planned to evaluate the Emanuel Range and Pillara areas with the assistance of additional IP and gravity geophysics. The work is ongoing.

In April 2006, the Falconbridge Group and Teck Cominco agreed to restart the Pillara mine at a rate of 1 Mtpa. Production recommenced in February 2007 for a total restart cost of US$30 million. Production is progressing well, and while feed grades were initially lower as a result of sequencing changes to the start-up, concentrate grades and recoveries are improving in line with the mine plan. The mill reached steady state operation in May 2007; and the first deliveries of concentrates were made in late May and early June 2007.

The Lennard Shelf mine is expected to produce 70,000 to 80,000 tpa of zinc, on a 100% basis, for four to five years.

McArthur River, Australia

In August 2005, Xstrata announced its intention to convert the McArthur River mine from an underground to an open-cut operation, to enable production to continue. Underground production ceased in the last quarter of 2005. Without such conversion, the mine would face the prospect of closure. For further information on the McArthur River mine, see above under the heading "McArthur River mine". The change of mining method requires government approval. In August 2005 a draft EIS was lodged with the Northern Territory Government for the open-cut conversion. In December 2005, an EIS Supplement was submitted responding to around 150 matters raised though a public review process. At the conclusion of the EIS process on February 23, 2006, the Northern Territory Minister for Environment and Heritage recommended against the mine proposal. This recommendation was passed to the Minister for Mines and Energy, who referred the matter back to the Environmental Protection Agency on March 20, 2006, for further assessment on nine issues. On July 4, 2006, a Public Environmental Report was lodged in the next stage of the Northern Territory Government's assessment of the proposed conversion. On August 28, 2006, the Northern Territory Environment Minister announced a conditional recommendation in favour of the open-pit development, subject to the final decision of the Northern Territory Minister of Mines and Energy as well as

Commonwealth approval. In October 2006, the final approvals required to convert the former underground mine at McArthur River to an open-cut operation were received from the Northern Territory and Australian Federal Governments. The development will include expanding the mine's footprint and diverting 5.5 kilometers of the seasonal McArthur River around the open-pit, to enable production to continue for a mine life of an additional 25 years. MRM conducted a comprehensive environmental assessment of the proposed open-pit development, which commenced in March 2003.

Preliminary civil works have commenced on site to expand the existing test pit operations in order to maintain current production levels, while work on the full open-pit development proceeds under a two-year program. The majority of the total capital cost of A$110 million (approximately US$92 million) is expected to be incurred in 2007 and funded from the Xstrata Group's free cash flow, with the open-pit currently expected to be fully operational from 2009.

The McArthur River orebody remains one of the largest known deposits of zinc and lead in the world. A change to an open-pit mine would extend the life of mine by at least 25 years, and allow the Xstrata Group to retain the option to develop McArthur River as a source of zinc feed for a potential future zinc refinery, using the Xstrata Group's Albion process technology.

Mount Isa, Australia

A new zinc concentrates filter plant at Mount Isa was commissioned at the end of 2006. The filter plant allows increased zinc concentrate production and reduces the moisture of the concentrates and, therefore, transport costs.

A zinc/lead concentrator revamp project at Mount Isa was approved during the first half of 2006. This project involves upgrading the concentrator capacity to 6.5 Mtpa throughput with the installation of a new reliable milling and flotation circuit by the first half of 2008 at a capital cost of approximately US$120 million. Further developments have identified that a short-term expansion is possible using second-hand equipment that will deliver an improvement in plant capacity. The expected increase in ore throughput is an incremental 1.5 Mtpa with the equipment secured at a cost of less than US$5 million.

The Black Star open-pit at Mount Isa was commissioned in early 2005. The mine is expected to produce an average of 3.3 Mtpa during its 11-year life. Potential exists to expand both production and the life of mine with expansion studies currently in progress.

Northfleet, United Kingdom

The Northfleet lead refinery in the United Kingdom achieved a reduction in lead production cycle times through improved process control and standardization of the operation. Cycle times decreased by 45% between the fourth quarter of 2004 and December 2005.

Perseverance deposits, Quebec

The Perseverance zinc deposits are located close to the Xstrata Group's existing mill infrastructure in Matagami, Quebec, Canada. A feasibility study on the Perseverance and Equinox deposits has been completed under the Zinc Business's internal review process.

In anticipation of a positive decision on this project, a four-year collective agreement was negotiated in 2004 with the local union, to cover the closure of the Bell Allard mine and to facilitate the standby period and the possible opening of Perseverance during the four-year term.

During the second quarter of 2006, the Falconbridge Group acquired the 10% interest in the Perseverance property held previously by Société de Développement de la Baie James ("SDBJ") for C$6.5 million (approximately US$5.8 million) and now has a 100% interest in the property.

On August 11, 2006, the Falconbridge Group announced that it expected to invest approximately US$130 million in the development of the Perseverance zinc mine. Construction is expected to last about two years, with the mine's life expectancy estimated at roughly five years. The mine is expected to employ approximately 250 people during the construction's peak period and about 225 thereafter.

The zinc produced at the Perseverance mine will be processed at the Xstrata Group's former Matagami mine facilities where, in anticipation of the Perseverance project start-up, Falconbridge retained the administrative offices and concentrator after the Bell-Allard mine's closure in 2004. The annual production of 228,000 tons of zinc concentrate will be shipped to and processed at the CEZ Refinery in Valleyfield, Quebec. The annual production of 35,000 tons of copper concentrate will be shipped to and processed at the Horne Smelter in Rouyn-Noranda, Quebec.

Perseverance has measured and indicated resources of 5.1 Mt grading 15.8% zinc, 1.24% copper, 29 grams of silver per tonne and 0.38 gram of gold per tonne.

San Juan de Nieva, Spain

A US$14 million facility at San Juan de Nieva to produce silver concentrates from the leach residue was commissioned in July 2006.

Concentrate suppliers

Following the expansion of the San Juan de Nieva plant's design production capacity, and the acquisition of Nordenham smelter and the acquisition of Falconbridge, approximately 1.2 Mtpa of zinc concentrate is required as feedstock to the 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 65% of their total concentrate requirements in 2006. San Juan de Nieva and Nordenham have contracted for about 100% of their total zinc concentrate requirements for 2007. Approximately 300,000 tons of zinc concentrate are expected to be sourced from Mount Isa in 2007.

In 2006, Glencore supplied approximately 50% of zinc concentrates sourced by the Zinc Business from third parties and is the principal supplier of the Zinc Business, in addition to being its largest customer. These purchases and sales were all made under contracts on arm's length terms. In addition, in 2006, Teck Cominco's Red Dog mine in Alaska accounted for approximately 10% of the Zinc Business's total zinc concentrate requirements.

Alloys Business summary

The Xstrata Group is the world's largest producer of ferrochrome and one of the world's leading producers of primary vanadium, with integrated production facilities in South Africa. The Xstrata Group produces chrome and vanadium alloys for a widely spread customer base in the steel industry and also has a PGM joint venture with Rustenburg Platinum Mines and Kagiso in South Africa. The Xstrata Group has also recently announced the acquisition of Eland, which is a significant integrated platinum producer in South Africa. The Eland Acquisition, which is expected to complete in mid-November 2007, will significantly strengthen the Xstrata Group's current foothold in platinum group metals.

Chrome operations

Introduction

The Xstrata Group is the world's largest producer of ferrochrome in terms of both attributable production and attributable sales, with current capacity attributable to the Chrome Business of approximately 1.579 Mtpa, representing approximately 20% of global capacity. The Xstrata Group's chrome assets are situated in South Africa.

The Xstrata Group's assets consist of six operating chromite mines and 20 ferrochrome furnaces, all of which are managed through a combined Pooling and Sharing Venture (the "PSV") with Merafe. Two of the ferrochrome furnaces were, until November 16, 2005, owned in a 50/50 production joint venture, known as the Gemini Joint Venture, with Samancor Limited ("Samancor"), a major South African ferrochrome producer. Merafe has concluded a transaction with Samancor which resulted in Merafe replacing Samancor in the Gemini Joint Venture and all associated mining activities since November 2005. The assets and business of the Gemini Joint Venture and certain strategic chrome reserves which were also acquired as part of the transaction have been incorporated within the PSV. The assets are now managed along with all of the other PSV assets by the Joint Board of the PSV. The assets under the control of the PSV include resources associated with the Kroondal and Marikana mining areas situated close to the Wonderkop ferrochrome operations and adjacent to the Waterval East and Waterval West mines.

The Xstrata Group's attributable interest in the PSV is staggered over time, with its current participation being 79.5% as from July 1, 2006. Immediately following the formation of the PSV on July 1, 2004, Merafe's participation was 11%. Under the terms of the pooling arrangements, Merafe's interest increased to 14% on July 1, 2005, to 17% on November 16, 2005 following the contribution of its share of the Gemini Joint Venture assets, and to 20.5% on July 1, 2006. Merafe has the option to extend its participation interest in the PSV to 26%, through disproportionate funding on future expansion projects.

Capacity attributable to the PSV is approximately 1.97 Mtpa of ferrochrome, which has increased from approximately 1.6 Mtpa prior to the commissioning of the Project Lion facility in September 2006. In addition to operational synergies, the PSV facilitates the Xstrata Group's compliance with the black economic empowerment provisions of the MPRDA in relation to the ferrochrome business.

Reserve and resource base

The table below sets out the Xstrata Group's attributable chrome reserve and resource base as at June 30, 2006:

				Ore Reserves(1)				Mineral Resources(1)		
				Run-of-Mine		Saleable				
Operating Mines	% attributable	Mining Method	Commodity	Proved (Mt)	Probable (Mt)	Proved (Mt)	Probable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred(2) (Mt)
Waterval West Mine	79.5	UG	Ore	10.4	1.2	7.6	0.7	15.0	1.0	1.2
			Cr_2O_3	30.6%	25.1%	41.9%	41.9%	41.0%	41.0%	41.0%
Kroondal Mine	79.5	UG/OC	Ore	4.1	5.3	2.4	2.8	9.7	4.7	–
			Cr_2O_3	24.2%	26.6%	41.9%	41.9%	43.0%	42.6%	–
Kroondal Gemini (Kroondal extension)	50.0	UG/OC	Ore	6.5	8.2	4.1	4.7	9.8	8.6	–
			Cr_2O_3	31.2%	28.8%	41.9%	41.9%	43.1%	42.6%	–
Marikana East (Kroondal extension)	73.3	UG	Ore	3.4	0.5	2.0	0.3	5.2	3.3	–
			Cr_2O_3	30.6%	24.8%	41.9%	41.9%	43.2%	43.2%	–
Thorncliffe Mine	79.5	UG/OC	Ore	20.9	7.8	17.0	6.2	33.7	12.9	26.6
			Cr_2O_3	39.2%	28.6%	42.0%	42.0%	40.4%	40.5%	41.1%
Helena Mine	79.5	UG/OC	Ore	2.8	0.0	2.1	0.0	6.7	12.5	72.4
			Cr_2O_3	35.6%	36.0%	42.0%	42.0%	40.6%	40.3%	38.8%
Horizon/Chromeden Mine	79.5	UG/OC	Ore	–	–	–	–	–	14.8	9.6
			Cr_2O_3	–	–	–	–	–	42.4%	42.0%
Sub total				48.1	23.0	35.3	14.7	80.1	57.8	109.9
Projects/Non-operating mines										
Wonderkop	79.5	UG	Ore	–	–	–	–	–	6.5	–
			Cr_2O_3	–	–	–	–	–	40.1%	–
Townlands Extension 9	79.5	UG	Ore	–	13.7	–	8.0	–	15.0	–
			Cr_2O_3	–	40.0%	–	41.9%	–	41.7%	–
De Grooteboom	79.5	UG/OC	Ore	–	–	–	–	0.8	0.6	–
			Cr_2O_3	–	–	–	–	40.4%	40.6%	–
Boshoek	79.5	OC	Ore	–	–	–	–	1.2	21.8	0.5
			Cr_2O_3	–	–	–	–	39.0%	39.9%	38.0%
Klipfontein/Waterval Reserve	79.5	UG	Ore	–	–	–	–	–	–	134.6
			Cr_2O_3	–	–	–	–	–	–	41.9%
Marikana West	73.3	UG	Ore	–	–	–	–	0.8	1.8	2.9
			Cr_2O_3	–	–	–	–	41.0%	41.0%	41.0%
Sub total				–	–	–	–	2.8	45.7	138.0
Alloys Total				48.1	23.0	35.3	14.7	82.9	103.5	247.9

Definitions
OC = open-cut, UG = underground

Notes

The above table sets out the Chrome Business's attributable chrome reserve and resource base, based on the total mine basis figures in the Xstrata Ore Reserves and Mineral Resources Report. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of the reserve and resource estimates.

(1) Reserves are a subset of resources and are included in the resource estimate. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of reserve amounts.

(2) See "Presentation of information – Inferred resources" for an explanation of the basis of preparation of inferred resource estimates.

The table below sets out the Xstrata Group's attributable platinum reserve and resource base as at December 31, 2006:

	% attributable	Mining Method	Commodity	Ore Reserves[1] Proved (Mt)	Ore Reserves[1] Probable (Mt)	Mineral Resources[1] Measured (Mt)	Mineral Resources[1] Indicated (Mt)	Mineral Resources[1] Inferred[2] (Mt)
PGM								
Mototolo JV[3]	37.0	UG	UG2 Ore	–	29.00	39.4	15.2	–
			3PGE + Au g/t	–	3.81 g/t	4.01g/t	3.89 g/t	–

Definitions

OC = open-cut, UG = underground

Notes

The above table sets out the Chrome Business's attributable platinum reserve and resource base, based on the total mine basis figures in the Xstrata Ore Reserves and Mineral Resources Report. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of the reserve and resource estimates.

(1) Reserves are a subset of resources and are included in the resource estimate. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" for an explanation of the basis of preparation of reserve and resource amounts.

(2) See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Inferred resources" for an explanation of the basis of preparation of inferred resource estimates.

(3) The Xstrata Group's interest in the Mototolo Joint Venture, following the transaction with Kagiso, has decreased from 50% to 37%, effective retrospectively from the inception of the Mototolo Joint Venture in July 2005.

Production

The table below sets out the total mine production and attributable ferrochrome production of the Chrome Business for the years ended December 31, 2005 and December 31, 2006:

	Year ended December 31,			
	2005		2006	
Ferrochrome production[1]	Mine production	Attributable Production	Mine production	Attributable Production
	tons			
South Africa	1,287,836	1,121,685	1,181,600	958,603

Note

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

Financial information

The table below provides (a) unaudited pro forma financial information in relation to the Chrome Business for the year ended December 31, 2006 (which has been extracted without material amendment from the Xstrata Pro Forma Consolidated Financial Information (the pro forma segmental analysis) included in the Xstrata 2006 Annual Financial Information), and (b) unaudited selected summary financial information for the six months ended June 30, 2007 (which has been extracted without material amendment from the Xstrata Interim Financial Information):

	Unaudited pro forma Consolidated year ended December 31, 2006[5]		Unaudited IFRS Six months ended June 30, 2007	
Chrome Business		**As a percentage of the Xstrata Group**		**As a percentage of the Xstrata Group**
	US$m	*(%)[3]*	*US$m*	*(%)[3]*
Revenue[1]	748	2.8	458	3.2
EBITDA (before non-trading items)[1],[2],[4]	141	1.4	114	2.0
EBIT (before non-trading items)[1],[2],[4]	118	1.4	98	2.1

Notes

(1) Includes minority interests.

(2) IFRS does not define the measures EBITDA (before non-trading items) (being earnings before interest, tax, depreciation and amortization and before non-trading items) or EBIT (before non-trading items) (being earnings before interest and tax and before non-trading items). For a description of how these amounts are derived, see "Presentation of information – Presentation of financial information".

(3) As a percentage of Xstrata's consolidated EBITDA (before non-trading items) and EBIT (before non-trading items) from continuing operations before common costs and income.

(4) In the Xstrata 2006 Annual Financial Information and the Xstrata Interim Financial Information non-trading items are disclosed as exceptional items.

(5) See "Presentation of information – Presentation of financial information – Pro forma financial information".

Description of chrome operations

The Xstrata Group controls and operates through the PSV with Merafe a combined capacity of approximately 1.97 Mtpa of ferrochrome. The Chrome Business is currently the world's largest (in terms of both attributable production and attributable sales) and among the lowest-cost producers of ferrochrome. Xstrata believes it is well-placed to maintain and continue to grow its ability to offer a wide range of products and to produce large volumes at low cost. The Chrome Business will 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.

Following the acquisition of a controlling interest in the African Carbon Group, which enhanced the Chrome Business's focus on key primary raw materials in the ferrochrome production process, and the Xstrata Group's entry into a platinum joint venture with Rustenburg Platinum Mines Limited ("RPM") and Kagiso Trust Investments (Proprietary) Limited ("Kagiso"), the Xstrata Group intends to continue to evaluate appropriate potential acquisition opportunities and the possibilities for diversifying the Chrome Business's operations' ferrochrome product range. An example of this is the acquisition of Eland, which is a significant integrated platinum producer in South Africa. The Eland Acquisition will significantly strengthen the Xstrata Group's current foothold in PGMs.

All of the Chrome Business's operating chrome mines are either open-cast or shallow underground mines accessed by decline shafts. Mining is carried out using a mechanized board and pillar method and is currently conducted at depths ranging from 50 meters to 350 meters below the surface. All development is on reef, thereby reducing waste dilution. In addition to sourcing ore from its own mines, the chrome operations purchase and process chrome-rich tailings from nearby platinum producers where chrome-rich fines (usually referred to as UG2) are generated as a by-product. The Chrome Business sells approximately 6% of its chrome ore as foundry grade chromite and converts the rest into ferrochrome. The Chrome Business metallurgical plants are all situated close to the Chrome Business chrome mines, thereby reducing rail and road transport costs.

Production is derived from 20 furnaces at five metallurgical facilities. The ten most recently-constructed furnaces were designed, constructed and commissioned by the Chrome Business which has helped to reduce capital costs. By designing and constructing ten of its own furnaces, the Chrome Business has been able to further increase the efficiency and reliability of these furnaces. Thirteen of the Chrome Business's furnaces have a semi-closed configuration and large off-gas handling facilities, which allow them to utilize lower quality ore and reductants. Over the 18 years to the end of 2006, the Chrome Business increased its annual attributable production of ferrochrome from approximately 120 kt to a peak in the year ended December 31, 2004 of 1.2 Mt and 1.12 Mt and 958 kt in the years ended December 31, 2005 and 2006, respectively. All of the Chrome Business's 20 ferrochrome producing furnaces are currently operational due to high market demand.

The Chrome Business's agglomeration technology makes chrome-bearing tailings from platinum mines a competitive source of chrome units in the ferrochrome production process, when compared to traditional ore feed costs. Approximately 35% of the current ore feed balance of the furnaces is sourced from chrome-bearing tailings from platinum mines under long-term and "life-of-mine" off-take agreements. The remainder is currently sourced from the chrome operations' chromite mines, but this ore feed balance can be varied. This flexibility gives the chrome operations the ability, where it is cost-effective to do so, to change the proportions of chrome ore sourced from the chrome operations' chromite mines and chrome bearing tailings sourced from platinum mines.

In 2006, the Chrome Business's attributable sales of ferrochrome were approximately 958 Mt, of which approximately 44% were sold into Europe, approximately 12% into North America, approximately 5% into Japan and approximately 32% into other Asian countries, with approximately 8% sold locally in South Africa.

Completion in November 2005 of development of the infrastructure at the Kroondal mine increased the mine's production capacity from 70 kt per month to 160 kt per month.

In 2005, higher underground production volumes from the Kroondal mine, especially after the acquisition of the Marikana reserves in July 2005, enabled the lower quality open cast operations at Kroondal and Boshoek to be scaled down.

Operations at the Horizon mine were temporarily suspended from July 1, 2005 to December 2005 to refurbish the mine, with the objective of improving yields and production costs from January 2006. The mine re-started operations in January 2006 and is currently being developed to optimize further access to the ore reserve, thereby facilitating future increased production levels.

The Thorncliff mining complex is currently being expanded in respect of the development of the Helena and Thorncliff mines to a production capacity of 120 kt per month each. In addition, a new shaft complex is expected to come into production in mid-2009. This shaft complex is also expected to consistently produce 120 kt per month, bringing the ultimate total monthly production of the Thorncliff complex to 360 kt per month.

The marketing of the Xstrata Group's ferrochrome production (other than certain tonnage sold into Asia) is supported by Glencore under marketing agency and distribution agreements. For further information see "Business of the Xstrata Group – Relationship with Glencore – Commercial relationship – Alloys Business – Chrome operations".

Projects

Bokamoso

On November 28, 2005, Xstrata announced the planned construction by its chrome venture with Merafe of a chrome ore agglomeration facility at the Wonderkop site in South Africa, named Project Bokamoso.

The agglomeration facility will be based on the Outokumpu technology currently employed at the Chrome Business's Boshoek operation. The anticipated total project cost of US$125 million comprises the construction of the agglomeration facility and related infrastructure development. The project consists of the erection and commissioning of a pelletizing and sintering plant with a combined production capacity of approximately 1.2 Mtpa.

The additional agglomeration capacity is intended to restore the ore balance between the mines and smelters in the Chrome Business's Western operations, reduce operating costs for the smelting operations and enhance mining and operational efficiencies. The project is also intended to improve environmental performance and operational flexibility. Construction commenced in the second quarter of 2006 and is now complete, with the commissioning having started as planned in the second quarter of 2008. The plant is scheduled to reach full capacity in the first half of 2008.

Mototolo

The Xstrata Group and RPM, a subsidiary of Anglo Platinum Limited, entered into an unincorporated joint venture in July 2005 in South Africa called the "Mototolo Joint Venture". In February 2006, Xstrata announced its agreement to form a black economic empowerment partnership with Kagiso in respect of the Xstrata Group's 50% interest in the Mototolo Joint Venture. As of May 11, 2006, Kagiso, through a special purpose vehicle, KPV, acquired 26% of the Xstrata Group's 50% interest in the joint venture, resulting in KPV owning a fully participative 13% interest in the earnings from the Mototolo Joint Venture, in return for funding its proportionate share of the total capital expenditure required for the project. The Xstrata Group retains an effective 37% interest. KPV's participation is effective retrospectively from the inception of the Mototolo Joint Venture.

The purpose of the Mototolo Joint Venture is to produce PGM through the development and exploitation of a PGM mine and concentrator.

The Xstrata Group is responsible for developing and running the mine and RPM is responsible for construction and running of the concentrator plant. The Xstrata Group and RPM will each contribute a similar amount of in-situ PGM reserves and resources from the Chrome Business's Thorncliffe farm (adjacent to its Thorncliffe Chrome mine) and RPM's Richmond farm, part of its Der Brochen project area, to the venture. The total capital expenditure until commissioning is estimated at ZAR1,350 million (approximately US$200 million), of which the Xstrata Group's share is 37%.

Construction of the mine and concentrator began in August 2005 and is now complete. The initial production of platinum group metals commenced in the last quarter of 2006 and full production is expected to be achieved by the end of 2007. The project benefits from a life of mine of approximately 19 years, at a planned milling rate of 200,000 tons per month and head grade of 3.74 platinum group metal grams per tonne. It is expected to produce 132,000 ounces of platinum per annum and 82,000 ounces of palladium per annum.

The platinum industry, as well as being an attractive industry in its own right, is seen to have synergies with the Alloys Business. The Xstrata Group has used the Mototolo project as a small entry point into the platinum industry, capitalising on the experience of partner and industry leader Anglo Platinum. The Xstrata Group's experience and expertise in mechanized room and pillar mining will be leveraged, as the Xstrata Group will be responsible for the development and operation of the underground mine. In addition to ensuring the economic exploitation of the Xstrata Group's Thorncliffe PGM reserve, the Mototolo Joint Venture also produces a long-term supply for the Chrome Business of UG2 chrome ore that will be used at the nearby Project Lion smelter to produce ferrochrome.

Project Lion

Project Lion is a ferrochrome facility in the Limpopo Province of South Africa, close to the Chrome Business's chrome reserves at the Thorncliffe mining complex. The project is being carried out under the PSV with Merafe. Merafe has a 20.5% participation interest in the PSV. It is divided into three phases comprising six furnaces, with phase one comprising two furnaces having been completed. The project has encountered some external difficulties, in particular the quality of the kiln riding rings and roller support castings, difficult ground conditions and unusually high rainfall during the construction phase. Despite these challenges, the project officially started production in September 2006. Completed at a cost of ZAR1.67 billion (approximately US$250 million), the smelter and mine have a design capacity of 360 ktpa, increasing the PSV's total annual capacity by over 22% to 1.96 Mtpa and reducing the average unit operating costs of the business. The Project Lion smelter enhances the Chrome Business's ability to compete through its low production cost, access and proximity to transport infrastructure and ability to produce a very low silicon product as a superior chemical specification. Metal produced from the furnaces can either be cast into ingots or granulated, depending on customer requirements.

The smelter uses the Xstrata Group's patented "Premus" technology involving the pre-reduction of chromite ore with anthracite fines. The use of this technology is expected to ensure that the Project Lion smelter will be in the first quartile in terms of costs due to the low energy consumption and higher chrome recoveries. Energy consumption is approximately 40% lower than that of the conventional process ensuring that the production costs are much less sensitive to electricity pricing. Ore will be obtained from the Xstrata Group's Helena and Thorncliff mines, with Helena currently being developed for such increased production. Both mines are in close proximity to the Project Lion smelter, ensuring cost efficiency in terms of ore transport costs. The Helena mine development remains within the project timing schedule and budget, with chrome ore already being brought to surface. The smelting process also has the capacity to use low-cost UG2 ore that will be sourced from the neighboring platinum mines and uses low quantities of high cost metallurgical coke.

Mineral right applications and conversions

The Alloys Business, the Alloys division of Xstrata South Africa (Pty) Ltd, has to date submitted one old order prospecting right conversion application and four applications for new order prospecting rights under the MPRDA. These applications have all been granted to Xstrata by DME with the DME having recently notarially executed four of the five rights. Xstrata is currently awaiting a date from the DME in respect of the notarial execution of the remaining granted right. With regard to new order mining right applications, five out of five applications have been granted, four of which have been notarially executed by the DME to date. In addition, all twelve planned applications to the DME in respect of converting existing old order mining rights have to date been submitted, of which six have been granted and notarially executed. Once applications are accepted by the DME, an administrative process follows whilst the DME considers the applications. The minister must grant the rights if the Xstrata Group has complied in full with all the application requirements.

With regard to the requirement that 15% of the industry be owned by HDSAs by 2009 and 26% of the industry be owned by HDSAs by 2014, Merafe is the Alloys Business' black empowerment partner in the business with a current share of 20.5% which is expected to increase to the required 26% well within the stipulated regulatory timeframe. Similarly, the Alloys Business has entered into a partnership agreement with Kagiso to give effect to the black economic empowerment obligations on the Mototolo Joint Venture. All the charter requirements of the MPRDA, such as employment equity and procurement requirements, are fully on track and Xstrata expects full compliance to be achieved well in advance of the May 2009 deadline. The other requirements of the MPRDA, such as the social and labor plans and human resources development plans that were submitted with applications, were accepted by the DME and no problems are envisaged with the remaining applications. See “Risk factors – Factors relating to the Xstrata Group – Australian native title and South African and Canadian land claims” and “Risk factors – Factors relating to the Xstrata Group – South African MPRDA and Empowerment Charter”.

Vanadium operations

Introduction

The Xstrata Group’s vanadium operations consist of its Rhovan plant, situated in the North West Province of South Africa. Rhovan, an integrated mining and vanadium processing plant, produces and converts vanadium pentoxide (V_2O_5) into ferrovanadium (FeV). In 2003, the production process of the chemical plant was adapted to enable it to produce vanadium oxide (V_2O_3) and a new electric furnace was commissioned, which allows for ferrovanadium to be produced by an alternative process consuming less expensive aluminum. The Vanadium Business’s ferrovanadium conversion facility in Swaziland is currently non-operational.

Capacity for the Vanadium Business operations is approximately 22 million pounds of vanadium pentoxide equivalent per annum, which Xstrata believes represents approximately 9% of estimated global production.

Reserve and resource base

The table below sets out the Xstrata Group’s vanadium reserve and resource base as at June 30, 2006:

				Ore Reserves(1)		Mineral Resources		
	% attributable	Mining Method	Commodity	Proved (Mt)	Probable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred(2) (Mt)
Vanadium								
Rhovan	100	OC	Ore	38.7	9.9	63.8	13.7	124.9
			V_2O_5	0.51%	0.53%	0.51%	0.53%	0.51%

Definitions
OC = open-cut, UG = underground

Notes

The above table sets out the Vanadium Business’s attributable vanadium reserve base, based on the total mine basis figures in the Xstrata Ore Reserves and Mineral Resources Report. See “Presentation of Information – Ore reserve and mineral resource reporting – basis of preparation” for an explanation of the basis of preparation of the reserve estimates.

(1) Reserves are a subset of resources and are included in the resource estimate. See “Presentation of information – Ore reserve and mineral resource reporting – basis of preparation” for an explanation of the basis of preparation of reserve amounts.

(2) See “Presentation of information – Ore reserve and mineral resource reporting – basis of preparation – Inferred resources” for an explanation of the basis of preparation of inferred resource estimates.

Production

The table below sets out the vanadium pentoxide production of the Vanadium Business for the years ended December 31, 2005 and December 31, 2006:

Vanadium[1]	Year ended December 31, 2005	2006
	(in lbs in V_2O_5 equivalent)	
South Africa	20,166,000	21,657,000

Note

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

Financial information

The table below provides (a) unaudited pro forma financial information in relation to the Vanadium Business for the year ended December 31, 2006 (which has been extracted without material amendment from the Xstrata Pro Forma Consolidated Financial Information (the pro forma segmental analysis) included in the Xstrata 2006 Annual Financial Information), and (b) unaudited selected summary financial information for the six months ended June 30, 2006 (which has been extracted without material amendment from the Xstrata Interim Financial Information):

Vanadium Business	Unaudited pro forma Consolidated year ended December 31, 2006[5]	As a percentage of the Xstrata Group	Unaudited IFRS Six months ended June 30, 2007	As a percentage of the Xstrata Group
	US\$m	*(%)*[3]	*US\$m*	*(%)*[3]
Revenue	199	0.7	82	0.6
EBITDA (before non-trading items)[1],[2],[4]	111	1.1	40	0.7
EBIT (before non-trading items)[1],[2],[4]	105	1.3	36	0.8

Notes

(1) Includes minority interests. The Xstrata Group's interest in the Mototolo Joint Venture, following the transaction with Kagiso, has decreased from 50% to 37%, effective retrospectively from the inception of the Mototolo Joint Venture.

(2) IFRS does not define the measures EBITDA (before non-trading items) (being earnings before interest, tax, depreciation and amortization and before non-trading items) or EBIT (before non-trading items) (being earnings before interest and tax and before non-trading items). For a description of how these amounts are derived, see "Presentation of information – Presentation of financial information".

(3) As a percentage of Xstrata's consolidated EBITDA (before non-trading items) and EBIT (before non-trading items) from continuing operations before common costs and income.

(4) In the Xstrata 2006 Annual Financial Information and the Xstrata Interim Financial Information non-trading items are disclosed as exceptional items.

(5) See "Presentation of information – Presentation of financial information – Pro forma financial information".

Description of vanadium operations

The Vanadium Business's operations comprise the mining of vanadium ore, the production of vanadium pentoxide and the conversion of vanadium pentoxide to ferrovanadium.

Xstrata believes that in 2006, the Vanadium Business achieved a world market share of approximately 9% with approximately 21.7 million pounds of vanadium pentoxide production, the vast majority of which was converted into ferrovanadium. In 2006, the Vanadium Business produced approximately 18.2 million pounds (expressed as V_2O_5 equivalent) of ferrovanadium.

The Vanadium Business's operations are carried on at its Rhovan plant situated in the North West Province, South Africa. Previously, the Xstrata Group had an additional vanadium operation at Vantech in South Africa, as well as interests in the Windimurra vanadium project in Australia. The Vantech operation closed in 2004, due to its orebody being mined out. The oversupply of vanadium pentoxide in 2000 and 2001 and the consequent depression in vanadium pentoxide prices contributed largely towards the closure of the Windimurra operation on February 10, 2003, following steps to reduce costs and production that proved insufficient to ensure the sustainable financial viability of this asset. Since then, an agreement has been reached with Precious Metals Australia to take over all responsibilities, obligations and costs related to the rehabilitation of the Windimurra project. Rehabilitation of the Vantech site is also progressing well, with full closure expected to take approximately three to four years to allow for groundwater remediation.

The Vanadium Business's Rhovan operation is an integrated vanadium producer. The processing plant at Rhovan is located adjacent to the mine, resulting in low ore handling costs. Titaniferous magnetite ore is mined using open cast methods in an open-pit at Rhovan by means of the drill, blast, and haul technique. The ore is fed into an in-pit crusher where it is crushed and then transported by overland conveyor to the beneficiation plant. At current production levels the Vanadium Business's reserve and resource base in South Africa should support the operations for at least another 30 years.

All of the vanadium pentoxide and ferrovanadium produced by the Vanadium Business is marketed or distributed by Glencore under marketing, agency and distribution agreements. For further information, see "Business of the Xstrata Group – Relationship with Glencore – Commercial relationship – Alloys Business – Vanadium operations".

In 2006, approximately 84% of the Vanadium Business's sales were represented by sales of ferrovanadium and approximately 16% were represented by sales of vanadium pentoxide.

In 2006, approximately 35% of the Vanadium Business's sales of ferrovanadium were into Europe and approximately 10%, 21%, 20% and 10% were into Asia, North America (USA, Canada and Mexico), South America and Japan, respectively.

The Xstrata Group will continue to assess the feasibility of a number of potential projects aimed at enhancing the cost effectiveness of the Vanadium Business, to ensure that they are well positioned if market conditions deteriorate. In addition, the Xstrata Group will continue to evaluate both the feasibility of producing vanadium from sources other than vanadium-bearing ores, and the potential for diversifying the vanadium operations product range.

Mineral right applications and conversions

The DME has granted to the Rhovan vanadium plant a new order mining right for vanadium ore. This right has been notarially executed and is valid for a period of 20 years.

The Xstrata Group has been in ongoing negotiations with the Bakwena-Ba-Magopa community as its black economic empowerment partner in the Rhovan operations. In November 2006 a binding term sheet was concluded with the Bakwena, and the parties are presently concluding transaction agreements to effect the Bakwena's 26% participation in the Rhovan operations in accordance with the provisions of the South Africa MPRDA and Empowerment Charter. See "Risk factors – Factors relating to the Xstrata Group – Australian native title and South African and Canadian land claims" and "Risk factors – Factors relating to the Xstrata Group – South African MPRDA and Empowerment Charter".

Reductant operations

The Xstrata Group currently supplies its chrome operations with its total Söderberg electrode paste requirements as well as approximately 280,000 tpa of char, which is used as a reductant in its ferrochrome furnaces. The Xstrata Group also acquired a controlling interest in the African Carbon Group with effect from July 1, 2004 which produces 600,000 tpa of char in addition to the 70,000 tpa of char produced at the Xstrata Group's other facilities. The Xstrata Group is currently self-sufficient in terms of its char reductant requirements and 40% self-sufficient in terms of its total reductant requirements.

Other products and activities of the Xstrata Group

Lead metal

The Xstrata Group is engaged in the mining of lead and the refining and recycling of lead metal and other lead bearing secondaries and residues at the Xstrata Group's wholly-owned Brunswick Mine and Brunswick Smelter. The marketing of lead metal and its alloys is carried out from offices in Toronto, Cleveland and Northfleet. In 2006, about 70% of the Xstrata Group's consolidated lead metal sales were made in Europe and the rest in Canada and the United States.

As is the case for copper and zinc production, lead production is dependent upon the availability of mine concentrates. In 2006, approximately 78% of the Brunswick lead smelter's feed was supplied by the Brunswick Mine, with the balance sourced from lead/silver concentrates and metal-bearing residues.

Magnesium

The Xstrata Group's Danville, Quebec magnesium plant has a design capacity of 58,000 tons per annum of pure and alloy magnesium products. It is owned 80% by the Xstrata Group and 20% by Société Genéralé de Financement du Quebec.

Magnesium is classified as a light metal. By volume, it is approximately two-thirds the weight of aluminum and one-quarter the weight of steel. Magnesium is used in several applications, including the production of aluminum alloys typically containing between 0.5% and 3.5% magnesium (can stock for aluminum beverage containers is the largest application) and die-casting of component parts for the automotive, electronics and manufacturing industries. Magnesium die-cast alloys have excellent strength-to-weight ratios and are attractive for many applications.

Sulfuric Acid

Sulfur dioxide gas is a by-product of smelting and refining operations. Most of the sulfur dioxide gas produced at the Xstrata Group's Canadian and Chilean smelters is captured before stack emission and converted into sulfuric acid or liquid sulfur dioxide in order to comply with sulfur dioxide emission limits. The Canadian sulfuric acid production is sold to NorFalco, which markets, transports and distributes sulfuric acid in North America. In 2006, NorFalco and its wholly-owned Canadian subsidiary marketed approximately 2.0 Mt of sulfuric acid from the Xstrata Group and third party suppliers. Sulfuric acid produced at the Xstrata Group's Chilean smelter is sold by Falconbridge Chile Limitada to local mining companies using this product for their copper leaching operations.

Other subsidiaries

Novicourt

Novicourt, a wholly-owned subsidiary of Xstrata, is a Canadian exploration and development company focused on the discovery of new mineral deposits, mainly in Canada and Brazil. Novicourt's primary asset until the depletion of ore in July 2005 was a 45% direct interest in the Louvicourt copper/zinc mine located near Val-d'Or, Quebec. Novicourt also owns a 45% interest in the Louvaur/Alexis Joint Venture, which carries out exploration on land surrounding the Louvicourt deposit. Novicourt also participates in exploration joint ventures with others, including Xstrata.

On July 12, 2005, the Louvicourt mill completed the processing of the final ore produced from the Louvicourt Mine as the ore reserves were depleted.

Magnola

In January 2003, Falconbridge announced plans for a temporary shutdown of the Falconbridge Group's magnesium business, which is held by Magnola Metallurgy Inc. ("Magnola"), a company owned 80% by the Xstrata Group, in response to major structural changes which had taken place in the global magnesium industry. A pre-tax charge of US$520 million was recorded in Falconbridge's 2002 year-end financial results to reduce the carrying value of the magnesium project, as a result of the market conditions.

In 1997 when the decision to proceed with the Magnola project was made, magnesium offered very attractive growth opportunities, on the premise of its inherent strength-to-weight characteristics and the potential demand in the automobile industry. Since that time, exports of low-cost Chinese production have continued to grow and have depressed prices.

At the time of the announcement of the shutdown, there were approximately 380 employees located at the magnesium operations in Danville, Quebec.

In 2003, a further US$33 million pre-tax charge related to costs incurred to shut down the plant was recorded in the first quarter. As of December 31, 2006 the book value of the Xstrata Group's magnesium business was approximately US$3 million (December 31, 2005 – US$280 million).

On August 14, 2007, Magnola announced that it intends to permanently close the Magnola magnesium production facility located in Danville, Quebec.

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 is based in Sudbury where it has metallurgical facilities including quantitative mineralogy and laboratory and pilot facilities to conduct investigations in grinding, flotation, leaching, smelting, refining, and orebody 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 at market rates. Xstrata businesses seek technical support from many suppliers, but may choose XPS for highly specialized or competitive-advantage work. In particular, XPS has specialist skills in nickel processing, including development of hydrometallurgical and pyrometallurgical treatment plants for nickel laterites.

Further specialist facilities are dedicated to provide internal support at various sites, for example facilities at the Nikkelverk nickel refinery, the Townsville copper refinery, the Kidd Creek Metallurgical Site, and Lomas Bayas.

The Xstrata Group participates in a number of focused explorations 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 Xstrata 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 technology to third parties through licensing arrangements. This assists the further development of technologies that are core to Xstrata Group operations, by the development of wide user groups to work together on improvements for mutual benefit. The following table sets out a description of the activities of Xstrata Technology:

Technology	Description
ISASMELT	ISASMELT is a smelting process that has applications for primary and secondary copper and lead smelting, converting, copper/nickel smelting, and treatment of scraps and residues. The technology is installed at smelting facilities in Australia, the United States, Belgium, Germany, the United Kingdom, India, Malaysia, China and Peru.
Tankhouse Technologies	ISAPROCESS and the Kidd Process are permanent cathode technologies for the copper refining industry. They utilize re-usable stainless steel cathode plates with precise alignment, automation in electrode handling, and associated cathode stripping equipment. Benefits include high copper cathode purity, operating intensity, increased labor productivity, improved safety and lower operating cost. Combined, the ISAPROCESS and the Kidd Process produce about 60% of world copper production form electrorefining and eletrowinning.
IsaMill	IsaMill is a revolutionary grinding technology, initially developed for ultra-fine grinding of ore bodies at Mount Isa and McArthur River. It has since been adapted for conventional coarser grinding, where it can significantly increase processing efficiency. It is rapidly being adopted, with over 100 MW of capacity currently in operation or under construction.
Albion Process	The Albion Process is a patented process that includes a combination of ultra-fine grinding using IsaMill technology followed by atmospheric leaching for subsequent metal recovery, for example by electrowinning or precipitation. This technology is being considered for installation at two of the Xstrata Group's mine sites after pilot testing on copper and zinc concentrates has been completed, and has been licensed to an operation that will recover refractory gold from tailing dams.

Operational hazards and insurance

The Xstrata Group's operations are subject to numerous operating risks which include geological conditions such as unexpected geological features, unexpected 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.

Regulatory and environmental matters

The mining, mineral processing and other operations of the Xstrata Group are subject to extensive government regulations relating to the protection of the environment, including those relating to air and water quality, solid and hazardous waste handling and disposal, mine reclamation and closure and occupational health and safety. In addition to mandated environmental safeguards, the Xstrata Group has many initiatives to improve both the internal and external environment, such as health research, auditing and risk management programs. These aspects are aligned with and support the Xstrata Group's commitments to sustainable development, where economic prosperity, environmental quality and social equity drive business activities. The Xstrata Group believes that sustainable development requires the implementation of practices and policies that contribute to the well-being of the environment, economy and society to address the needs of customers, suppliers, shareholders, employees, contractors, government, the general public, the communities in which it operates and other stakeholders, without compromising the ability of future generations to meet their own needs.

The Xstrata Group has in place a comprehensive environmental management system consisting of a sustainable development policy, guidelines, standards, procedures, audit frameworks, job descriptions and procedures, roles and responsibilities, employee and contractor training, public and employee reporting, emergency prevention and response, risk management and community awareness.

In common with other diversified natural resources and mineral processing companies, the Xstrata 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 Xstrata 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 Xstrata 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 Xstrata 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 Xstrata 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 Xstrata 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 Xstrata Group.

The Mount Isa operations in Queensland are subject to specific legislation of the Queensland State Parliament, the Mount Isa Mines Limited Agreement Act 1985 ("Mount Isa Act"). The Mount Isa Mines Limited Agreement Act 1985 exempts the Mount Isa operations from compliance with the otherwise applicable Environmental Protection Act 1994 with respect to air emissions. The State environmental regulator has informed Xstrata of its desire to assume the regulation of special state legislation, including the Mount Isa Mines Limited Agreement Act 1985. In the event that happens and a subsequent amendment is sought and made to bring air emissions permitted under the Mount Isa Mines Limited Agreement Act 1985 into line with the Environmental Protection Act 1994, or alternatively if the Mount Isa Mines Limited Agreement Act 1985 is repealed, then significant cost consequences, relating to investing in new environmental technologies and practices, could follow to maintain current production levels.

Each of the Xstrata 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 Xstrata 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 Xstrata Group incurs substantial waste removal and site restoration costs on an ongoing basis, which it believes will minimize future liabilities for site closure. The board of directors of Xstrata, as a matter of policy, requires each of the Xstrata 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 Xstrata Group's senior management. Xstrata believes that each of the Xstrata 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 Xstrata 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 Xstrata Group's operations occurs, or has already occurred, the Xstrata Group may be required to remediate pollution and incur substantial costs. In particular, the Xstrata 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 Xstrata Group has an established environmental audit program at each of its mines and will continue to review its compliance with environmental requirements, including its rehabilitation requirements. The Xstrata 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 Xstrata 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 assurances that future costs of closure and rehabilitation will not be materially higher than currently anticipated.

The Xstrata 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 Xstrata Group's operation will, when re-introduced into the water system, meet end user requirements and legal requirements.

The Xstrata Group's operations require various environmental permits covering, amongst other things, water use and discharges, stream diversions and solid waste disposal. The Xstrata 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, however, been issued due to administrative delay. Xstrata does not anticipate that any environmental issues or liabilities in connection with environmental permits will be material to the Xstrata Group's operations. Further information on the licensing and permits of the Xstrata Group's businesses can be found in "Business of the Xstrata Group – Statutory authorizations, licenses and concessions".

New legislation or regulations may come into force in the future that may materially adversely affect the Xstrata Group's mining operations, its cost structure or its customers' ability to use the Xstrata Group's products, particularly coal. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Xstrata Group or its customers to change operations significantly or incur increased costs. It is possible that environmental laws and regulations in certain countries in which the Xstrata Group operates will, in the future, become more stringent with the result that the amount and timing of future expenditure required to enable the Xstrata Group to remain in compliance with such laws and regulations could increase substantially from their current levels. In particular, there is a clear and continuing trend in Europe for increasingly stringent environmental measures to be enacted at European Union level, which require stringent environmental measures to be enacted at EU member state level and which may have a significant operating and financial impact on the Xstrata 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 23, 2007, 176 states and regional economic integration organizations (such as the EU) had deposited instruments of ratifications, accessions, approvals or acceptances in respect of the Protocol.

Those jurisdictions in which the Xstrata 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 currently focuses on carbon dioxide emissions from certain energy intensive industries (such as power generation and the production and processing of ferrous metals) until 2007 when the scheme will be expanded to cover other greenhouse gases, such as methane, and other industries, such as the chemical and aluminum 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 formalized system of greenhouse gas emission allowances trading and emission levels regulation (such as Canada 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 (such as Australia). 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).

Both Canada and Norway have ratified the Kyoto Protocol and are committed to meeting their obligations thereunder 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 federal Canadian 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 for the period 2005 to 2007 (and 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.

The Xstrata 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 cooperate 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 Xstrata Group as its implementation plans are being developed.

A Federal election in Australia will be held on November 24, 2007. Both the incumbent Australian Federal Government and the Australian Federal Opposition have released policies which indicate an intention to introduce legislation which will establish a formal emission trading scheme in Australia. The details pertaining to such a scheme, including emissions limits, coverage and timing of implementation, are yet to be released.

See "Risk factors – Factors relating to the Xstrata Group – Risks related to climate change legislation" for a discussion of certain potential impacts on the Xstrata Group relating to the Kyoto Protocol.

The Xstrata Group has a number of mining tenements, licenses and concessions with various terms (including durations) under which the Xstrata Group carries out mining and natural resources activities. Licenses are in place in respect of all reserves which the Xstrata Group is currently exploiting. Members of the Xstrata Group may from time to time breach the terms of their mining tenements, licenses and concessions. Xstrata does not however believe that any such breaches of which it is aware would have a material adverse effect on the Xstrata Group.

South African Mineral and Petroleum Resources Development Act and Empowerment Charter and Royalty Bill

On October 3, 2002, the President of South Africa assented to and signed into law the MPRDA, which came into operation on May 1, 2004. On August 13, 2004, the Empowerment Charter was promulgated, together with the "scorecard" for measuring black empowerment in the mining industry, which is intended to monitor and assess compliance with the Empowerment Charter. In addition to this the government of South Africa, in conjunction with the industry, is developing further legislation and guidelines, including the Mineral and Petroleum Royalty Bill (the "Royalty Bill") pertaining to royalties. The second draft of the Royalty Bill was introduced into the South African national assembly on October 11, 2006 and is currently undergoing a public participation process. The mining royalties as envisaged in the draft bill will only become payable by mining companies in South Africa from 2009.

A key outcome of the MPRDA is that the government of South Africa becomes the custodian of all the rights to minerals and that prospecting and mining will require prospecting and mining rights respectively which can only be granted once certain criteria are met, including black empowerment criteria for HDSAs. Old order rights need to be converted to new order rights and, to do so, the above criteria need to be satisfied or undertakings given.

A key objective of the above legislation is to ensure that 26% of the South African mining industry is controlled by HDSAs within ten years from May 1, 2004. 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 facilitate the conversion of prospecting and mining rights currently held at common law and under the Minerals Act (termed, "old order rights" in the MPRDA) to the new forms of prospecting and mining rights contemplated by the MPRDA ("new order rights").

The conversion applicants will have a maximum of two years in the case of prospecting and five years in the case of mining to lodge their rights for conversion. For successful conversion, applicants will be required to be in possession of a valid prospecting permit or mining authorization and to have been physically prospecting or mining (as the case may be) on the area to which their application relates as at the promulgation date.

This legislation impacts the Xstrata Group's resource holdings and consequently its development programs.

The Xstrata Group has developed and is implementing a strategy to address the tenure risks associated with the legislation and believes that the transformation of the business to align itself with the intent of the MPRDA and associated legislation will be done on a commercial basis in accordance with the legislation.

Native title and land claims

Land in Australia, South Africa and Canada owned or used by the Xstrata Group may be the subject of land claims.

In Australia, the Native Title Act recognizes 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 it cannot be revived although compensation is payable, generally by the Commonwealth government. Claims are decided on a factual basis and determined ultimately by the Federal Court of Australia. Where existing mining leases are held, those rights are not affected if a native title claim is lodged. If native title has been extinguished, future mining leases 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, which includes exploration titles and the compulsory acquisition of land. While the right to negotiate does not include a veto on the grant of a title, it may require financial payments to be made. Native title claims have been made over areas where the Xstrata Group has mining operations. Xstrata believes, however, that such claims will not have a material impact on the Xstrata Group's existing operations.

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. Claims under the Restitution of Land Rights 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, compelling the payment of compensation, compelling the State to include a claimant as a beneficiary in the State support program for housing or granting the claimant an appropriate right in alternatively designated State land or with any alternative and appropriate relief. The Xstrata Group has received unofficial reports that approximately 350 land claims have been lodged in relation to the surface rights of the Xstrata Group's various South African properties. Xstrata has very limited information about these land claims and 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 Xstrata Group's rights to the properties that are subject to the land 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 Xstrata 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 appropriate expropriation legislation, in order to comply with a decision by a competent authority or court to restore land to a claimant.

In Canada, the Xstrata 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 Xstrata Group's resource development or mining activities in Canada.

Health and safety

The Xstrata Group's health and safety standards are reviewed by the Xstrata Group on an ongoing basis. In addition, the Xstrata 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 expenditures by the Xstrata Group. However, certain of the Xstrata 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 Xstrata Group, could have an adverse impact on the Xstrata Group's financial condition or results of operations.

Xstrata recognizes 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 Xstrata Group's aim is to be recognized as a leader in health, safety and environmental management.

There is a serious problem with HIV/AIDS infections in South Africa generally. The Alloys Business and Coal Business are addressing HIV/AIDS in the workforce at their operations in South Africa through awareness, employee wellness training, HIV/AIDS and VCT testing programs and aggressive antiretroviral intervention programs, both for new employees and contractors on an ongoing basis for all employees and contractors. The World Health Organization estimates that approximately 20% of the South African population is living with HIV/AIDS.

The Xstrata Group participates in a regional initiative known as the Power Belt AIDS Project, a mining community-based program 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 organizations.

Xstrata believes that these intervention and health programs, the Xstrata 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 Xstrata Group's South African operations of the HIV/AIDS crisis in South Africa.

Labor and employee relations

For the year ended December 31, 2006, the average monthly number of Xstrata Group employees and contractors was approximately 50,000 in aggregate. The majority of the Xstrata Group's employees are unionized.

The majority of the workforce of the Xstrata Group is engaged pursuant to collective employment agreements. These collective agreements are negotiated with unions and other employee representative organizations 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 Xstrata 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 Xstrata Group and the relevant unions or other employee representative organizations.

Despite certain operations within the Xstrata 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 Xstrata Group. Xstrata believes that all of the Xstrata Group's operations have, in general, good relations with their employees and unions.

Metals marketing

The Xstrata 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 the Zinc Business (such as copper cake and copper matte), discounts are negotiated periodically from LME prices which largely reflect inherent third party processing charges.

The Xstrata Group procures custom feed materials for processing in the metallurgical facilities. In order to minimize metal price risk exposure on purchased metals and fluctuations in inventory levels, and to obtain the average COMEX/LME prices or better, the Xstrata Group employs derivatives in the form of forward or options contracts to hedge these risks. Generally, the Xstrata Group does not hedge the prices it realizes on the sale of the Xstrata 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 Xstrata 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 Xstrata Group's business is dependent on a single or connected group of properties or interests in real estate.

Statutory authorizations, licenses and concessions

Statutory authorizations, licenses and concessions: Copper Business

Copper and gold assets

Mineral rights at the Copper Business's various operations are held through mining tenements. No separate surface rights exist for the properties. A summary of the mining tenements directly involved in actual operations is shown in the table below.

Status of Copper Business's copper and gold asset mining tenements

Ernest Henry mine tenements

Tenement	Tenement Name	Original Granted	Expires	Comments
ML2671	Savage 33	Nov-28-1974	Nov-30-2025	Active mining area
ML90041	EHM 1	Dec-1-1995	Nov-30-2016	Active mining area
ML90072	EHM A	Dec-1-1995	Nov-30-2025	Active mining area
ML90075	EHM B	Dec-1-1995	Nov-30-2025	Active mining area
ML90085	EHM C	Apr-1-1996	Mar-31-2026	Active mining area
ML90100	EHM D	Jun-1-1996	May-31-2026	Active mining area
ML90107	EHM E	Sep-1-1996	Aug-30-2026	Active mining area
ML90116	EHM F	Oct-1-1996	Sep-30-2026	Active mining area
TL203701		Aug-18-1995	Aug-17-2045	7,000 ha surrounding active mining leases
TL207781		Sep-21-1996	Sep-20-2046	EHM accommodation village

Mount Isa mine tenements

Tenement	Tenement Name	Original Granted	Expires	Comments
ML8058	Mount Isa Consolidated	Dec-1-1986	Nov-30-2036	As granted under MIMLA Act

Alumbrera mine

Tenement	Tenement Name	Original Granted	Expires	Comments
YMAD	YMAD Lease	Dec-26-1997	Feb-25-2017	600 ha area lease

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 Plan of Operation ("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 calculation of the corresponding financial assurance required to be lodged with the Department of Natural Resources and Mines ("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 mines of third parties outside of the Xstrata Group, significantly altered and increased agreed calculations for total rehabilitation cost. There is no indication that the EPA will alter the calculation for the 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 financial assurances with the DNRM.

Alumbrera is required to submit environmental management reports every two years to the Provinces of Catamarca and Tucuman. The reports present results of the environmental monitoring conducted and any changes or issues in specific areas of the operation to the portions of the project that occur in each province. The report to Catamarca addresses the mine and mineral processing operations and the concentrator pipeline operation within the Catamarca Province. The report to the Province of Tucuman addresses pipeline and filter plant operations. The Xstrata Group has submitted all required reports. No financial assurance is required by the Argentine authorities for Alumbrera.

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.

Mining development concession	Record number	Area (ha)	Date of filing of mining development claim	Registration date
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 30	32.665	132	May 12, 2000	March 27, 2002
LORENITA 1-54	725.2007	216		October 5, 2007
Total area		1,348		

Antamina

The Antamina operation is located in the Andes mountains in Peru, approximately 270 kilometers north of Lima at an elevation of 4,300 meters.

Summary of property holdings

Antamina

The property consists of 70 concessions covering 7,725.25 hectares located in the San Marcos District in the Province of Huari.

Antamina No 1

The property consists of five concessions covering 4,014.00 hectares located in the San Marcos District in the Province of Huari.

Antamina – Huarmey

The property consists of six concessions covering 3,500.00 hectares located in the Huarmey and Paypay Districts in the Province of Huarmey.

Collahuasi

The Collahuasi property covers 435 exploitation concessions over 128,621 hectares and 184 exploration concessions over 61,800 hectares. The property is located in northern Chile, about 180 kilometers southeast of the port of Iquique, at an elevation of 4,300 meters. 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 Huinquintipa oxide copper deposit is located downstream from the Rosario deposit. In addition, the property contains high-grade copper mineralization 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	112	52,859
Comuna de Pozo Almonte	55	6,440
Sector Huasco	26	6,650
Pertenencias Zona de Interes	44	15,101

Kidd Creek Mining Division, Ontario

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 are comprised of 14 patented and leasehold half lots.

Summary of property holdings

Parcel	Location	Lease number	Acres	Expiry
Leased Land				
377 LC	S 1/2 N 1/2 Lot 3 Con 3	105419 (formerly 101723)	80.00	October 1, 2010
300 LC	N 1/2 N 1/2 Lot 3 Con 3	104924 (formerly 101150)	80.00	September 1, 2008
301 LC	S 1/2 N 1/2 Lot 4 Con 4	104925 (formerly 101151)	161.00	August 1, 2008
302 LC	S 1/2 Lot 1 Con 4	104926 (formerly 101152)	160.00	August 31, 2008
Total			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 1/2 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
			1,758.50	777 Hectares
				972 Hectares
Surface Leases				
16186 SEC	Pt. Lot 2 Con 4	266303	3.00	2 Hectares
Surface Patent				
19299 SEC	S 1/2 Lot 5 Con 5		159.50	65 Hectares
			159.50	
Total			2,563.00	1,037 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 kilometers southeast of the Kidd Mine.

Summary of property holdings

Parcel	Location	Lease number	Acres
Leased Land			
1813 LC	S 1/2 Lot 1 Con 2	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
			320.00
Total			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	104882	160.00
1815 LC	S 1/2 Lot 2 Con 2	104882	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	104882	160.00
1815 LC	S 1/2 Lot 2 Con 3	104882	158.50
1817 LC	All Lot 2 Con 4	106594	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

The Horne smelter is located in Rouyn-Noranda, Quebec.

Summary of property holdings

Mining Concession	Area (ha)	Renewal date
156 Pt. A	26.71	January 31, 2008
247 Pt. A	97.93	January 31, 2008
156 Pt. B	191.96	January 31, 2008
243	224.90	January 31, 2008
372	24.11	January 31, 2008
171	27.92	January 31, 2008
148	183.73	January 31, 2008
163 Pt. A	208.41	January 31, 2008
235	202.34	January 31, 2008

Lomas Bayas, Chile

The Lomas Bayas mine comprises eight exploitation concessions covering approximately 2,322 hectares. The Fortuna de Cobre deposit comprises 11 exploitation concessions covering approximately 1,126.5 hectares. The Xstrata Group also holds 25 exploitation concessions and has made two exploitation concession applications covering approximately 4,669 hectares between the Lomas Bayas mine and the Fortuna de Cobre deposit, as well as 61 exploration concessions and two exploitation concession applications covering an area around the Fortuna de Cobre deposit.

The Lomas Bayas mine is located in the Second Region of Chile, approximately 110 kilometers northeast of the port city of Antofagasta. The mine is situated at an altitude of 1,500 meters in the Atacama Desert. The Fortuna de Cobre deposit is situated 3 kilometers to the south of the Lomas Bayas mine.

Summary of property holdings

The following table sets out the mining development concessions for the Xstrata Group's Lomas Bayas operations. All of the concessions have been granted.

Mining development concession	Record number	Area (ha)	Registration date	Regulatory ruling
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 PEÑAS 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 development concessions for the Xstrata Group's Fortuna de Cobre operations. All of the concessions have been granted.

Mining development concession	Record number	Area (ha)	Date of filing of mining development claim	Registration date	Regulatory ruling
BALI 1 AL 20	10.003	200	-	April 22, 1996	October 6, 1997
BANGKOK 1 AL 20	10.002	200	August 19, 1994	April 22, 1996	October 6, 1997
CAPADOCIA 1 AL 14	10.004	125	December 6, 1994	April 22, 1996	October 6, 1997
CAPADOCIA 15 AL 29	10.004	150	December 6, 1994	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	August 19, 1994	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 meters to 4,100 meters about three kilometers from the Chilean border and seven kilometers from the Los Pelambres mine.

Summary of property holdings

The property consists of 48 concessions covering 1,882.26 hectares.

El Morro, Chile

The El Morro property is located in Region III, 140 kilometers east of the port of Huasco at an elevation of 4,000 to 4,300 meters.

Summary of property holdings

The property consists of 163 exploitation concessions covering 41,225.98 hectares.

West Wall, Chile

The West Wall property is located in Region V, about 100 kilometers north of Santiago, Chile at an elevation of 3,000 meters to 3,700 meters. 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 kilometers to the southwest. Diamond drilling in 2002 and 2005 outlined a secondary enriched blanket of copper mineralization, underlain by significant primary mineralization. The zone extends over an area of 1,200 meters north-south and ranges from 350 to 450 meters in width. Economic evaluation of the mineralization revealed the zone to be uneconomic, due to moderate grade and significant thickness of barren leach cap.

Summary of property holdings

The following table sets out the mining development concessions for the Xstrata Group's West Wall operations.

Mining development concession	Area (ha)
MURITO UNO	300
MURITO DOS	200
MURITO TRES	300
MURITO CUATRO	300
MURITO CINCO	300
MURITO SEIS	300
MURITO SIETE	300
MURITO OCHO	300
MURITO NUEVE	200
MURITO DIEZ	300
MURITO ONCE	300
MURITO DOCE	300
Total area	3,400.0

Statutory authorizations, licenses and concessions: Coal Business

New South Wales coal assets

The Xstrata Group currently holds all necessary leases, licenses and authorizations to cover exploration and mining activities of the Coal Business in New South Wales. A summary of the status of the mining leases, licenses and authorizations 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, licenses and authorizations in New South Wales

Colliery holding	Mining leases	Expiry date	Status
Baal Bone	CCL749	2010	Current
	CL391	2013	Current
	ML1389	2017	Current
	ML1302	2013	Current
	MPL261	2011	Current
Bulga Complex[(1)]			
SE Extension	ML1494	2027	Current
	ML1547	2025	Current
	A447	2001	Renewal lodged
	A450	2008	Current
	EL5277	2010	Current
	EL5461	2008	Renewal lodged
Cumnock	CL378	2008	Current
	CL392	2013	Current
	ML1300	2013	Current
	ML1325	2014	Current
	ML1327	2013	Current
	ML1421	2018	Current
	ML1526	2023	Current
	MPL311	2014	Current
	ML1373	2014	Current
	ML1393	2008	Current
	A385	2006	Renewal lodged
	ML1502	2023	Current
Glendell	CL358	2011	Current
	MPL343	2011	Current
	ML1410	2020	Current
	ML1476	2021	Current
	Pt CL382 (sublease)	2012	Current
Liddell	CL708	2002	Renewal lodged
	PLL862	2012	Current
	PLL863	2012	Current
	ML1180	2012	Current
	ML1313	2008	Current
	ML1314	2012	Current
	ML1346	2015	Current
	ML1407	2017	Current
	ML1408	2017	Current
	ML1423	2018	Current
	ML1552	2008	Current
	MLA223		Application lodged
	A394	2006	Renewal lodged

Colliery holding	Mining leases	Expiry date	Status	
Newpac	ML1348	2012	Current	
(Ashton)	ML1349	2023	Current	
	ML1423	2018	Current	
	PtCL708	Novacoal lease(2)	Current	
	PtPLL481	Novacoal tease(2)	Current	
	PtCL378 (sublease)	Cumnock lease	Current	
Mount Owen	A423	2009	Current	
	A429	2009	Current	
	CL383	2012	Current	
	CL715	2009	Current	
	CL6254	2009	Current	
	ML1355	2015	Current	
	ML1419	2012	Current	
	ML1453	2020	Current	
Running Stream	A170	2002	Current	Consolidated under ALA 32 Application lodged
	A208	2002	Current	
	A321	2002	Current	
Wallerawang	CCL770	2008	Current	
Ulan	CCL741	2007	Renewal lodged	
	MPL315	2014	Current	
	ML1341	2015	Current	
	ML1365	2014	Current	
	ML1366	2014	Current	
	ML1467	2021	Current	
	ML1468	2021	Current	
	ML1554	2025	Current	
	ML1511	2023	Current	
	EL5573	2009	Current	
United	CCL775	2012	Current	
	A444	2006	Renewal lodged	
Macquarie Coal Joint Venture	ML1451	2020	Current	
(West Wallsend/Westside/Teralba/	ML1438	2020	Current	
Cardiff Borehole/Mitchells Flat)	ML1336	2014	Current	
	ML1258	2000	Renewal lodged	
	ML1532	2024	Current	
	CCL760	2006	Renewal lodged	
	CCL718	2010	Current	
	CCL725	2010	Current	
	CL532	2018	Current	
	MPL323	2015	Current	
	PL153	2014	Current	
	Part ML1459	2017	Current	
	Part CCL774	2014	Current	
	Part CCL727	2007	Renewal lodged	
	Part CCL764	2001	Renewal lodged	
	A253	2003	Renewal lodged	
	A317	2001	Renewal lodged	
	EL4427	2008	Current	
	MPLA139		Application lodged	
	MLA104		Application lodged	
	MLA193		Application lodged	
	ML1309	2014	Current	
	ML4585	2005	Renewal lodged	
	CCL729	2007	Renewal lodged	

Colliery holding	Mining leases	Expiry date	Status
Narama	CL580	2023	Current
	CL380	2012	Current
	CCL723	2024	Current
	CCL723	2022	Current
	ML1357	2015	Current
Ravensworth East	ML1415	2020	Current
	ML1475	2021	Current
	A268	2006	Renewal lodged
	ML1475	2021	Current
	ALA8	2008	Current
	ALA12		Current
Ravensworth West	ML1516	2027	Current
	EL5297	2009	Current
	ML1393 (Cumnock)(3)		
Anvil Hill Project	AL 9	2009	Current
	EL 5552	2009	Current
	MLA 305		Application lodged
	MLA 306		Application lodged
Tahmoor	CCL 716	2021	Current
	CCL 747	2025	Current
	ML 1308	2014	Current
	ML 1376	2016	Current
	ML 1539	2024	Current
	A206	2010	Current
	A410	2010	Current

Notes

(1) Bulga Complex includes Beltana.

(2) Leases which Liddell has permission to use for tailings and rejects disposal, held by Novacoal Australia (wholly-owned by Rio Tinto).

(3) Ravensworth West has been allocated the Bayswater seam overlying the Cumnock mine. This area, including EL5297, is incorporated in the lease application MLA91.

Terms:

A – Authorization
ALA – Assessment Lease Application
CCL – Consolidated Coal Lease
CL – Coal Lease
EL – Exploration License
ML – Mining Lease
LA – Mining Lease Application
PL – Mining Purposes Lease
L – Private Lands Lease

New South Wales mining companies are required by law to submit Mining Operations Plans ("MOPs") and Annual Environmental Management Reports ("AMERs") to the Department of Mineral Resources ("DMR"). 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 AMERs report the annual progress in relation to the MOPs.

The Xstrata Group has submitted all the required MOPs and AMERs 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 licenses to cover exploration and mining activities of the Coal Business in Queensland. A summary of the status of these mining leases, licenses and exploration permits for Queensland coal assets is set out in the table below. These leases and licenses relate to coal mines, projects and longer term prospects. The Xstrata Group has several Mineral Development Licenses 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, licenses exploration permits in Queensland

Mine	Mining leases	Expiry date	Status
Oaky Creek	ML1832	2020	Current
	ML2004	2014	Current
	ML70241	2020	Current
	MDL163	2006	Renewal lodged
	MLA70327		Application
	PL237	2032	Current
Red Rock	EPC839	2008	Current
	EPCA841	2009	Current
	EPC713	2006	Renewal lodged
Newlands	ML4748	2018	Current
	ML4754	2021	Current
	ML4755	2021	Current
	ML4771	2005	Renewal lodged
	ML4774	2008	Current
	ML10176	2016	Current
	ML4761	2011	Current
	ML10316	2025	Current
	ML10317	2025	Current
	ML10322	2026	Current
	MDLA368		Application
	EPC588	2005	Renewal pending
	EPC610	2006	Renewal pending
	EPC727	2006	Renewal lodged
	EPC734	2006	Renewal lodged
	EPC773	2008	Current
	EPC774	2008	Current
	EPC964	2010	Current
	EPC976	2011	Current
	EPC977	2012	Current
Collinsville	ML1005	2003	Renewal lodged
	ML1006	2004	Renewal lodged
	ML1007	2005	Renewal lodged
	ML1008	2005	Renewal lodged
	ML1009	2006	Renewal lodged
	ML1015	2006	Renewal lodged
	ML1037	2009	Current
	ML1064	2006	Renewal lodged
	MLA10333		Application
	ML10111	2014	Current
	ML10250	2007	Renewal lodged
Wandoan Project	MDL221	2006	Renewal lodged
	MDL222	2006	Renewal lodged
	MDL223	2006	Renewal lodged
	MDL224	2006	Renewal lodged
	EPC787	2006	Renewal lodged
	EPC788	2006	Renewal lodged
	EPC789	2011	Current
	EPC790	2006	Renewal lodged
	EPC791	2006	Renewal lodged
	EPC792	2006	Renewal lodged
	EPC838	2010	Current
	EPC859	2009	Current
	EPC996	2010	Current
	EPC1028	2011	Current
	EPCA1143		Application
	MLA50229		Application
	MLA50230		Application
	MLA50231		Application

Mine	Mining leases	Expiry date	Status
Rolleston Project	ML70307	2033	Current
	MDL227	2005	Renewal pending
	EPC538	2006	Renewal lodged
	EPC595	2007	Renewal lodged
	EPC737	2006	Renewal lodged
	EPCA885		Application
Pentland	EPC526	2006	Renewal lodged
	EPC771	2008	Current
	MDL356	2018	Current
Cook	ML1779	2000	Renewal lodged
	ML1799	2021	Current
	ML1768	2007	Renewal lodged
	ML1769	2007	Renewal lodged
	ML7357	2021	Current
Togara North	MDL316	2010	Current
	MDLA317		Application
	MLA70149		Application
	MLA70162		Application
	EPC550	2006	Renewal lodged

Terms:

ML – Mining Lease
MLA – Mining Lease Application
MDL – Mineral Development License
EPA – Exploration Permit Coal
EPCA PL – Petroleum Lease Coal

Principal terms and conditions for mining concessions relevant to the Queensland mining operations include the requirement to have an Environmental Authority issued by the 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. There is no current indication that the EPA will alter the calculation of the 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 financial assurances with the DNRM.

Xstrata Group's South African coal assets

Summary of the Xstrata Group's mining licenses and authorizations

Division/mine	Mining license no.	Expiration date (a transitional ending on April 30, 2009 applies under the MPRDA)	EMPR status
Tweefontein Division			
Waterpan Colliery	34/95	Indefinite	Approved
Boschmans Colliery	34/95	Indefinite	Approved
Boschmans Colliery (Zaaiwater)	5/03		Application
Witcons Colliery	34/95	Indefinite	Approved
iMpunzi Division			
Phoenix Colliery	31/94	Indefinite	Approved
ATC	31/94	Indefinite	Approved
ATCOM	31/94	Indefinite	Approved
Southstock Division			
Tavistock Colliery	31/94	Indefinite	Approved
South Witbank Colliery	31/94	Indefinite	Approved
South Witbank Colliery (Klippoortje)	18/01	2014	Approved
Mpumalanga Division			
Tselentis Colliery (Smutsoog)	9/01	Indefinite	Approved
Tselentis Colliery (Botharust/Lilliput/Klipstapel)	14/04	2009	Approved
Tselentis Colliery (Witbank/Main)	13/04	2009	Approved
Spitzkop Colliery	15/04	2009	Approved
Goedgevonden Division			
Goedgevonden Colliery	24/2004	2009	Approved
Goedgevonden Colliery (Zaaiwater)	5/2003	2018	Approved
Rietspruit JV	13/99	2022	Approved
DTJV			
Middelburg	9/99	2034	Approved
Douglas	11/99	2022	Approved

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 Ingwe, holds mining authorizations 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 a portion of the Goedgevonden project area and a property at Tselentis, over which properties it has acquired new order prospecting rights. These new order prospecting rights provide Xstrata South Africa with the exclusive right to apply for new order mining rights over the economically exploitable mining areas.

Xstrata South Africa has a number of initiatives in place to ensure that it complies with the requirements of the MPRDA, hence allowing it to convert its old order mining rights into new order rights within the maximum five-year transitional period as provided within the legislation. These old order mining rights continue to remain in force until the earlier of their original expiry date, the date of conversion and registration of the new mining rights or April 30, 2009.

Xstrata South Africa has an ongoing freehold acquisition program 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 utilize or acquire the surface freehold as may be necessary for mining purposes. Xstrata South Africa manages the necessary old order rights and freehold properties relative to their current and projected mining operations.

Statutory authorizations, licenses and concessions: Nickel Business

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 kilometers northwest of Santo Domingo, Dominican Republic.

Properties and mines

Falcondo has been mining and processing nickel laterite ore in the Dominican Republic since 1971. Falcondo's mining concession covers approximately 21,830 hectares. Falcondo owns 4,831 hectares, 4,802 of which are inside the mining concession and include the mining areas and the mineral processing facilities, and 29 of which are outside the mining concession and include the townsite at Bonao. The term of the mining concession is for an unlimited period.

Summary of property holdings

Block number	Mineral area (ha)	Concession name
BLOCK A		QUISQUEYA NO. 1 CONCESSION
BLOCK C1 W		QUISQUEYA NO. 1 CONCESSION
BLOCK D2		QUISQUEYA NO. 1 CONCESSION
BLOCK B		QUISQUEYA NO. 1 CONCESSION
BLOCK C1 E		QUISQUEYA NO. 1 CONCESSION
BLOCK E		QUISQUEYA NO. 1 CONCESSION (PROJECT AREA)
Total area	21,830 hectares	

The Quisqueya No. 1 Concession is located principally within the District of Monsenor Nouel, Province of La Vega, Dominican Republic.

The term of the mining concession is for an unlimited period.

Raglan

The Raglan property is located 105 kilometers south of the northern tip of the Ungava (Nunavik) Peninsula in the Province of Quebec, approximately 1,800 kilometers north of Montreal. The property comprises 1,235 map-designated claims covering 48,649 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. One mining lease application covering 32 hectares remains outstanding from 2005.

Summary of property holdings

Lease No.	MNR File No.	Mineral Area (ha)	Surface Area (ha)	Expiry Date	Area
	20980000000	0.00	10.50	Jul-31-08	Donaldson
	8272700007	0.00	172.20	May-31-08	Donaldson
BM836		92.07	0.00	Jun-11-16	Donaldson
BM837		44.04	0.00	Jun-11-16	Zone 3
9697-54		0.00	25.80	Feb-01-08	Katinniq
	8272700011	0.00	20.63	Feb-01-08	Katinniq
BM839		234.45	0.00	Jun-11-16	Katinniq
BM838		30.03	0.00	Jun-11-16	Zone 2
	8272700010	0.00	68.20	Mar-01-08	Katinniq
BM853		28.03	0.00	Oct-09-20	Zone 3
	8272700012	0.00	40.04	Mar-31-08	Zone 3
BM844		12.00	0.00	Feb-15-18	Zone 2
	8272700008	0.00	136.12	May-31-08	Zone 3
	8272700009	0.00	166.49	Jun-01-08	Katinniq
37312	8272700002	0.00	30.56	Dec-31-08	Deception Bay
	8272700004	0.00	2.07	Jul-01-08	Deception Bay
35 J/2-1-5	Nunavut	0.00	10.50	Feb-01-08	Deception Bay
	8272700006	0.00	3.13	May-01-08	Deception Bay
9697-2		0.00	6.47	Apr-01-08	Deception Bay
	8272700005	0.00	11.20	Jul-01-08	Deception Bay
	17289	0.00	44.76		Deception Bay
	8272700003	0.00	35.08	May-01-08	Purtaniq
BM867		16.10	0.00	Apr-27-25	Zone 3
BM859		219.02	0.00	May-02-24	Zone 5/8
BM860		197.20	0.00	May-02-24	West Boundary
BM861		89.90	0.00	May-02-24	East Lake
BM866		31.97	0.00	Aug-17-26	Zone 2
Total area		994.81	783.75		

In addition to the above noted operating assets, there are 1,235 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 of patented land and licenses 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, Strathcona, 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 Licenses 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) License 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 the 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.

In addition to the above operating assets, there is a much larger land package that makes up the Sudbury Property.

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

Parcel	Claims	Township	Acreage
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			1,868.59
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			246.50
Grand Total			2,115.09

** smelter and smelter related infrastructure

Fecunis, North, Strathcona, Longvack South and Fraser Mines

Parcel	Claims	Township	Acreage
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

Parcel	Claims	Township	Acreage
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			240.70
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	S-50254	Dowling	43.79
Total			509.81
Grand Total			750.52

** Onaping Mine

Hardy, Onaping and Craig Mines

Parcel	Claims	Township	Acreage
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			544.13
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			172.75
Grand Total			716.88

** Craig Mine

Nickel Rim South Deposit

Parcel	Claims	Township	Acreage
51180 SES (formerly 3200 SES)	S-3458	MacLenan	36.18
51180 SES (formerly 9094 SES)	S29278	MacLenan	53.50
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.

In addition to the above operating assets, there is a much larger land package that makes up the Sudbury Property.

Montcalm

The Montcalm nickel mine was brought into production in 2004. It is located 100 kilometers 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

Parcel	Claims	Township	Acreage
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

Koniambo

In 1998, Falconbridge entered into a joint venture agreement with SMSP 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 CALEDONIA	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

All concessions without expiry dates are issued in perpetuity.

Kabanga Project, Tanzania

Licenses held by Kabanga

License number	Acquisition date	Next renewal date	Expiry date
PL 2323/2003 (Nyakahura)	September 5, 2003	September 4, 2008	September 4, 2010
PL 2206/2003 (Nyanzali)	April 28, 2003	April 27, 2008	April 27, 2010
PL 2209/2003 (Mabawe)	April 10, 2003	April 9, 2008	April 9, 2010
PL 2205/2003 (Kivango)	April 10, 2003	April 9, 2008	April 9, 2010
PL 2346/2003 (Mururama)	October 31, 2003	October 30, 2008	October 30, 2010
PL 1557/2000 (Kabanga)	July 1, 2000	n/a	June 30, 2009
PL 2207/2003 (Luhuma)	April 28, 2003	April 27, 2008	April 27, 2010
PL 2208/2003 (Kalinzi)	April 10, 2003	April 9, 2008	April 9, 2010
PL 2554/2004 (Rulenge)	June 3, 2004	June 2, 2009	June 2, 2011
PL 3069/2005 (Kumunyuke)	February 17, 2005	February 16, 2008	February 16, 2012
PL 2691/2004 (Kivago)	October 2,2004	October 1, 2009	October 1, 2011
PL 2692/2004 (Nyanzali)	October 2,2004	October 1, 2009	October 1, 2011
PL 2693/2004 (Luhuma)	October 2,2004	October 1, 2009	October 1, 2011
PL 2694/2004 (Nyakahura)	October 2,2004	October 1, 2009	October 1, 2011
PL 2695/2004 (Kalinzi)	October 2,2004	October 1, 2009	October 1, 2011
PL 2892/2004 (Mabawe)	November 30, 2004	November 29, 2007	November 29, 2011
PL 2893/2004 (Mururama)	November 30, 2004	November 29, 2007	November 29, 2011
PL 4117/2006 (Wedge)	November 20, 2006	November 19, 2009	November 19, 2013
PL 4214/2006 (Nyakahura)	November 20, 2006	November 19, 2009	November 19, 2013
PL 4258/2006 (Mururama)	November 24, 2006	November 23, 2009	November 23, 2013
PL 4259/2006 (Nyanzali)	November 20, 2006	November 19, 2009	November 19, 2013
PL 4260/2006 (Mabawe)	December 14, 2006	December 13, 2009	December 13, 2013
PL 4261/2006 (Kalinzi)	September 15, 2006	September 14, 2009	September 14, 2013
PL 4262/2006 (Kivango)	September 15, 2006	September 14, 2009	September 14, 2013
Application No. 3817 (Luhuma)	Application Submitted April 6, 2006		
Application No. HQ-P16011 (Kabanga)	Application Submitted July 16, 2007		
PL 2609/2004 (Kabanga)	July 14, 2004	July 13, 2009	July 13, 2011
PL 3536/2005 (Kabanga)	September 5, 2005	September 4, 2008	September 4, 2012
PL 3537/2005 (Kabanga)	September 5, 2005	September 4, 2008	September 4, 2012
PL 4316/07 (Kalinzi)	May 9, 2007	May 8, 2010	May 8, 2014
PL 4252/2006 (Mabawe)	November 20, 2006	November 19, 2009	November 19, 2013
PL 4349/07 (Kivango)	May 9, 2007	May 8, 2010	May 8, 2014
Application No. 3880 (Luhuma)	Application Submitted April 28, 2006		
Application No. 3881 (Nyanzali)	Application Submitted April 28, 2006		
Application No. 4159 (Nyakahura)	Application Submitted September 5, 2006		
Application No. 4338 (Mururama)	Application Submitted November 1, 2006		
Application No. HQ-P15571 (Rulenge)	Application Submitted June 4, 2007		
Application No. HQ-P16793 (Kalinzi)	Application Submitted October 2, 2007		
Application No. HQ-P16794 (Luhuma)	Application Submitted October 2, 2007		
Application No. HQ-P16795 (Nyanzali)	Application Submitted October 2, 2007		
Application No. HQ-P16796 (Nyakahura)	Application Submitted October 2, 2007		
Application No. HQ-P (Kivango)	Application Submitted October 2, 2007		

Araguaia, Brazil

In 2005, the Nickel Business 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 team 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, by completing a series of cash payments totalling US$2.4 million staged over eight years. The Xstrata Group has consolidated its ground position over the key targets such that it now controls mineral rights (Exploration Licenses) over almost 5,400 square kilometers (539,000 hectares).

Statutory authorizations, licenses and concessions: Zinc Business

Mineral rights at the various operations are held through mining licenses. No separate surface rights exist for the properties.

Mount Isa mine tenements

Tenement	Tenement name	Originally granted	Expires	Comments
ML8058	Mount Isa Consolidated	12/01/1986	11/30/2036	As granted under MIMLA Act

McArthur River mine tenements

Tenement	Tenement name	Originally granted	Expires	Comments	Area (sq km)
MLN1121	HYC	01/05/1993	01/04/2018	Active mining area	37.2
MLN1122	HYC	01/05/1993	01/04/2018	Active mining area	33.5
MLN1123	HYC	01/05/1993	01/04/2018	Active mining area	38.8
MLN1124	HYC	01/05/1993	01/04/2018	Active mining area	32.8
MLN1125	HYC	01/05/1993	01/04/2018	Active mining area	6.6
MLN1126	Bing Bong	01/05/1993	01/04/2018	Port facility	9.0
MLN582	Reward	09/01/1958	12/31/2019	Historic lease over Reward Pb prospect	0.2
Subtotal mining lease area					158.1
EL 8189	N/A	10/06/2003	10/06/2008	Covers mining leases	24.7
AN366	Emu Fault	06/04/1992	06/04/2008	x2 areas. Amelia (s) and Coxco (n)	29.6
AN455	Coxco Valley	08/21/2006	08/21/2010	Authorization northern (expl. License)	19.8
AN456	Amelia South	08/21/2006	08/21/2010	Authorization northern (expl. License)	6.6
AN457	Amelia North	08/21/2006	08/21/2010	Authorization northern (expl. License)	3.3
Subtotal exploration lease area					83.9
Grand Total Area					242.0

For McArthur River, 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.

Spanish zinc assets

The various Spanish Exploitation Concessions through which Asturiana controls the mineral rights and the right to mine at the Reocín mine expired on July 25, 2003. Currently, Asturiana owns neither mining concessions nor any relevant investigation claims in Spain.

Brunswick Mine

History and location

The Brunswick mine is located approximately 27 kilometers southwest of Bathurst, New Brunswick. The Xstrata Group has surface rights and 100% ownership of the mineral rights on 1,030 hectares comprising the No. 12 Crown Grant (Nos. 35097 and 34300).

Summary of property holdings

The mineral rights to Brunswick Mine No. 12 have been granted in fee simple under Orders-in-Council Nos. 62-422 and 70-693.

Matagami Division

History and location

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 Perseverance in this favorable geological area. The facilities are located 10 kilometers southwest of the town of Matagami in north-western Quebec.

Summary of property holdings

Mining concession	Area (ha)	Renewal date
458	378.47	January 31, 2008
460	251.29	January 31, 2008
504	81.49	January 31, 2008

Brunswick Smelter

The Brunswick smelter is located on a year-round Atlantic port near the village of Belledune in New Brunswick.

Summary of property holdings

The Brunswick smelter property is held in fee simple.

CEZ Refinery

The CEZ refinery (in which the Falconbridge Group has a 25% interest through its interest in the Noranda Income Fund) is located in Salaberry-de-Valleyfield, Quebec.

Frieda River, Papua New Guinea

The Frieda River property is located in northern Papua New Guinea and contains mineral resources in three separate copper deposits (Horse-Ivaal-Trukai, Koki and Nena).

Summary of property holdings

EL 1024	April River Property
EL 1312	Nong River Property
EL 58	Frieda River Property
ELA 1224	Frieda River Property

Perseverance deposits, Quebec

The Perseverance deposits are made up of Perseverance and Equinox and are located close to the Falconbridge Group's existing mill infrastructure in Matagami, Quebec.

Summary of property holdings

A mining lease covering the Perseverance deposits has not yet been applied for. The deposits are covered by unpatented mining claims.

Claim number	Recorded date	Expiry date
5132539	November 7, 1994	November 6, 2008
5132546	November 7, 1994	November 6, 2008
5132554	November 7, 1994	November 6, 2008
5132555	November 7, 1994	November 6, 2008
5132561	November 7, 1994	November 6, 2008
5132562	November 7, 1994	November 6, 2008

Lennard Shelf, Australia

The Lennard Shelf is located in the Kimberly region of Western Australia, 2,500 kilometers north-east of Perth.

The Lennard Shelf mines are currently on care and maintenance.

Lady Loretta, Australia

The Lady Loretta project is located north of Mount Isa in Queensland, Australia. Permitting is complete. Queensland government approval has been granted for the transfer to BUKA Minerals Limited of the adjacent Lady Annie part of the property, known as the Lady Annie sublease.

Summary of property holdings

Special Lease – SL.08/46006

Mining Lease – ML.5568

Statutory authorizations, licenses and concessions: Alloys Business

An approved mining license was required for all mining operations in South Africa under Section 9 of the Minerals Act (Act 50 of 1991), which was repealed by the MPRDA. Those licenses continue to be valid for certain defined periods under the transitional provisions of the MPRDA. A number of these licenses have been replaced by new order mining or prospecting rights, or converted new order mining or prospective rights issued to the Xstrata Group in terms of the provisions of the MPRDA.

Mine/Location	Property	Mining right no:		Expiry date	License type
Wonderkop	Ptn 1 of SPRUITFONTEIN 341 JQ, Ptns 17, 18, 19 (Ptn of Ptn12). RE of Ptn 12 and RE of BRAKSPRUIT 299 JQ		3/2002	2009	Old Order
Kroondal	Portions 24, 26, 45, 46, 47, 50, 51. Parts of 13, 41, 43, 44 and the reminder of KROONDAL 304 JQ	Converted Mining Right No:	MR 295	2037	New Order
Kroondal	MA 6 (Ptn of MA 5), MA 8 (Ptn of MA 7), MA 9 (Ptn of MA 5), MA 10 (Ptn of MA 1) and Ptn 91 of KROONDAL, 304	Converted Mining Right No:	MR 295	2037	New Order
Kroondal (JV)	Ptn of Ptn 91. Ptn of RE of Ptn 92, Ptn of Ptn 102 (Ptn of Ptn 92), Ptn of 93, Ptn of RE of Ptn 94, RE of MA 11 (Ptn of Ptn 95), RE of MA 12 (Ptn of Ptn 97), RE of MA 13, (Ptn of Ptn 98) and RE of MA 14.		6/2001	2011	Old Order
Waterval East	Ptns 27,30,31,32,33,34, Holdings 25,26 and Ptn of Holdings 27, Ptn of RE of Ptn 2 and MA 1 of WATERVAL 306 JQ	Converted Mining Right No:	MR 296	2037	New Order
Waterval East	Ptns 35,36,37, Holdings 23,22,21,24 (RE) and Mineral Area 1 of WATERVAL 306 JQ	Converted Mining Right No:	MR 296	2037	New Order
Waterval West	Ptns 45 and 97 of TOWN AND TOWNLANDS OF RUSTENBURG 272 JQ	Converted Mining Right No:	MR 296	2037	New Order
TFR Area	Ptns 145,7 and 8 of RUSTENBURG TOWN AND TOWNLANDS 272 JQ	New Order Mining Right No:	MR 278	2013	New Order
Thorncliffe	THORNCLIFFE 374 KT AND HELENA 6 JT		22/2003	2013	Old Order
Thorncliffe De Groote Boom	MA 4 (Ptn of MA 3) of DE GROOTTEBOOM 373 KT		1/2004	2006	Old Order
Rietvly	Ptns 90 and 93 of RIETVLY 271 JQ	Converted Mining Right No:	MR 277	2037	New Order
Rietvly	Ptn 145 a Ptn of Ptn 8 of RIETVLY 271 JQ	New Order Mining Right No:	MR 301	2037	New Order
Rustenburg (Ext 9)	Extension of 9 of TOWN AND TOWNLANDS OF RUSTENBURG 272 JQ	Converted Prospecting Right No:	MR 309	2012	New Order
Rustenburg Town & Townlands	Disputed Area	New Order Prospecting Right No:	MR 301	2012	New Order
Anglo Purchase Area	RE of Ptn 2 and RE of Ptn 4 of KLIPFONTEIN 300 JQ and Ptn 5 of WATERVAL 303 JQ	New Order Prospecting Right No:	MR 271	2011	New Order
Goudini Chrouk	RE of GOUDINI 30 JP	New Order Prospecting Right No:	MR 294	2012	New Order
Boshoek	Farm Boshoek 103 JQ. Bookenhoutfontein 260 JQ and Bultfontein 259 JQ	New Order Mining Right No:	MR 310	2022	New Order
Horizon	Farm Ruighoek 169 JP Vogelstruisnek 173 JP		ML 1/2004	26/02/2006	Old Order
Rhovan	Berscba 397 JQ Losperfontein 405 JQ	New Order Mining Right No:	MR 308	2027	New Order

Statutory authorizations, licenses and concessions: other business

Maloma anthracite mine

Xstrata South Africa (Pty) Ltd holds a mining lease granted in 1992 by His Majesty, Ngwenyama of Swaziland in respect of the Maloma anthracite mine in Swaziland.

Competition

The markets in which the Xstrata Group operates are competitive. Competition is largely on the basis of price. The Xstrata 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 Xstrata Group operates.

The Xstrata Group's principal competitors in its main operations are set out below:

Copper

The Xstrata Group is the world's fourth largest producer of mined copper. Significant copper-producing competitors include Codelco, BHP Billiton, Rio Tinto, Anglo American Grupo Mexico, Freeport McMoran and Kazakhmys.

Coal – thermal

The Xstrata 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 and coal producers operating in China and Indonesia.

Coal – coking (including semi-soft coking coal)

The Xstrata Group is the world's fifth largest producer of managed export coking coal. Significant competitors in this sector include the BHP Billiton-Mitsubishi Alliance (BMA), Fording Canadian Coal Trust, Anglo American and Rio Tinto.

Nickel

The Xstrata Group is the world's fourth largest producer of refined nickel. Significant competitors include RAO Norilsk Nickel, CVRD, BHP Billiton, Ste Eramet-SLN, Jinchuan Group Limited and Sumitomo Metal Mining Co. Limited.

Zinc

The Xstrata Group is one of the largest zinc producers in the western world in terms of capacity, accounting for approximately 11% of western world production and approximately 32% of western European production. The Asturiana smelter is one of the lowest-cost producers in the world. Significant zinc smelting competitors are Korea Zinc Company, Zinifex Limited, Umicore SA, Teck Cominco, Outokumpu and zinc smelting operations in China.

Lead

The Xstrata Group is one of the world's largest lead producers. Substantial lead-producing competitors include Zinifex Limited, Teck Cominco and Korea Zinc Company, as well as various lead mining operations in China.

Chrome

The Xstrata Group is 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 Kazchrome, the Kermas Group, Hernic (Pty) Limited and Ore & Metal.

Vanadium

The Xstrata 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-backed producers Pansteel and Chengde.

Relationship with Glencore

Overview

Glencore International is a private, 100% employee-owned, 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 operates on a global scale, marketing physical commodities which it produces at its own industrial assets or purchases from third parties to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. Glencore International 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's headquarters are located in Baar, Switzerland and it has a network of 60 field offices in over 50 countries throughout the world.

In 1990, Glencore International became a substantial shareholder in Xstrata AG (which merged with Xstrata in 2002 when Xstrata plc became the ultimate holding company of the Xstrata Group), following which Xstrata AG built a portfolio of businesses operating in the natural resources sector.

So far as is known to Xstrata, Glencore, through its wholly-owned subsidiaries, Finges Investment BV ("Finges") and Hanmer BV ("Hanmer"), owns 336,801,333 Ordinary Shares, representing approximately 34.66% of the current issued ordinary share capital of Xstrata. Xstrata was notified by Glencore on January 8, 2007 that these Ordinary Shares are registered in the name of HSBC Bank plc ("HSBC").

Commercial relationship

General

The Xstrata Group believes that it benefits from the various arm's length advisory and marketing arrangements in place with Glencore. The Xstrata Group further believes that Glencore benefits from these arrangements with the Xstrata Group.

A number of the Xstrata 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 the Nickel Business is an average of past period performance with upside achievement in premiums being shared.

The Xstrata Group acquired a one-third interest in Cerrejón from Glencore in May 2006.

Copper Business

The Copper Business has 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, for an initial three-year period effective from June 1, 2004 and "evergreen" thereafter unless the agreement is terminated by either party with a minimum 12-month notice period. The sales terms for the copper cathode are 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 are based on market prices less agreed metal content deductions, treatment and refining charges. The treatment and refining charges for the benchmark portion (25%) are fixed annually, in line with annual benchmark terms. The treatment and refining charges for the spot portion (75%) are negotiated quarterly, based on the prevailing spot market terms. North Queensland, on occasion, sells by-products to Glencore and purchases concentrate from Glencore at spot terms at prevailing spot market prices.

Xstrata Copper (Minera Alumbrera Limited) has entered into a frame contract with Glencore in respect of 20,000 to 40,000 dmt copper concentrate per annum, terminating on 12-months' notice expiring on December 31 in any year. The sales terms for the copper concentrate are negotiated annually on arm's length terms and conditions. Minera Alumbrera Limited also has a fixed term contract for the sale of copper concentrate to Glencore for 40,000 dmt in 2007, expiring on December 31, 2007. The sales terms were fixed based on prevailing market terms in 2004. Minera Alumbrera Limited on occasions sells concentrate to Glencore at spot terms at prevailing spot market prices. Minera Alumbrera Limited on occasions also sells concentrate to Glencore under swap arrangements at prevailing market prices.

All terms and conditions between the Xstrata Group and Glencore are set on an arm's length basis.

Copper concentrate purchase and sale agreements were entered into between Xstrata Copper Canada and Glencore for the period January 1, 2007 to December 31, 2007, at prevailing spot market conditions.

Copper cathode sales agreements were entered into between Xstrata Copper Canada and Glencore for the period January 1, 2007 to December 31, 2007. All sales were at spot and benchmark terms according to the prevailing market conditions.

Copper concentrate purchase agreements were entered into between Xstrata Copper North Chile and Glencore for a four-year frame contract starting on January 1, 2007. All purchases were at spot and benchmark terms according to the prevailing market conditions.

Copper cathode sales agreements were entered into between Xstrata Copper North Chile and Glencore for the period from January 1, 2007 to December 31, 2007. All sales were at spot and benchmark terms according to the prevailing market conditions.

Sales agreements were also entered into between Xstrata Commodities Middle East and Glencore on copper cathode, for the period from January 1, 2007 to December 31, 2007, and copper concentrates, for a three-year frame contract starting on January 1, 2007. All sales were at spot and benchmark terms according to the prevailing market conditions.

All sales transactions with Glencore are on arm's length terms and conditions.

Coal Business

Xstrata Coal Marketing AG and Xstrata (Schweiz) AG entered into a Market Advisory Agreement with Glencore International on March 2, 2002. Pursuant to this agreement, Glencore International, for a fee of US$0.50 per attributable tonne of coal exported by the Xstrata Group from Australia or South Africa, acts as the Xstrata Group's market adviser with respect to its export production of coal (other than Cumnock while it was not a wholly owned subsidiary and the Coal Business's share of production from the Cerrejón mine). Although, as of the date of this Offering Memorandum, Cumnock is a wholly owned subsidiary, services rendered to it by Glencore Internatinal are governed by a separate agreement entered into on January 5, 1995 as described below. Glencore International advises the Xstrata 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 Xstrata Group's marketing department with real time market intelligence and access to Glencore International'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 Xstrata Group. See "Business of the Xstrata Group – Relationship with Glencore – Commercial relationship" below.

The Market Advisory Agreement remains in full force and effect for a period of 20 years from the date of the agreement, 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.

On January 5, 1995, Cumnock entered into a sales and marketing agreement with Glencore International. Pursuant to this agreement Glencore International provides sales and marketing services to Cumnock and Cumnock appoints Glencore International as its agent to market coal. Glencore International is entitled to a commission of US$0.75 per tonne for all coal sold by Cumnock.

The Xstrata Group enters into market standard forward commodity price contracts with Glencore International as counter-party. During the six-month period ended June 30, 2007, there were no such contracts, compared with 1,065,000 tons at an average FOB price of US$56.31 per tonne during the year ended December 31, 2006 and 945,000 tons at an average FOB price of US$57.80 per tonne during the year ended December 31, 2005. At June 30, 2007 and December 31, 2006, there were nil tons contracted for forward delivery compared with 765,000 tons contracted at an average FOB price of US$52.63 per tonne for delivery in 2006 at December 31, 2005.

During the six months ended June 30, 2007, 177,575 tons were borrowed from Glencore and 191,031 tons were transferred back to Glencore with 211,345 tons owed to Glencore at June 30, 2007 (compared with 224,801 tons at December 31, 2006).

All other coal purchases and sales with Glencore International are on arm's length terms and conditions.

In 2006, the Xstrata Group entered into a three-year fuel supply agreement with Glencore to supply diesel fuels to coal mines in New South Wales and Queensland. The supply agreement started in April 2006 and US$30 million of fuel was delivered to June 30, 2007. The supply agreement is on arm's length terms and prices change monthly according to the world market price per barrel (US$/BBL).

In 2005, Cerrejón entered into a four-year fuel supply agreement with Glencore to supply diesel fuels. The Xstrata Group acquired a one-third interest in Cerrejón from Glencore in May 2006. Since Xstrata acquired its interest in Cerrejón, Xstrata's share of the fuel purchases totalled US$22 million for the six months to June 2007. The supply agreement is on arm's length terms and prices change for each shipment according to the world market price per barrel (US$/BBL).

Nickel Business

In March 2007, the Nickel Business entered into sole distributorship agreements with Glencore for its nickel, cobalt and ferronickel production. These agreements continue 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 renew term, or unless the Nickel Business permanently ceases production of these metals. The Nickel Business, 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 shall cultivate and maintain good relations with purchasers and potential purchasers in accordance with sound commercial principles and taking into account the Nickel Business'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 LME at a time linked to the sale to the end customer. Accordingly, provisionally priced nickel, ferronickel and cobalt revenues are subject to final price adjustments due to future price changes. In the period from the commencement of these agreements to June 30, 2007, the Nickel Business sold to Glencore 28,029 tons of nickel, 1,082 tons of cobalt, and 8,447 tons of ferronickel. In addition, Glencore pre-pays monthly to the Nickel Business in two equal instalments 100% of the value of each month's planned production. The pre-payment balance as at June 30, 2007 amounted to US$238 million.

The Nickel Business has two agreements with Glencore International ("Glencore") for the treatment of approximately 2,000 tons per annum of white alloy raw material feeds to its Nikkelverk refinery in Norway and Sudbury smelter in Canada. The contracts include both a metal purchase component and a metal return component. The initial term of the contracts covered the period ending December 31, 2006. In 2005, the term was extended to the end of 2009, continuing indefinitely thereafter unless terminated by either party with six months' notice given not earlier than July 1, 2009. Treatment and refining charges to Glencore are subject to price participation adjustments based on prevailing market prices.

Zinc Business

Asturiana has a service agreement with Glencore (the "Zinc Business Agreement"), under the terms of which Glencore provides advice and assistance in connection with Asturiana's hedging policy and improvement of its position in the zinc market. The fees paid by Asturiana under the Zinc Business Agreement are approximately US$2.4 million per annum.

Asturiana has an "evergreen" agreement with Glencore for Glencore to purchase from it 380,000 dmt per annum of zinc concentrate. Treatment charges in respect of such purchases are negotiated annually on arm's length terms and conditions.

McArthur River has an agreement with Glencore to supply 226,400 wmt of bulk zinc each year until December 31, 2009, after which it will become "evergreen" in nature. Treatment charges are negotiated annually on arm's length terms and conditions.

Mount Isa has two agreements with Glencore for the supply of zinc concentrate. The first agreement is to supply 90,000 wmt. The second agreement is to supply 80,000 wmt to 100,000 wmt for the purpose of swapping Mount Isa concentrate, in exchange for the same volume to be delivered to the Xstrata Group's European smelters at equivalent terms. Treatment charges are negotiated annually on arm's length terms and conditions. These agreements have been extended to the end of 2008, after which they will become "evergreen" in nature.

The Zinc Business has a current contract to sell to Glencore in 2007 12,000 tons of zinc metal (shipped at 1,000 tons per month) from Kidd Creek and CEZ operations in Canada. During 2007, other zinc metal sales have been agreed with Glencore on a spot basis for approximately 36,000 tons.

Alloys Business

Chrome operations

Xstrata South Africa and Merafe entered into a ferrochrome marketing agreement with Glencore International as its exclusive world-wide marketing agent for the sale of the PSV's entire production of ferrochrome other than ferrochrome sold by the PSV 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 endeavors to arrange sales of ferrochrome to customers at prevailing market rates, subject to initial agreement and approval by Xstrata South Africa prior to effecting the sale. 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 on this material. 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 shall be entitled to seek purchasers of that quantity of ferrochrome or 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 Xstrata Group in respect of ferrochrome sold under the distribution agreement is substantially the same as the commission paid under the ferrochrome marketing agreement.

Mitsui & Co. Limited ("Mitsui & Co") is the appointed distribution agent for ferrochrome sales into China, Japan and South Korea up to a maximum of 105,000 tons 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 continuation of the distribution agreement with Mitsui & Co. is subject to 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 is appointed as independent contractor. This ownership entitles MMDSA to 12.5% of the rated capacity (capped at 240,000 tons) 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, the distribution agreement will also terminate and Xstrata South Africa will be obliged to purchase the 12.5% undivided share 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 endeavors to arrange sales of vanadium pentoxide, ferrovanadium, ammonium meta-vanadate and vanadium trioxide to customers at prevailing market rates subject to initial agreement and approval by Xstrata South Africa prior to effecting the sale. 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 ferrovanadium sold into the United States and Canada is distributed by Glencore under two distribution agreements. The distribution agreements have the same term as the marketing agreement. The direct costs incurred by Glencore as the case may be, and a distribution fee of 2.5% on FOB sales revenue is deducted from the final price payable by it to Xstrata South Africa for the vanadium pentoxide or ferrovanadium.

Relationship with controlling 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 Xstrata Group's business independently of Glencore International and that transactions and relationships between Glencore and the Xstrata 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 "Significant shareholders" and "Relationship with Glencore – Overview", so far as is known to Xstrata, Glencore, through its wholly owned subsidiaries, Finges and Hanmer, owns 336,801,333 Ordinary Shares, representing approximately 34.66% of the current issued ordinary share capital of Xstrata. Xstrata was notified by Glencore on January 8, 2007 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 Xstrata 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. 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 20, 2006, Glencore International currently only has two nominees on the board of directors of Xstrata, being Messrs. Strothotte and Glasenberg;

- directors of Xstrata nominated by Glencore International shall not be permitted, unless the independent directors agree otherwise, to vote on any resolutions of the Xstrata's board of directors to approve any aspect of the Xstrata 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 Xstrata Group believes that the terms of the Relationship Agreement as described above enable it to carry on its business independently from Glencore.

Recent developments

The Xstrata Group

Club Facility

On October 8, 2007, Xstrata Schweiz and certain other subsidiaries of Xstrata entered into a US$2,000,000,000 multi-currency revolving facility with Australia and New Zealand Banking Group Limited, Barclays Capital, Deutsche Bank AG, London Branch, J.P. Morgan plc, Lloyds TSB Corporate Markets, National Australia Bank Limited, The Royal Bank of Scotland plc and The Bank of Tokyo-Mitsubishi UFJ Ltd, London Branch as arrangers and bookrunners and Barclays Capital plc as facility agent. In October 2007, the Xstrata Group drew down US$290 million under the Club Facility to pay for the acquisition of Austral. As at November 12, 2007, there was US$290 million outstanding in borrowings under the Club Facility.

Syndicated Loan

On July 25, 2007, Xstrata Schweiz and certain other subsidiaries of Xstrata entered into a US$4,680,000,000 multi-currency revolving facility with Barclays Capital and The Royal Bank of Scotland plc as arranger and bookrunners, Barclays Bank plc as facility agent and various other banks as original lenders. On July 31, 2007, the Xstrata Group drew down US$4,087,401,533.58 under the Syndicated Loan and used these proceeds to repay in full the amounts outstanding under the Acquisition Facilities. Subsequent drawdowns have been made to fund the acquisitions of Anvil Hill and Austral. As at November 12, 2007, there was approximately US$4,680 million outstanding in borrowings under the Syndicated Loan.

Disposal of aluminum assets

In April 2007 the Falconbridge aluminum assets were sold to Apollo Management LP for a total cash consideration of US$1.15 billion, following a comprehensive strategic review.

Copper Business

In March 2007, Xstrata Recycling sold the end-of-life recycling assets comprising three shredding and de-manufacturing facilities in the United States and Canada to SIMS Recycling.

Coal Business

On October 30, 2007, Xstrata announced the retirement of Peter Coates, Chief Executive of the Coal Business, which will take effect on January 1, 2008. Mr. Coates will remain with the Xstrata Group on a full-time basis until March 31, 2008, and from April 1, 2008 he will take on the position of Chairman of Xstrata Australia Limited, providing on a consultative basis support to Xstrata in the area of government, industry and non-governmental organization relations in Australia. Peter Freyberg, the current Director of Operations at the Coal Business, will become Chief Executive of the Coal Business from January 1, 2008 and will join Xstrata's Executive Committee from that date.

Anvil Hill

On October 17, 2007, the Coal Business announced it had completed the acquisition of the Anvil Hill asset from Centennial, following receipt of ministerial approval and the resolution of conditions precedent.

The acquisition for the Anvil Hill Project will add to Xstrata's NSW thermal coal portfolio, with the mine plan envisaging production of up to 10.5 Mt of both domestic and export grade thermal coal annually over a 20-year period.

Austral

On September 17, 2007, the Coal Business announced its intention to make an off-market takeover cash bid to acquire 100% of shares in Austral for A$1.83 per share, valuing Austral at approximately A$557 million (approximately US$510 million) on a fully-diluted basis.

Under the Coal Business proposal, Helios, a subsidiary of the Coal Business, will offer to acquire all of the shares in Austral.

The Coal Business, Austral and Helios have signed a bid implementation agreement under which standard exclusivity arrangements have been agreed. The Austral Acquisition is subject to limited conditions, including an 80% minimum acceptance condition and regulatory approval.

The Austral Acquisition is unanimously recommended by the board of directors of Austral, (with Mr. Robert Cameron abstaining), subject to the absence of a superior proposal and an independent expert concluding that the Austral Acquisition is fair and reasonable for Austral shareholders. Austral has commissioned KPMG Corporate Finance as an independent expert.

Mr. Cameron will excuse himself from consideration by the board of directors of Austral of the Austral Acquisition, due to his position as the Managing Director of Centennial Coal Company Limited, which is Austral's 85.85% shareholder.

Austral's Tahmoor mine is an underground longwall hard coking coal operation in the southern coalfields of NSW, producing approximately 2.3 Mt (ROM) in the last financial year. Tahmoor exports via Port Kembla, near Wollongong.

In accordance with the Corporations Act 2001 (Cwlth), Helios dispatched a bidder's statement to all Austral shareholders containing detailed information relevant to the Austral Acquisition.

The Xstrata Group assumed operational control of Austral on October 30, 2007.

Nickel Business

Jubilee

On October 29, 2007, Xstrata announced that it had entered into a bidding agreement with Australian nickel producer Jubilee, for an all-cash offer to acquire, through Ithaki Australia Pty, a wholly-owned subsidiary of Xstrata plc, all the issued and outstanding shares of Jubilee by way of a recommended off-market takeover offer. The offer values Jubilee at approximately US$2.9 billion. The directors of Jubilee have unanimously recommended the offer by Xstrata, in the absence of a superior offer. The Jubilee Offer will be financed through Xstrata's existing credit facilities and cash on hand. The Jubilee Offer is subject to certain customary conditions including the absence of a material adverse change with respect to Jubilee. Xstrata may waive the conditions of the Jubilee Offer in certain circumstances. On November 7, 2007, Xstrata announced that it had received advice from Australia's Federal Treasurer that there are no objections to the Jubilee Offer.

Jubilee is a leading Australian nickel producer with a primary focus on high grade nickel sulfides.

Jubilee owns and operates the world-class Cosmos Nickel Project in the acclaimed Mt Keith-Leinster region of Western Australia 40 kilometers north of Leinster and has recently announced formal approval to proceed with the development of its wholly-owned Sinclair Nickel Project located 100 kilometers to the south. The Cosmos Nickel Project is located in the heart of one of Australia's most prospective and historically productive nickel sulfide regions, which hosts deposits such as Mt Keith, Yakabindie, Honeymoon Well, Perseverance and Rocky's Reward at Leinster.

To date, Jubilee has discovered eight high-grade massive nickel sulfide deposits within the vicinity of the Cosmos Nickel Project, namely Cosmos, Cosmos Deeps, Alec Mairs (AM) 1, 2 and AM5, Prospero, Tapinos and Sinclair along with the large low grade Anomaly 1 deposit.

One of the key highlights of Jubilee's 2007 financial year has been the discovery of the AM5 deposit, adjacent to the AM1 and AM2 deposits, which has demonstrated the potential of the Alec Mairs complex as a major nickel sulfide system.

Jubilee's emerging Sinclair project, 100 kilometers south of Cosmos, is evolving as a substantial new production center, with Jubilee recently announcing formal approval to proceed with a new A$90 million standalone mine and processing facility.

Jubilee has announced an updated targeted production profile from the 2007/08 financial year through until the 2014/15 financial year for both its core high-grade nickel sulfide business and for a potential larger scale development of the AM5 nickel deposit. This targeted profile envisions high-grade production of nickel-in-concentrate increasing from 12,000 tons in 2007/08 to approximately 17,000 tons in 2008/09 and 22,000 tons in 2010/11 to around 30,000 tons per annum thereafter.

In the 12 months ended June 30, 2007, Jubilee recorded gross profit of A$274 million and net profit of A$173 million. The book value of the total assets of Jubilee as at June 30, 2007 was A$492 million.

The Directors of Xstrata believe this acquisition will establish a regional base for the Nickel Business in western Australia, headquartered in Perth. Xstrata intends to develop this base through the existing management of Jubilee, which has a proven track record in nickel mining projects.

Konaimbo project

On October 17, 2007, Xstrata announced the approval by its board of the development of the Koniambo project, a major long-life, low cost, open-pit nickel mine, metallurgical plant and associated infrastructure located in the North Province of New Caledonia. The Nickel Business owns a 49% stake in Koniambo Nickel SAS ("KNS"); the remaining 51% share is held by New Caledonian joint venture partner Société Minière du Sud Pacifique ("SMSP"). The Nickel Business will lead the project implementation and operations development on behalf of KNS and has the right to appoint the President of KNS. Xstrata's board approval follows the recent approval by SMSP's board of the Koniambo project.

The project development entails investment of US$3.8 billion to be majority-funded by Xstrata, in return for a proportionate share of the project's cash flows in the first 25 years of operation. The project will be funded through Xstrata's internal cash reserves and ongoing strong cash flows from the Group's operations.

For further information, see "Business of the Xstrata Group – Nickel Business summary – Projects and developments".

Zinc Business

A fire in the conveyor system to the Heavy Medium Plant at the Zinc Business's Mount Isa zinc-lead concentrator on September 28, 2007 resulted in property damage and an interruption to operations. The fire originated at a redundant sampler chute that was in the process of being removed from a conveyor circuit, as part of the ongoing expansion of the concentrator capacity to 8 Mtpa. The fire was rapidly extinguished and there were no injuries to any mine employees.

The zinc-lead concentrator recommenced operations the same day but operated at a reduced capacity until repairs were completed in October 2007. It is estimated that the fire impacted approximately 25,000 to 30,000 tons of zinc metal and 15,000 to 20,000 tons of lead. The incident is covered by an insurance policy and is not expected to result in any material impact on the Xstrata Group's earnings.

Alloys Business

Acquisition of Eland

In July 2007, the Xstrata Group announced an offer to aquire the entire issued share capital of Eland by way of a scheme of arrangement for a total cash consideration of approximately ZAR7.525 billion (US$1,150 million), equivalent to ZAR105 per share, which will be financed through the Xstrata Group's existing cash resources. Eland is listed on the Johannesburg Securites Exchange in South Africa, and its main asset consists of the Elandsfontein Platinum Project, which is a shallow 183 million tons UG2 resource with an estimated 22.7 million ounces of Platinum. Mining of the opencast ore commenced in January 2007, and underground mine development will start in December 2007. Steady state production will see the mine produce approximately 176,000 platinum ounces and 280,000 PGM ounces annually. In addition to Elandsfontein, Xstrata will also acquire additional PGM resources through the transaction.

The scheme of arrangement has received the necessary support from Eland shareholders and is no longer subject to any regulatory approvals. An application will be made to the High Court of South Africa on November 13, 2007, to sanction the scheme.

MANAGEMENT

Directors of Xstrata

The members of Xstrata's board of directors are as set out in the table below.

Directors

Name	Age	Position
Willy Strothotte	63	Chairman
Mick Davis	49	Chief Executive
Trevor Reid	46	Chief Financial Officer
Santiago Zaldumbide	65	Executive Director, Chief Executive of the Zinc Business and Executive Chairman of Asturiana de Zinc
Ivan Glasenberg	50	Non-executive Director
Paul Hazen	65	Non-executive Director
Robert MacDonnell	70	Non-executive Director
Sir Steve Robson CB	64	Non-executive Director
David Rough	56	Non-executive Director
Ian Strachan	64	Non-executive Director

Secretary

Richard Elliston

On August 7, 2007, Xstrata announced the resignation of Dr. Frederik Roux as a director of Xstrata with immediate effect. Dr. Roux was a Non-executive Director and was appointed to the Board in February 2002.

The business address for each Xstrata director is c/o Bahnhofstrasse 2, P.O. Box 102, 6301 Zug, Switzerland.

Willy Strothotte, aged 63, is Chairman of Glencore International. From 1961 to 1978, Mr. Strothotte held various positions with responsibility for international trading in metals and minerals in Germany, Belgium and the United States. In 1978, Mr. Strothotte joined Glencore International, taking up the position of Head of Metals and Minerals in 1984. Mr. Strothotte was appointed Chief Executive Officer of Glencore International in 1993 and held the combined positions of Chairman and Chief Executive Officer from 1994 until 2001, when the roles of Chairman and Chief Executive were split. Mr. Strothotte has been Chairman of Xstrata AG since 1994, and Chairman of Xstrata since February 2002, and is currently a director of Century Aluminum Corporation and Minara Resources Limited.

Mick Davis, aged 49, is the Chief Executive of Xstrata. Mr. Davis was appointed as Chief Executive of Xstrata AG in October 2001, and was appointed to the Board of Xstrata in February 2002. 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. He joined Gencor Limited in early 1994 from Eskom, the South African state-owned electricity utility, where he was an executive director.

Trevor Reid, aged 46, is the Chief Financial Officer of Xstrata. Mr. Reid joined Xstrata AG in January 2002, and was appointed to the Board of Xstrata in February 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, aged 65, is an Executive Director of Xstrata, Chief Executive of the Zinc Business and Executive Chairman of Asturiana de Zinc. 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. In 1994 he was appointed Chief Executive Officer of the Corporacion Industrial de Banesto and, in December 1997, Chairman and Chief Executive Officer of Asturiana de Zinc. Mr. Zaldumbide is also a member of the European Advisory Council of Air Products and Chemicals, Inc. and a director of ThyssenKrupp SA.

Ivan Glasenberg, aged 50, is Chief Executive Officer of Glencore International, 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.

Paul Hazen, aged 65, joined the Board of Xstrata AG in May 2000, and was appointed a Director of Xstrata in February 2002. Mr. Hazen is a former Chairman and CEO of Wells Fargo and Company and he was a director of Phelps Dodge Corporation until February 2003 and Deputy Chairman and Lead Independent Director of Vodafone Group Plc until July 2006. Mr. Hazen retired in April 2001 as Chairman after a 30-year career with Wells Fargo and Company. Mr. Hazen is currently Chairman of Accel-KKR and of KKR Financial Corporation. He also serves as Lead Independent Director of Safeway, Inc. and is a Director of Willis Group Holdings Ltd.

Robert MacDonnell, aged 70, joined the Board of Xstrata AG in May 1997, and was appointed to the Board of Xstrata in February 2002. Prior to joining Kohlberg Kravis Roberts & Co. ("KKR") in 1976, Mr. MacDonnell was a management consultant at Arthur Andersen & Co. He subsequently formed his own firm, which specialized in small management buyouts. Mr. MacDonnell became the first non-founding partner of KKR in 1982 and participated in virtually all investment decisions until the firm expanded in the late 1980s. Mr. MacDonnell is also currently a director of Safeway, Inc.

Sir Steve Robson CB, aged 64, 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 non-executive director of JPMorgan Cazenove Holdings, Partnerships UK plc and The Royal Bank of Scotland Group plc. Sir Steve was appointed to the Board of Xstrata in February 2002 and is Chairman of the Audit Committee.

David Rough, aged 56, 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 management within Legal & General Investments. Mr. Rough is currently a director of BBA Group plc, Emap plc, Land Securities plc, Brown, Shipley & Co Ltd and Mithras Investment Trust plc. Mr. Rough was appointed to the Board of Xstrata in April 2002, is Deputy Chairman, the Senior Independent Director and Chairman of the Nominations Committee.

Ian Strachan, aged 64, is a director of Reuters Group plc, Johnson Matthey plc, Rolls Royce plc and Transocean Inc. 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 was appointed to the Board of Xstrata in May 2003 and is the Chairman of the Health, Safety, Environment and Community Committee.

Mr. Strothotte and Mr. Glasenberg are directors nominated by Glencore. Therefore, potential conflicts of interest may arise between the duties owed by such directors to Xstrata and their duties to Glencore. The Relationship Agreement between Xstrata and Glencore regulates the ongoing relationship between them, as described in "Business of the Xstrata Group – Relationship with Glencore – Commercial relationship".

In particular under the Relationship Agreement, directors of Xstrata nominated by Glencore 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 Xstrata's involvement in or enforcement of any arrangements, agreements or transactions with any member of Glencore.

There are no other potential conflicts of interests between any duties to Xstrata of its directors and their private interests and/or other duties.

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 set out below:

Name	Age	Position
Peter Coates	61	Chief Executive, the Coal Business
Thras Moraitis	44	Executive General Manager, Group Strategy and Corporate Affairs
Peet Nienaber	57	Chief Executive, the Alloys Business
Ian Pearce	50	Chief Executive, the Nickel Business
Charlie Sartain	46	Chief Executive, the Copper Business
Benny Levene	43	Chief Legal Counsel, Xstrata

The business address for the senior executives is c/o Bahnhofstrasse 2, P.O. Box 102, 6301 Zug, Switzerland.

Peter Coates, aged 61, is the Chief Executive of the Coal Business. He has a degree in mining engineering and has over 40 years' experience in the mining industry. Prior to becoming the CEO of Xstrata's Coal Business, he occupied various senior positions in the industry throughout Australia and South America. He is the current Chairman of the Minerals Council of Australia and a past Chairman of the NSW State Minerals Advisory Council and the Australian Coal Association. He is a current member of the board of each of the NSW State Minerals Advisory Council, the Queensland Resources Council and the Australian Coal Association. Prior to joining Xstrata, Mr. Coates was head of Glencore's coal operations and spearheaded its asset acquisition program in Australia and South America. He has previously occupied senior mining roles in various commodities including, nickel, iron ore, bauxite and coking coal. Mr. Coates is a director of Port Waratah Coal Services and Port Kembla Coal Terminal. He is also a Fellow of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Company Directors.

Mr. Coates will be retiring from this position effective January 1, 2008, at which time Peter Freyberg, who is currently the Director of Operations of the Coal Business, will take on this position and join Xstrata's Executive Committee. Mr. Coates will remain with Xstrata as Chairman of Xstrata Australia Limited, on a consultative basis from March 31, 2008.

Thras Moraitis, aged 44, is Executive General Manager Group Strategy and Corporate Affairs. Mr. Moraitis joined Xstrata AG in 2003 and is responsible for the Xstrata Group's strategic development, post-acquisition integration, external affairs and investor relations as well as the 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 EMEA operations, advising governments and corporations around the world and was involved in Monitor's private equity and venture capital activities.

Peet Nienaber, aged 57, is the Chief Executive of the Alloys Business. Mr. Nienaber holds both a Bachelor and Honors degree in Engineering. Mr. Nienaber started his career as an Iscor bursary holder at Iscor Steelworks in Newcastle, South Africa 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 Xstrata Group's Chrome Business. In 1997, Mr. Nienaber was appointed Chief Executive of Xstrata's South African alloys operations.

Ian W. Pearce, aged 50, is the Chief Executive of the Nickel Business. 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 Program 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, aged 46, is the Chief Executive of the Copper Business and was appointed in January 2004. He holds an Honors 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 Council on Australian-Latin American Relations. Mr. Sartain was appointed a director and Vice President of the Queensland Resources Council on April 3, 2004 and on June 16, 2005 he was appointed a director of the Sustainable Minerals Institute at the University of Queensland. Mr. Sartain is also a director of the International Copper Association.

Benny Levene, aged 43, is the Chief Legal Counsel of Xstrata. Mr. Levene joined Xstrata AG in 1997. Prior to that he was a partner at Werksmans Attorneys in South Africa, specialising in mergers and acquisitions and equity and debt capital raising.

There is no family relationship between any of the Xstrata Directors or Xstrata's senior management.

Interests of significant shareholders

So far as is known to Xstrata, Glencore, through its wholly-owned subsidiaries Finges and Hanmer, controls 336,801,333 voting rights, or approximately 35% of the voting power, in Xstrata. Finges is a wholly-owned subsidiary of Glencore and Hanmer is a wholly-owned subsidiary of Finges. Finges directly controls 185,240,733 voting rights in Xstrata (through the ownership of 185,240,733 shares in Xstrata). Hanmer directly controls 151,560,600 voting rights in Xstrata (through its ownership of 151,560,600 shares in Xstrata).

AXA Investment Managers UK Limited ("AXA") notified Xstrata on March 19, 2007 that AXA holds a beneficial interest in 4,141,799 Ordinary Shares or approximately 0.43% of the current issued ordinary share capital of Xstrata and a non-beneficial interest in 84,297,662 Ordinary Shares or approximately 8.67% of the current issued ordinary share capital of Xstrata. In total, AXA is therefore deemed to have an interest in 88,439,461 Ordinary Shares, representing approximately 9.1% of the current issued ordinary share capital of Xstrata.

Legal & General Group Plc ("Legal & General") notified Xstrata on October 29, 2007 that Legal & General holds 29,999,246 Ordinary Shares or approximately 3.08% of the current issued ordinary share capital of Xstrata.

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 of the Xstrata Group – Commercial relationship" for further information.

DESCRIPTION OF OTHER INDEBTEDNESS

General

As at June 30, 2007, the total gross indebtedness of the Xstrata Group was US$11,490 million, of which approximately US$102 million was secured indebtedness and therefore effectively ranks senior to the Notes.

As at June 30, 2007, the Xstrata Group's net indebtedness position was US$10,039 million and its net financial position (net indebtedness offset by current financial assets) was US$10,026 million.

Principal indebtedness

As at June 30, 2007, the Xstrata Group's principal indebtedness comprised:

- US$4.057 billion on borrowings under the Acquisition Facilities;
- US$1.941 billion in the following outstanding Falconbridge US$ debentures: the US$300 million 8.375 per cent. debentures due 2011, the US$250 million 7.35 per cent. debentures due 2012, the US$300 million 7.25 per cent. debentures due 2012, the US$250 million 5.375 per cent. debentures due 2015, the US$350 million 6 per cent. debentures due 2015, the US$250 million 5.5 per cent. debentures due 2017 and the US$250 million 6.2 per cent. debentures due 2035;
- US$1 billion in outstanding 2016 Fixed Rate Notes;
- US$750 million in outstanding 2011 Fixed Rate Notes;
- US$500 million in outstanding 2009 Floating Rate Notes;
- €500 million in outstanding 2017 Fixed Rate Notes;
- €500 million in outstanding 2012 Fixed Rate Notes;
- US$375 million in outstanding 2017 Convertible Debentures;
- US$165 million equivalent of the C$175 million 8.5 per cent. debentures due 2008 issued by Falconbridge;
- US$250 million senior notes issued by Xstrata Queensland Limited in private placements in the United States (see "Management's discussion and analysis of financial condition and results of operations" for further information on such notes);
- US$144 million of Falconbridge preferred share liabilities associated with the Cumulative Preferred Shares, Series H;
- US$113 million of Falconbridge preferred share liabilities associated with the Cumulative Preferred Shares, Series 2; and
- US$74 million of Falconbridge preferred share liabilities associated with the Cumulative Preferred Shares, Series 3.

In addition, since June 30, 2007:

- On July 25, 2007, Xstrata Schweiz and certain other subsidiaries of Xstrata entered into the Syndicated Loan, a US$4,680 million multi-currency revolving facility 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. On July 31, 2007, the Xstrata Group drew down US$4,087,401,533.58 under the Syndicated Loan and used these proceeds to repay in full the amounts outstanding under the Acquisition Facilities.

Subsequent drawdowns have been made to fund the acquisitions of Anvil Hill and Austral. Interest is payable on the loans at the rate which is the aggregate of: (i) LIBOR or, in relation to any loan in euro, EURIBOR; (ii) mandatory costs (being regulatory costs of the lenders which are passed on to the borrowers); and (iii) the relevant margin, which is 0.275 per cent. per annum. Agency fees of US$55,000 per annum are also payable in advance. The Syndicated Loan is available until July 1, 2012 and all amounts drawn down under the Syndicated Loan must be repaid by July 31, 2012. As at November 12, 2007, there was approximately US$4,680 million outstanding in borrowings under the Syndicated Loan.

- On October 8, 2007, Xstrata Schweiz and certain other subsidiaries of Xstrata entered into the Club Facility, a US$2,000 million revolving facility with J.P. Morgan plc, Australia and New Zealand Banking Group Limited, Barclays Capital, Deutsche Bank AG, London Branch, Lloyds TSB Corporate Markets, National Australia Bank Limited, The Royal Bank of Scotland plc and The Bank of Tokyo – Mitsubishi UFJ Ltd, London Branch as arrangers and bookrunners and Barclays Capital plc as facility agent. In October 2007, the Xstrata Group drew down US$290 million under the Club Facility to pay for the acquisition of Austral. The Club Facility bears the same interest rate as the Syndicated Loan. The Club Facility is a 364 day facility and is therefore available until September 7, 2008 and all amounts drawn under the Club Facility must be repaid by October 7, 2008. As at November 12, 2007, there was US$290 million outstanding in borrowings under the Club Facility.

It is intended that the proceeds of the Notes Issue be used to repay in full the amounts outstanding under the Club Facility and use the balance of such proceeds to repay part of the amounts outstanding under the Syndicated Loan.

The Falconbridge Group's outstanding indebtedness (including liabilities relating to its preferred stock) is structurally senior to the Notes with respect to the cash flow and assets of the Falconbridge Group. As at June 30, 2007, the Falconbridge Group's outstanding indebtedness (including liabilities for preferred stock discussed below) totalled approximately US$5.271 billion. The Xstrata Group may implement various debt restructuring options, including the provision of Xstrata guarantees for the Falconbridge Group's indebtedness. For more information regarding the ranking of the Notes, see "Risk factors – Risks related to the structure of the Notes".

In addition, as at June 30, 2007 Xstrata Queensland Limited had US$250 million of notes issued in private placements in the United States. Such notes are structurally senior to the Notes with respect to the cash flows and assets of Xstrata Queensland Limited. For more information regarding the ranking of the Notes, see "Risk factors – Risks related to the structure of the Notes".

Falconbridge Preferred Shares

Set forth below is a description of each series of the outstanding Falconbridge preferred shares referred to above.

Cumulative Redeemable Preferred Shares, Series H

Falconbridge completed a public offering of Cumulative Preferred Shares, Series H for aggregate gross proceeds of C$150m on March 25, 2003.

Holders of the Series H Redeemable Preferred Shares are entitled to fixed cumulative preferential cash dividends, if, as and when declared by Falconbridge's board of directors, at a rate of C$1.625 per share per annum, payable quarterly, in equal instalments of C$0.40625 per share, on the last day of March, June, September and December of each year.

On and after March 31, 2008, Falconbridge may, at its option (i) redeem the outstanding Series H Redeemable Preferred Shares in whole at any time or in part from time to time, by the payment of C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption; or (ii) subject, if required, to stock exchange approvals, convert the outstanding Series H Redeemable Preferred Shares into Falconbridge common shares. The number of common shares into which each Series H Redeemable Preferred Share may be so converted will be determined by dividing the redemption price per Series H Redeemable Preferred Share, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 and 95% of the current market price of Falconbridge common shares at such time.

On or after June 30, 2008, each Series H Redeemable Preferred Share will be convertible at the option of the holder on the last day of March, June, September and December in each year into that number of Falconbridge common shares determined by dividing C$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 and 95% of the current market price of Falconbridge common shares at such time. If a holder of Series H Redeemable Preferred Shares elects to convert any of those shares into Falconbridge common shares, Falconbridge may, on not less than 20 days notice prior to the conversion date, elect to redeem those Series H Redeemable Preferred Shares for C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion or arrange for the sale of those shares to substitute purchasers at such price.

As at November 12, 2007, 6,000,000 Series H Redeemable Preferred Shares were outstanding.

Cumulative Preferred Shares, Series 2

Until March 1, 2004, holders of the Preferred Shares Series 2 were entitled to fixed cumulative preferential cash dividends, as and when declared by Falconbridge's board of directors, which accrued from the date of issue and were payable quarterly in the amount of C$0.3672 per share of C$1.4688 per share per annum. From March 1, 2004, the Preferred Share Series 2 are entitled to floating adjustable cumulative preferential cash dividends as and when declared by the board of directors.

Holders of Preferred Share Series 2 had the right to convert their shares into Cumulative Preferred Share Series 3 (the "Preferred Share Series 3") of Falconbridge, subject to certain conditions, on March 1, 2004, and will continue to have the right every five years thereafter. On March 1, 2004, Falconbridge had the right to redeem for cash the Preferred Share Series 2, in whole but not in part, at Falconbridge's option, at C$25.00 per share plus accrued and unpaid dividends. Subsequent to March 1, 2004, Falconbridge has the right to redeem at any time for cash the Preferred Share Series 2, in whole but not in part, at Falconbridge's option, at C$25.50 per share plus accrued and unpaid dividends. Effective March 1, 2004, the Preferred Share Series 2 shares pay a monthly adjustable floating dividend based on a percentage of the Canadian prime rate. A total of 3,122,882 units have been converted into Preferred Share Series 3.

As at November 12, 2007, 4,787,000 Preferred Shares Series 2 were outstanding.

Cumulative Preferred Shares, Series 3

Holders of Preferred Share Series 3 are entitled to fixed cumulative preferential cash dividends, as and when declared by Falconbridge's board of directors, which accrue from March 1, 2004. The dividends are payable quarterly on the first day of March, June, September, and December in the amount of C$0.2863 per share of C$1.1452 per share per annum until March 1, 2009. The Preferred Share Series 3 are not redeemable prior to March 1, 2009. The Preferred Share Series 3 will be redeemable on March 1, 2009 and on March 1 every fifth year thereafter, in whole but not in part, at Falconbridge's option, at C$25.00 per share, together with accrued and unpaid dividends up to but excluding the date of redemption. Holders of Preferred Share Series 3, upon giving notice, will have the right to convert on March 1, 2009, and on March 1 in every fifth year thereafter, their shares into an equal number of Preferred Share Series 2, subject to the automatic conversion provisions.

As at November 12, 2007, 3,123,000 Preferred Shares Series 3 were outstanding.

Market and outlook for the copper industry

Refined copper consumption has exceeded supply in the market over the past four years. Rapid growth of China's demand for commodities, coupled with supply-side disruptions and underperformance have been key drivers of the refined copper market deficit. Although high copper prices are encouraging new mine supply, long lead times for mine project development suggest that supply growth could be constrained in the near-term.

Xstrata believes that the outlook for global copper demand is buoyant and that China will maintain high consumption growth rates for the remainder of this decade.

Xstrata anticipates that exchange stocks are likely to remain well below historical levels and that the copper market will remain sensitive to actual and perceived supply-side disruptions.

Market and outlook for the coal industry

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

There has been fairly consistent and reliable growth in demand for seaborne export coal in recent years, despite the vagaries of economic cycles and the depressed Asian economies of prior years. The overall seaborne coal trade grew at an average rate of approximately 8.3% per annum between 2000 and 2006.

Thermal coal market

Xstrata expects there to be continuing strong demand in thermal coal in Asia, particularly in Korea, India and Taiwan. Even though Japan retains its position as the largest importer in the region and Xstrata expects it to experience better economic growth than in recent years, its economy is nevertheless more mature and Xstrata believes growth in its thermal coal imports will be modest in the medium term and subject to the fate of nuclear development and the need to meet any constraints imposed by implementation of emissions abatement strategies including the Kyoto Protocol. Xstrata believes the introduction of energy taxes is unlikely to have a material impact, as certain competing fuels are also taxed (although each has a different emissions profile, some with lower emissions than coal). However, coal is expected to maintain its cost advantage, even on an emission cost adjusted basis, particularly when compared with the much higher equivalent energy costs of gas and oil.

Demand growth in Europe continues to rise steadily, with growth affected by the decline in domestic European production. However, Xstrata believes the outlook for the Atlantic thermal coal market remains robust as a result of the continued growth in demand for imported thermal coal within the United States and the Americas, restricted supply increases out of South Africa, Russia's relatively high FOB cost of export coal, the relative competitiveness of coal fired electricity generation and, on a longer-term basis, the renewed interest in new coal-fired power capacity.

Coking coal market

Xstrata expects the mature economies of Europe and North America to maintain a reasonable level of growth, with Europe helped by growing demand in Eastern Europe. Xstrata anticipates strong industrial growth from the emerging economies of Asia and South America, and Japan to emerge from its decade-long stagnation.

Market and outlook for the nickel industry

2007 has been characterized by strong demand and a shortfall of supply for nickel, which caused prices to climb to a record US$25/lb in the second quarter.

The absence of new primary nickel supply and the price outlook, in combination with availability of blast furnace capacity in China, prompted the dramatic import of Laterite ores mainly from Indonesia and the Philippines and the generation of low grade nickel pig irons at a rate of approximately 80,000 tpa of nickel. This source has matured to being able to supply higher grade product suitable for feed into 300 series stainless steel production and lower grades which are predominantly consumed for 200 series production.

The anticipated correction in stainless producer demand commenced in May 2007 and is expected to continue into late in the fourth quarter 2007. This is due to the stainless steel growth, predominantly in China, overtaking demand and flooding the market. The impact was the build of stainless product in excess of 3-months of demand and the decision by the stainless producers to plan production outages and switch products to correct the inventory build.

Despite the extreme nickel prices in the second quarter of 2007 and the intention of producers to move to other qualities, it is evident that austenitic stainless demand is strong and there are limitations on the ability of producers to move additional quantities of 200, 400 and duplex qualities in place of 300 series. The advent of nickel pig iron has helped to provide nickel for austenitic production at a key time when the market would have been forced to alternative qualities. Hence while some view the nickel pig iron as negative, it has been positive for the longer-term health of the market.

The producers of nickel pig iron monitor cash returns closely and, given availability of low grade ores and furnace facilities, can turn on and off supply rapidly. These producers also tend to curtail operations when the nickel price is low and when the nickel price is falling. Producers act in this manner because of production cost drivers and their pricing exposure from source to product. Accordingly, production may shut once prices begin to fall and will remain shut regardless of price through a range of costs starting at US$10/lb nickel through to approximately US$7/lb nickel.

Xstrata expects that the dominant factor for nickel moving forward will continue to be the stainless steel industry.

For the remainder of this decade, Xstrata expects that the nickel market will continue to benefit from constrained nickel supply, the result of strong demand driven by Chinese stainless steel plant expansions and with major greenfield nickel projects coming on stream but trailing demand.

Market and outlook for the zinc industry

Zinc

Xstrata believes that global demand for zinc increased by approximately 3.9% in 2003, approximately 7% in 2004, approximately 3% in 2005 and approximately 5% in 2006, largely as a result of strong growth in China. Despite this, the global zinc market was in significant surplus in 2003 shifting to a significant deficit since 2004. The LME cash zinc price therefore averaged US$779 per tonne in 2002, US$828 per tonne in 2003, US$1,048 per tonne in 2004, US$1,382 per tonne in 2005 and US$3,273 per tonne in 2006.

Depressed prices from 2000 led to closures of some mines and smelters, and reduced the rate of investment. Consequently stocks of concentrates are very low. World mine production has grown slowly since 2000 at a compound annual growth rate of approximately 2.4%, remaining static in 2004, but recovering to approximately 4.4% in 2006.

The supply deficit in 2006 was reflected in a drawdown of 306,000 tons of LME stocks and 319,000 tons of stocks held elsewhere during 2006. LME stocks fell by approximately 78% to 88,450 tons at the end of 2006, the lowest level recorded since mid-2001. Strong market fundamentals combined with investment fund buying drove prices up strongly in the first half of 2006, and, after a weaker third quarter, again in the fourth quarter peaking at US$4,619 per tonne in November. The average LME zinc price increased by 137% in 2006 to US$3,264 per tonne.

Xstrata believes world demand for zinc in the next five years is likely to be driven by growth in the galvanising market and by the economies of Asia (notably China). Xstrata believes that in the western world immediate economic prospects suggest there will be only a slow recovery in demand.

Lead

Xstrata believes that western world lead consumption grew at an annual average rate of approximately 1% over the thirty years to 2004, but in the 1990s this growth rate increased to approximately 2.1%. Lead demand decreased by approximately 0.3% in the western world but increased by approximately 4% worldwide in 2006.

During 2006 the cash price for lead traded between US$914 per tonne and a high of US$1,809 per tonne to finish the year at US$1,775 per tonne. The average price in 2006 was US$1,287 per tonne, 3.1% higher than in 2005. Backwardation, the situation in which the price of goods upon future delivery would be lower than the current spot price, was again a key feature of trading throughout the year, reflecting the tight physical market.

The refined lead market was in supply deficit in 2006 with lead stocks at LME warehouses remaining at very low levels during the period. At the end of 2006, LME stocks of 41,125 tons represented less than one week of global consumption. Xstrata expects the lead market to be also in deficit in 2007 and anticipates that global lead consumption will continue to grow at a comparable rate to 2006. Xstrata expects battery demand to continue to increase while it expects non-battery uses for lead to follow the current downward trend. Xstrata anticipates that China will continue to be a dominant force in consumption and production. Exports of refined lead from China remained at similar levels to the year before but in the future Xstrata expects them to show a declining trend as domestic demand continues to grow. Xstrata expects lead stocks to continue to remain at very low levels and consequently that the market will remain fairly tight throughout 2007, supporting lead prices.

The structural tightness in primary lead supply has been further heightened in recent months by the closure of Ivernia's Magellan mine, following a lead poisoning incident at the port of Esperance in Western Australia. Supply constraints have been exacerbated by the subsequent difficulties in re-routing shipments through a different port.

Xstrata believes the main drivers of demand over the next five years will be the rate of production of new vehicles, which determines new battery demand, and the size of the total automotive population, which determines the level of replacement demand.

The large proportion of refined lead supplied by secondary recycling tends to keep supply and demand close to balance, since secondary production is closely allied to the demand for replacement batteries. The world market was in surplus in 2000 to 2003 shifting to deficit in 2004, 2005 and 2006 resulting in a drawdown in LME stocks to very low levels and a stronger price, but Xstrata expects it to be closely balanced in the next five years. Xstrata anticipates treatment charges for lead concentrates will remain at competitive levels.

Market and outlook for the ferrochrome industry

Ferrochrome consumption tends to track trends in stainless steel production, although growth in ferrochrome demand may vary from growth in the stainless steel market depending on nickel prices and the availability of stainless steel scrap.

Demand for ferrochrome remained strong in the first half of 2007. While the rate of growth in stainless melt production has moderated since the rapid increases seen in the second half of 2006, production continues to grow and is anticipated to increase to almost 30 million tons in

2007, around 5% higher than the record levels achieved last year. Lower production from Western Europe, and, to a lesser extent Eastern Europe and the Americas, is expected to be more than compensated by further significant production growth in China of around 38% year-on-year to approximately 6.8 million tons.

In addition to stainless melt production, high nickel prices have resulted in numerous stainless producers increasing production of ferritic grades and reducing nickel-bearing austenitic material output. This switch away from nickel-intensive stainless steel has boosted demand for virgin chrome input, as less scrap is available in the lower value ferritic range.

The imposition of export duties on chrome ore from India, and strong internal consumption in other producing regions such as South Africa has led to higher traded chrome ore prices. The increased cost of imported chrome ore has decreased the cost competitiveness of the Chinese ferrochrome industry which depends entirely on imported ore, and has resulted in Chinese stainless steel producers importing increased quantities of ferrochrome to meet their demand.

The combination of continued stainless melt growth, increased ferritic production and strong ferrochrome import demand from China in the first two quarters of 2007 led to spot market demand for ferrochrome outstripping production, especially in China. This has led to a decrease in ferrochrome stocks and increases in spot sales prices, with South African ferrochrome producers operating at near full capacity.

The strong ferrochrome market has resulted in an increase in the ferrochrome base price to US$1 per pound in the third quarter of 2007 up from an average of US$0.715 per pound in 2006.

Stainless steel production slowed in the third quarter, as a number of stainless steel mills announced cuts in output due to the impact of sustained strong nickel prices. A small recovery is expected in the fourth quarter of 2007. Also, the increase in production of ferritic grades and low nickel-bearing 201 series, together with continued strong ferrochrome demand from China, bodes well for ferrochrome demand for the remainder of the year. Ferrochrome prices have increased in the third quarter of 2007.

Market and outlook for the vanadium industry

There has been a relative recovery in the vanadium market since oversupply of vanadium pentoxide in 2000 and 2001 led to a depression in vanadium pentoxide prices. The recent strong growth in carbon steel production in China combined with the closure of certain production facilities in South Africa and Australia (including the Xstrata Group's Vantech and Windimurra operations) has improved market sentiment towards vanadium.

Demand for vanadium remained robust in the first half of 2007, driven by continued growth in the production of crude steel, the major market for vanadium. Globally, crude steel production increased by approximately 8% compared to 2006, led by Asian countries including China, India, Japan, South Korea and Taiwan. Together, these countries account for more than 50% of the world's crude steel production, while China alone accounted for more than a third of global production in the first half of 2007, with production increasing by approximately 17%.

Vanadium supply increased in response to strong demand and resulted in a continued strong vanadium market in relative equilibrium. Secondary production from vanadium-bearing slag accounted for the majority of new vanadium units. While additional new supply is likely to emerge from Chinese producers in the second half of 2007, this is expected to be balanced by continued robust demand for vanadium due to further anticipated growth in crude steel production.

Ferrovanadium prices have increased since the beginning of 2007, from US$30.65 per kilogram in the first half of 2007 to US$38.26 per kilogram in the second half of 2007. Average prices of US$37.02 per kilogram in the first half of 2007 were approximately 9% lower than the same period in 2006, but remain significant higher than historical averages. Ferrovanadium prices are expected to remain firm in the second half, driven by tight availability of material, steady demand and the increase in the price of niobium, a potential substitute for vanadium.

Market and outlook for the platinum industry

Platinum demand continues to be underpinned by strong growth in autocatalyst demand (some 49% of total demand). Estimated global growth is expected to continue to be robust, and primarily driven by emissions legislation and increasing diesel penetration in Europe.

Palladium demand is also underpinned by autocatalyst demand primarily for smaller gasoline engines and in addition jewellery demand is expected to break 1,000,000 ounces in 2007.

Supply disruptions, primarily from South African PGM Miners is expected to lead to a cumulative reduction in supply of some 300,000 ounces of platinum in 2007. South African platinum production is therefore expected to grow by a reduced rate of 3.9% to 5.6 million ounces in 2007 compared to 8.0% previously forecasted. Russian production of platinum is projected to remain flat at around 700,000 ounces, whilst output in Zimbabwe will increase marginally. In 2007 South Africa is expected to account for more than 75% of platinum supply, followed by Russia and North America with 13% and 6% respectively.

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.

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.

On November 15, 2006, the Issuer issued the 2011 Fixed Rate Notes and the 2016 Fixed Rate Notes. On June 13, 2007, the Issuer issued the 2012 Fixed Rate Notes and the 2017 Fixed Rate Notes.

As at the date of this Offering Memorandum, the only issued capital of the Issuer is the one common share owned by Xstrata Alberta.

The Issuer is a wholly-owned indirect subsidiary of Xstrata.

Xstrata

For information on Xstrata, see "Summary – Overview of the Xstrata Group" and "Business of the Xstrata Group".

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, 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.

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.

On November 15, 2006, Xstrata Dubai issued the 2009 Floating Rate Notes.

Xstrata Dubai is a majority-owned subsidiary of Xstrata plc with 90 per cent. of Xstrata Dubai's shares held by Xstrata and the remaining 10 per cent. held by Xstrata Schweiz.

DESCRIPTION OF THE NOTES AND GUARANTEES

The following is a summary of the material provisions of the Notes 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 Trustees currently located at 101 Barclay Street, 8E 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 20, 2007, among the Issuer, Xstrata, Xstrata Schweiz and Xstrata Dubai, as guarantors, and The Bank of New York, as trustee, principal paying agent, registrar and transfer agent.

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 and the Transfer Agent, collectively. References to the "Noteholders" are to the registered holders of the Notes.

Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Greenwich Capital Markets, Inc. propose to resell Rule 144A Notes to certain institutions in the United States in reliance upon Rule 144A. The Notes 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. In light of current US securities laws, subject to certain exceptions, an exemption from registration should be available for the Notes after their Specified Date. The "Specified Date" means, with respect to any Rule 144A Note, the date which is two years (or such other period as shall constitute the required holding period pursuant to Rule 144(k) under the Securities Act ("Rule 144(k)") after the later of (a) the original issue date of such Rule 144A Global Note and (b) the last date on which the Issuer or the Guarantors or any affiliate of the Issuer or the Guarantors was the beneficial owner of such Rule 144A Note, in each case demonstrated to the reasonable satisfaction of the Issuer or the Guarantors (which may require delivery of legal opinions). Unless a holder of a Rule 144A Note holds such Rule 144A Note for a period of two years (or such other period as shall constitute the required holding period pursuant to Rule 144(k), such holder may not be able to determine the Specified Date because such holder may not be able to determine the last date on which the Issuer or the Guarantors or any affiliate of the Issuer or the Guarantors was the beneficial owner of such holder's Rule 144A Note. The Agents will not be required to accept for registration or transfer any Rule 144A 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 Agents.

As at the date of this Offering Memorandum, Xstrata is exempt from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, and accordingly, furnishes to the SEC copies of its annual reports, half-year result announcements and other filings with the United Kingdom Financial Services Authority. In the event that Xstrata is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, Xstrata has agreed to furnish to the holder of any Notes and to each prospective purchaser designated by any such holder, upon the request of such holder or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The Regulation S Notes may be resold outside the United States in offshore transactions in reliance on Regulation S.

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 Notes are initially issuable in an aggregate principal amount not to exceed US$500,000,000 and will mature on November 15, 2037.

The Notes will bear interest at 6.90% per annum 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 arrear on May 15 and November 15 commencing May 15, 2008 to the person in whose name the relevant Note is registered at the close of business on May 1 or November 1 (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. The yearly rate of interest that is equivalent to the applicable rate specified above is the rate payable multiplied by the actual number of days in the year and divided by 360 and is described herein solely for the purpose of providing the disclosure required by the Interest Act (Canada).

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 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 the 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 collectibility) 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 the joint and several liability of Xstrata Schweiz under the Guarantees of Xstrata and Xstrata Dubai is limited as described below.

Ranking and other indebtedness

As at June 30, 2007, the total gross indebtedness of the Xstrata Group was US$11,490 million.

As at June 30, 2007, the Xstrata Group had approximately US$102 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 the joint and several liability of Xstrata Schweiz under the guarantees of Xstrata and Xstrata Dubai is limited as described below.

As at June 30, 2007, the Falconbridge Group had approximately US$5.271 billion of outstanding indebtedness (including liabilities for preferred stock). All of the Falconbridge Group's indebtedness and preferred stock is structurally senior to the Notes with respect to the cash flows and assets of the Falconbridge Group. In addition, as at June 30, 2007 Xstrata Queensland Limited had US$250 million of notes issued in private placements in the United States. Such notes are structurally senior to the Notes with respect to the cash flows and assets of Xstrata Queensland Limited.

The joint and several liability of Xstrata Schweiz under the Guarantees of Xstrata and Xstrata Dubai 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 as a joint and several obligor under the Guarantees 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, within the meaning of the Income Tax Act (Canada);

(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 holder or the beneficial owner of the applicable Note or Guarantee to comply (following a written request addressed to the holders or beneficial owner, as applicable), with any certification, identification or other reporting requirements concerning the nationality, residence or identity of such holder 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 holder 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 holder 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 40 basis points, 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 Inc. and Greenwich Capital Markets, Inc. and their respective successors and one 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 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 Notes will mature and become due and payable on November 15, 2037 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 holder 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 20, 2007 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 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, hypothéc, 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 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.

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$3.3 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 makes with the United Kingdom Financial Services Authority within 15 days after it files 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, Switzerland or the United Arab Emirates (with respect to Xstrata Dubai only) 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, Switzerland or the United Arab Emirates (with respect to Xstrata Dubai only) 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 the Notes:

(i) default in the payment of any installment of interest (excluding Additional Amounts) upon the 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 the 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 the 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 the 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 $50,000,000 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 all the Notes shall have already become due and payable, the holders of not less than 25% in aggregate principal amount of the Notes then outstanding, by notice in writing to the Issuer, the Guarantors and the Trustee, may declare the entire principal amount of all 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 holder. Under certain circumstances, the holders of a majority in aggregate principal amount of the Notes then outstanding, 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 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 of 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 holders 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 holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding (including consents obtained in connection with a tender offer or exchange offer for the 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 holder 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 any Note;
- reduce the principal amount of or interest on any Note 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 any Note 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 any Note; or

- reduce the above stated aggregate principal amount of any Note 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 any 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 Notes outstanding necessary to rescind or annul any declaration of the principal of and all accrued and unpaid interest on any 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 the Notes will be conclusive and binding on all Noteholders, 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, whether or not notation of such modifications, amendments or waivers is made upon such Notes. Any instrument given by or on behalf of any holder 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. Investors may hold their interests in the Global Notes directly through DTC if they are participants in, or indirectly through organizations which are participants in such systems. 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 depositaries, 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).

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 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, 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 depositary 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 between 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, 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 DTC 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.

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 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 Issuer or Agent on 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, Agent, or 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursment 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 therefor, 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 Persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealers. 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 therefor 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 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.

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 Noteholders who purchase Notes in the original offering, 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 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, 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 Noteholder" 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 a US person and the primary supervision of a US court or has a valid election in effect under applicable Treasury Regulations to be treated as a US person 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

Stated interest on the Notes generally will be includible in the gross income of a US Noteholder in accordance with its regular method of tax accounting. Interest on the Notes will be ordinary income from sources outside the United States.

If the Notes are issued with original issue discount ("OID"), a US Noteholder must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments. Generally, the Notes will have OID to the extent that their stated redemption price at maturity exceeds their issue price. However, Notes generally will not have OID if the excess is less than ¼ of 1% of the Notes' stated redemption price at maturity multiplied by the number of complete years to maturity ("de minimis OID"). The issue price of the Notes is the initial offering price at which a substantial amount of the Notes are sold (excluding sales to brokers or similar persons). The stated redemption price at maturity is the total of all payments due on a Note other than payments of stated interest. The Issuer has determined that the Notes will be sold with no more than de minimis OID.

Disposition

A US Noteholder generally will recognize gain or loss on a sale, redemption or other disposition of a Note in an amount equal to the difference between the US Dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the US Noteholder's adjusted tax basis in the Note. A US Noteholder's adjusted tax basis in a Note generally will be the amount paid for the Note.

Gain or loss on disposition of a Note will be US source capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if the US Noteholder has held the Note for more than one year at the time of disposition. A non-corporate US Noteholder's long-term capital gain may be taxed at lower rates. Deductions for capital losses are subject to limitations.

Information 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 Noteholder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the Noteholder 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 Noteholder 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.

Canadian taxation

The following discussion is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of the Notes pursuant to this Notes Issue and is based on the current provisions of the Income Tax Act (Canada) (the "Canada Tax Act") and the regulations under the Canada Tax Act in force as of the date hereof and an understanding, based on publicly available materials published in writing prior to the date hereof, of the current administrative practices of the Canada Revenue Agency. This summary also takes into account all specific proposals to amend the Canada Tax Act and the regulations 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 Noteholder. This summary is not intended to be, and should not be interpreted as, legal or tax advice to any particular Noteholder, and no representation with respect to the income tax consequences to any particular Noteholder is made. Accordingly, prospective Noteholders should consult their own tax advisers with respect to their individual circumstances.

Noteholders resident in Canada

The following summary is generally applicable to a purchaser of the Notes pursuant to this Offering Memorandum who at all relevant times, for purposes of the Canada Tax Act, is resident in Canada, deals at arm's length with the Issuer and the Initial Purchasers and holds the Notes as capital property. Notes will generally be considered to be capital property to a Noteholder unless the Noteholder holds the Notes in the course of carrying on a business or has acquired the Notes in a transaction considered to be an adventure or concern in the nature of trade. Certain Noteholders whose Notes might not otherwise qualify as capital property may make an irrevocable election in accordance with subsection 39(4) of the Canada Tax Act to have such Notes and all other "Canadian securities", as defined in the Canada Tax Act, owned by such Noteholder in the taxation year in which the election is made and in all subsequent taxation years deemed to be capital property. This summary does not address the Canadian federal income tax considerations applicable to a Noteholder an interest in which is a "tax shelter investment" as defined in the Canada Tax Act or a Noteholder that is a "financial institution" as defined in the "mark-to-market" rules contained in the Canada Tax Act.

Interest

A Noteholder that is a corporation, partnership, unit trust or a trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year all interest that accrues to such Noteholder on the Notes to the end of that year or that becomes receivable or is received by it before the end of that year, to the extent that such interest was not included in computing the Noteholder's income for a preceding taxation year.

Any other Noteholder, including an individual, will be required to include in computing its income for a taxation year all interest on the Notes that is received or receivable by such Noteholder in that year (depending on the method regularly followed by the Noteholder in computing income) to the extent that such interest was not included in computing the Noteholder's income for a preceding taxation year.

Where a Noteholder is required to include in computing income interest on a Note in respect of a period prior to the date the Noteholder acquired the Note, the Noteholder will be entitled to a deduction in computing income of an equivalent amount. The amount so deducted will be deducted in computing the adjusted cost base to the Noteholder of the Note.

Any premium paid by the Issuer to a Noteholder because of the redemption or purchase by it of a Note before the maturity of that Note will generally be deemed to be interest received at that time by the Noteholder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of redemption or purchase of, the interest that would have been paid or payable by that Issuer on the Notes for a taxation year ending after the redemption or purchase.

Dispositions

On a disposition or a deemed disposition of a Note (including a redemption or purchase by the Issuer or a repayment at maturity), a Noteholder will generally be required to include in computing its income for the taxation year in which the disposition occurs all interest that accrued on the Note from the date of the last interest payment to the date of disposition, except to the extent that such interest has otherwise been included in the Noteholder's income for that year or a preceding taxation year.

In addition, the disposition or deemed disposition will generally result in a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any amount included in the Noteholder's income as interest and any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Note to the Noteholder immediately before the disposition. Generally, one-half of a capital gain (a "taxable capital gain") will be included in the Noteholder's income, and one-half of a capital loss (an "allowable capital loss") is required to be deducted against taxable capital gains realized by such Noteholder in the same taxation year. Any excess of allowable capital loss over taxable capital gain may be carried back to prior taxation years or forward to subsequent taxation years and applied against net taxable capital gains in those years in accordance with the detailed rules contained in the Canada Tax Act. Capital gains realized by an individual may give rise to liability for alternative minimum tax.

Additional refundable tax

A Noteholder that is a "Canadian-controlled private corporation" (as defined in the Canada Tax Act) may be liable to pay an additional refundable tax of 6⅔ per cent. on certain investment income, including interest and taxable capital gains earned or realized in respect of the Notes.

Foreign exchange

The Notes are denominated in US Dollars. All amounts relating to the acquisition, holding or disposition of the Notes must be converted into Canadian Dollars based on the prevailing US Dollar exchange rate at the relevant time for the purposes of the Canada Tax Act and the regulations thereunder. A Noteholder may realize a capital gain or a capital loss by virtue of fluctuations in the Canadian/US Dollar exchange rate. The amount of interest on the Notes required to be included in computing the Noteholder's income for a taxation year will also be affected by fluctuations in the Canadian/US Dollar exchange rate.

Qualified investments

Provided that the Notes have an investment grade rating with a prescribed credit rating agency, which currently includes Moody's and S&P, the Notes, when issued, will be "qualified investments" under the Canada Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan (other than a trust governed by a deferred profit sharing plan for which any employer is the Issuer or a corporation which does not deal at arm's length with the Issuer) or a registered education savings plan.

Non-Resident Noteholders

The following summary is applicable to a Noteholder who acquires Notes pursuant to this Offering Memorandum and who, at all relevant times: (i) is not and is not deemed to be a resident of Canada for purposes of the Canada Tax Act; (ii) deals at arm's length with the Issuer and the Initial Purchasers for purposes of the Canada Tax Act; (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; and (iv) is not an insurer for purposes of the Canada Tax Act (a "Non-Resident Noteholder").

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 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 Canada Tax Act by a Non-Resident Noteholder in respect of the acquisition, ownership or disposition of the Notes.

United Kingdom taxation

The comments below are of a general nature based on current United Kingdom law and H.M. 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 persons 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 H.M. 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.

Other Noteholders

Interest

Interest paid on a Note held by a Noteholder who is not within the charge to corporation tax but who is resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable will be subject to United Kingdom income tax in the hands of the relevant Noteholder. It should be noted that special rules, which are not covered in this summary, apply to Noteholders who are resident for tax purposes, but not domiciled, in the United Kingdom.

Disposals

The Notes will not be treated by H.M. Revenue & Customs as constituting "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992 because the Notes are denominated in US Dollars. Therefore, a disposal (including a redemption) of a Note by a Noteholder who is resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade in the United Kingdom through a branch or agency to which the Note is attributable and who is not subject to United Kingdom corporation tax in respect of the Note may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains. In calculating any gain or loss on disposal of a Note, British pound values are compared at acquisition and disposal. Accordingly, a taxable profit can arise even where the US Dollar amount received on a disposal is less than or the same as the amount paid for the Note.

A transfer of a Note by a Noteholder resident or ordinarily resident for tax purposes in the United Kingdom, or by a Noteholder who carries on a trade in the United Kingdom through a branch or agency to which the Note is attributable, may give rise to a charge to tax on income in respect of interest on the Note which has accrued since the preceding interest payment date.

A disposal of Notes by a Noteholder who is only temporarily not resident in the United Kingdom for tax purposes may, under anti-avoidance legislation, still be subject to United Kingdom tax on chargeable gains realized, subject to any available exemption or relief.

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.

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.).

Dubai 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 currently in force in the Emirates of Abu Dhabi and Dubai legislation 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 companies active in the hydrocarbon industry, some related service industries 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, Dubai International Financial Center ("DIFC"), Abu Dhabi or Dubai taxation in respect of payments of coupon or principal on debt securities (including of distributions and principal amounts due under the Notes) or in respect of payments under the Guarantees.

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 the right will be exercised in the future.

The UAE has entered into double taxation arrangements with a number of countries, but these are not extensive in number.

The European Savings Directive

Under EC Council Directive 2003/48/EC 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, 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 Belgium, Luxembourg and Austria is instead required (unless during such period that member state elects otherwise) to operate a withholding tax 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.

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 Council Directive 2003/48/EC 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, 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:

Initial Purchasers	Principal amount of Notes US$
Barclays Capital Inc.	125,000,000
Citigroup Global Markets Inc.	125,000,000
J.P. Morgan Securities Inc.	125,000,000
Greenwich Capital Markets, Inc.	125,000,000
Total	500,000,000

Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Greenwich Capital Markets, Inc. are acting as joint book-running 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. For example, Barclays Capital, Citibank, N.A., Canadian Branch and The Royal Bank of Scotland plc are lenders to the Xstrata Group under the Syndicated Loan. Also, J.P. Morgan plc, Barclays Capital and The Royal Bank of Scotland are lenders to the Xstrata Group under the Club Facility. The proceeds of this Notes Issue will be used to repay in full the amounts outstanding under the Club Facility, and the balance of such proceeds will be used to repay a portion of the amounts outstanding under the Syndicated Loan.

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, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (i) within the United States to "qualified institutional buyers" as defined in Rule 144A, and (ii) outside the United States to persons other than US persons in reliance on Regulation S.

Each Initial Purchaser has agreed that it, each of its affiliates and each person acting on its or their behalf have complied and will comply with the offering restriction requirements of Regulation S; and that at or prior to confirmation of a sale of Notes (other than a sale pursuant to Rule 144A, if permitted) it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Each Initial Purchaser has also represented and agreed with the Issuer that no directed selling efforts (as defined in Regulation S) have been made or will be made in the United States by the Initial Purchasers, any of their affiliates or any person acting on behalf of any of the Initial Purchasers or their affiliates with respect to the Notes; and none of it, any of its affiliates, or anyone acting on its or their behalf has solicited offers for, offered or sold the Notes by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) in the United States in connection with the Notes Issue or otherwise in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

Terms used in the preceding two paragraphs have the meanings ascribed to them by Regulation S.

In addition, until 40 days after the commencement of the Notes Issue, an offer or sale of Notes within the United States by any 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 in accordance with Rule 144A.

The Purchase Agreement also provides that the Initial Purchasers or their affiliates may arrange for the placing of a portion of the Notes to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A.

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 was implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may make an offer of Notes to the public in that Relevant Member State at any time after the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, all as shown in its last (or in the case of Sweden, in its last two) annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the joint book-running managers; or
- in any other circumstances which do not require the publication by the Issuer or the Guarantors of a prospectus pursuant to Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall result in a requirement for the publication by the Issuer, the Guarantors or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offer 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 for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

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 any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) 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 in respect of 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 Law of Japan (the "FIEL") and each Initial Purchaser has agreed that it will not offer or sell any Notes, directly or indirectly, 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 reoffering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption to the registration requirements of or otherwise in compliance with the FIEL and any other applicable laws, regulations and ministerial guidelines 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 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.

Dubai

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.

By receiving this Offering Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that none of the Notes or Offering Memorandum have been approved by the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the U.A.E., nor has the placement agent, if any, received authorization or licensing from the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the United Arab Emirates to market or sell the Notes within the United Arab Emirates. No marketing of the Notes has been or will be made from within the United Arab Emirates and no subscription to the Notes may or will be consummated within the United Arab Emirates. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The interests in the Notes may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

Xstrata Dubai 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 in or purchasing or selling securities or other financial products.

The Notes are not being offered, distributed, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person in the DIFC. This Offering Memorandum is not intended for distribution to any person in the DIFC and any such person that receives a copy of this Offering Memorandum should not act or rely on this Offering Memorandum and should ignore the same. The Dubai Financial Services Authority has not approved the Notes or the Offering Memorandum nor taken steps to verify the information set out in it, and has no responsibility for it.

The Notes are being offered only to "Professional Investors" as defined in the Dubai International Financial Center Law Markets Law (DIFC Law 12 of 2004, as amended) and "Qualified Investors" as defined in the Offered Securities Rules Module of the Dubai Financial Services Authority Rulebook.

Switzerland

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a and 1156 of the Swiss Federal Code of Obligations. The Notes may therefore not be offered to investors in Switzerland without the advance written consent of the Issuer.

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, US 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 US persons (as defined in Rule 902) ("Foreign Purchasers") in offshore transactions (as defined in Rule 902) in compliance with 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 acknowledges that the Notes (including the Guarantees) have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold except as set forth below;

(c) it understands and agrees that if it decides to offer, sell, resell, pledge or otherwise transfer any Notes (including the Guarantees) or any beneficial interests in any Notes prior to the date which is two years after the later of the date of original issue and the last date on which the Issuer or any affiliate of the Issuer was the owner of the Notes (or any predecessor thereto), it will do so only (A)(i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) to a person whom the seller, and any person acting on its behalf, reasonably believes is a QIB that is purchasing for its own account or for the account of a QIB or QIBs, in a transaction complying with Rule 144A, (iii) in an offshore transaction in compliance with Regulation S or (iv) pursuant to any other available exemption from registration under the Securities Act, or (B) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities law of any state of the United States;

(d) 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;

(e) 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;

(f) 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;

(g) it understands that the Notes being sold pursuant to Rule 144A will bear a legend to the following effect:

NEITHER THIS NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF XSTRATA FINANCE (CANADA) LIMITED (THE "ISSUER"), AND XSTRATA PLC, XSTRATA (SCHWEIZ) AG 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) TO THE ISSUER AND THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE OTHER QUALIFIED INSTITUTIONAL BUYERS IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 (AS APPLICABLE) OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF APPLICABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH SUCH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS. 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. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF TWO YEARS AFTER THE LATER OF THE DATE OF ORIGINAL ISSUE AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR THERETO).

(h) it understands that the Notes being sold in reliance on Regulation S will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY US PERSON, UNLESS SUCH NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (i) THE DATE ON WHICH THESE NOTES WAS FIRST OFFERED AND (ii) THE DATE OF ISSUE OF THESE NOTES.

(i) 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

(j) 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 certain other matters governed by Canadian law will be passed upon for the Issuer and each of the Guarantors by Davies Ward Phillips & Vineberg LLP, Canadian counsel to the Issuer and the Guarantors. 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, 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 the Issuer and each of the Guarantors by Freshfields Bruckhaus Deringer, English counsel to the Issuer and the Guarantors. The validity of the Guarantees and certain other matters governed by Swiss law will be passed upon for the Issuer and each of the Guarantors by Bär & Karrer, Swiss counsel to the Issuer and the Guarantors. The validity of the Guarantees and certain other matters governed by U.A.E. law will be passed upon for the Issuer and each of the Guarantors by Afridi & Angell, Dubai counsel to the Issuer and the Guarantors. 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, 2005, and December 31, 2006 incorporated by reference into this Offering Memorandum have been audited by Ernst & Young LLP, independent auditors. The annual consolidated UK GAAP financial statements of Xstrata as at and for the year ended December 31, 2004, from which the annual consolidated IFRS financial statements as at and for the year ended December 31, 2004 incorporated by reference into this Offering Memorandum have been restated, have been audited by Ernst & Young LLP, independent auditors.

The annual consolidated Canadian GAAP financial statements of Falconbridge as at and for the years ended December 31, 2003, 2004 and 2005 incorporated by reference into this Offering Memorandum have been audited by Ernst & Young LLP, independent auditors.

ANNEX A: ORE RESERVES AND MINERAL RESOURCES INFORMATION

The following is extracted without material amendment from the "Ore Reserves and Mineral Resources Report" published by Xstrata on March 6, 2007:

Ore Reserves and Mineral Resources in this report are reported in accordance with the 2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the JORC Code), December 2004 unless otherwise stated. South African Coal Ore Reserves and Mineral Resources have been calculated according to the SAMREC Code (South African Code for Reporting of Mineral Resources and Mineral Reserves) this being similar to the JORC Code with only minor variations.

Certain Ore Reserves have been prepared in accordance with the Canadian Securities Administrators (CSA) National Instrument 43-101 Standards of Disclosure for Mineral Projects. The term 'Ore Reserves' as defined in the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) has the same meaning as 'Mineral Reserves' as defined in the Canadian Institute of Mining, Metallurgy and Petroleum' (CIM) 'Definition Standards for Mineral Resources Mineral Reserves'. The CIM Definition Standards are incorporated, by reference, in the Canadian Securities Administrators (CSA) National Instrument 43-101 Standards of Disclosure for Mineral Projects.

Ore Reserve and Mineral Resource information in the tables below is based on information compiled by Competent Persons (as defined by the JORC Code).

Each of the Competent Persons has the appropriate professional membership and the relevant experience in relation to the Mineral Resources and/or Ore Reserves being reported by them to qualify as a Competent Person as defined in the JORC Code. The Competent Persons have consented to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The Ore Reserves and Mineral Resources figures in the following tables are reported as at June 30, 2006 or as at December 31, 2006.

Metric units are used throughout. All data is presented on a 100% basis. All tons and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences in the totals. Mineral Resources are reported inclusive of those Mineral Resources modified to produce Ore Reserves.

Commodity prices and exchange rates used to estimate the economic viability of Ore Reserves are based on long term forecasts applied at the time the estimate was calculated.

DEFINITIONS

The following definitions (as per the JORC Code 2004), or similar, have been applied in estimating the Ore Reserves and Mineral Resources position of the Xstrata Group disclosed within this Offering Memorandum.

Mineral Resource:	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual 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. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Inferred Mineral Resource:	that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It 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.
Indicated Mineral Resource:	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Measured Mineral Resource:	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It 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. The locations are spaced closely enough to confirm geological and grade continuity.
Ore Reserve:	the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction

could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

Probable Ore Reserve:	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Proved Ore Reserve:	the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Alloys – Chrome

June 30, 2006 (total mine basis)

				Ore Reserves				Mineral Resources			
				Run-of-Mine		Saleable					
	% attributable	Mining Method	Commodity	Proved (Mt)	Probable (Mt)	Proved (Mt)	Probable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Competent Person
Operating Mines											
Waterval West Mine	79.5%	UG	Ore	10.4	1.2	7.6	0.7	15.0	1.0	1.2	PJG
			Cr_2O_3	30.6%	25.1%	41.9%	41.9%	41.0%	41.0%	41.0%	
Kroondal Mine	79.5%	UG/OC	Ore	4.1	5.3	2.4	2.8	9.7	4.7	–	PJG
			Cr_2O_3	24.2%	26.6%	41.9%	41.9%	43.0%	42.6%	–	
Kroondal Gemini (Kroondal extension) . .	50.0%	UG/OC	Ore	6.5	8.2	4.1	4.7	9.8	8.6	–	PJG
			Cr_2O_3	31.2%	28.8%	41.9%	41.9%	43.1%	42.6%	–	
Marikana East (Kroondal extension)	73.3%	UG	Ore	3.4	0.5	2.0	0.3	5.2	3.3	–	PJG
			Cr_2O_3	30.6%	24.8%	41.9%	41.9%	43.2%	43.2%	–	
Thorncliffe Mine	79.5%	UG/OC	Ore	20.9	7.8	17.0	6.2	33.7	12.9	26.6	PJG
			Cr_2O_3	39.2%	28.6%	42.0%	42.0%	40.4%	40.5%	41.1%	
Helena Mine	79.5%	UG/OC	Ore	2.8	0.0	2.1	0.0	6.7	12.5	72.4	PJG
			Cr_2O_3	35.6%	36.0%	42.0%	42.0%	40.6%	40.3%	38.8%	
Horizon/Chromeden Mine	79.5%	UG/OC	Ore	–	–	–	–	–	14.8	9.6	PJG
			Cr_2O_3	–	–	–	–	–	42.4%	42.0%	
Sub total				48.1	23.0	35.3	14.7	80.1	57.8	109.9	
Projects/Non-operating Mines											
Wonderkop	79.5%	UG	Ore	–	–	–	–	–	6.5	–	PJG
			Cr_2O_3	–	–	–	–	–	40.1%	–	
Townlands Extension 9 . . .	79.5%	UG	Ore	–	13.7	–	8.0	–	15.0	–	PJG
			Cr_2O_3	–	40.0%	–	41.9%	–	41.7%		
De Grooteboom	79.5%	UG/OC	Ore	–	–	–	–	0.8	0.6	–	PJG
			Cr_2O_3	–	–	–	–	40.4%	40.6%	–	
Boshoek	79.5%	OC	Ore	–	–	–	–	1.2	21.8	0.5	PJG
			Cr_2O_3	–	–	–	–	39.0%	39.9%	38.0%	
Klipfontein/Waterval Reserve	79.5%	UG	Ore	–	–	–	–	–	–	134.6	PJG
			Cr_2O_3	–	–	–	–	–	–	41.9%	
Marikana West	73.3%	UG	Ore	–	–	–	–	0.8	1.8	2.9	PJG
			Cr_2O_3	–	–	–	–	41.0%	41.0%	41.0%	
Sub total				–	–	–	–	2.8	45.7	138.0	
Alloys Total				48.1	23.0	35.3	14.7	82.9	103.5	247.9	

Definitions
OC = open-cut; UG = underground

Notes

- The Mineral Resources and Ore Reserve estimates are tabulated on a total mine basis as at June 30, 2006.
- The Measured & Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Ore Reserves.
- Xstrata Alloy's chrome mining operations are all mining the chromitite deposits developed within the world renowned Bushveld Complex of South Africa. The Bushveld Complex is the largest known deposit of chrome ore in the world. The chrome ore are mined from shallow dipping (10o – 14o) tabular ore bodies referred to as the LG6/LG6A Chromitite Layers and the MG1 Chromitite Layer. The chromitite layers are mined mainly underground using trackless mechanized mining methods on a board-and-pillar mine lay-out design.
- Changes in the year on year tonnage and grade estimates are mainly due to mining depletion, and re-categorization of resources and reserves due to additional geological information gained through exploration.
- The Ore Reserves have been estimated as ROM Ore Reserves and Saleable Ore Reserves to reflect the mining dilution and beneficiation process.

Competent person

Pieter-Jan Gräbe, the Alloys Business (SACNASP)

Alloys – PGMs, Vanadium and Other

December 31, 2006/June 30, 2006 (total mine basis)

				Ore Reserves		Mineral Resources			
	% attributable	Mining Method	Commodity	Proved (Mt)	Probable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Competent Person*
PGM									
Mototolo JV	37.0%	UG	UG2 Ore	–	29.00	39.4	15.2	–	BC/GC
(Dec-06)			3PGE + Au g/t	–	3.81 g/t	4.01 g/t	3.89 g/t	–	
Vanadium									
Rhovan	100%	OC	Ore	38.7	9.9	63.8	13.7	124.9	PJG
(Jun-06)			V_2O_5	51.0%	53.0%	51.0%	53.0%	51.0%	
Anthracite									
Maloma Colliery	100%	UG/OC	Anthracite	1.2	1.5	4.0	5.4	3.5	PJG/DT/JF
(Jun-06)									
Silica									
Rietvley Silica Mine .	80%	OC	Silica Ore	–	–	–	27.4	–	PJG
(Jun-06)			SiO_2	–	–	–	97.5%	–	

Definitions
OC = open-cut; UG = underground

Notes

PGMs

– The Mineral Resources and Ore Reserve estimates are tabulated on a total mine basis as at December 31, 2006.

– The Alloys Business platinum mining operations are mining the platinum bearing UG2 Chromitite Layer of the world Bushveld Complex of South Africa. The Bushveld Complex is the largest known deposit of PGM's in the world. The PGM ore is mined from a shallow dipping (10o – 14o) tabular ore-body referred to as the UG2 Chromitite Layer. The chromitite layer is mined underground using a trackless mechanized mining method on a board-and-pillar mine lay-out design.

Vanadium

– The Mineral Resources and Ore Reserve estimates are tabulated on a total mine basis as at June 30, 2006.

– Xstrata Alloy's vanadium mining operations are mining the metalliferrous magnetite deposits developed within the Bushveld Complex of South Africa. The Bushveld Complex is one of the largest known deposits of magnetite ore in the world. The magnetite ore are mined from shallow dipping (6o – 25o) tabular ore bodies. The magnetite ore are mined in opencast pits.

– Changes in the year on year tonnage and grade estimates are mainly due to mining depletion, and re-categorization of resources and reserves due to additional geological information gained through exploration.

– Tacmin (Pty) Ltd (Openpit Mine Engineering Consultants & Project managers) estimated Mineral Resources and Ore Reserves for Pit 4, Pit 5 and Pit 6.

Anthracite

– The Coal Resources and Coal Reserve estimates are tabulated on a total mine basis as at July 1, 2006.

– Xstrata Alloy's coal mining operation is mining a coal deposit developed within the coal belt of Swaziland. The coal is mined from a shallow dipping (10o – 14o) tabular coal seam referred to as the Main Coal Seam. The coal seam is mined mainly underground using trackless mechanized mining methods on a board-and-pillar mine lay-out design.

– Changes in the year on year tonnage and grade estimates are mainly due to mining depletion and re-categorization of resources and reserves due to additional geological information becoming available.

– The Coal Reserves have been estimated as ROM Coal Reserves and Saleable Coal Reserves to reflect the mining dilution and beneficiation process.

Silica

– Xstrata Alloy's silica mining operations are all mining the quartzite deposits of the Transvaal Supergroup of South Africa. Silica is used as an additive in ferrochrome manufacturing.

– The quartzite ore is opencast mined, crushed and sized.

– Changes in the year on year tonnage and grade estimates are mainly due to mining depletion.

* Competent Person for Ore Resources / Competent Person for Mineral Reserves.

Competent persons

BC = Bruce Chantler, Senior Mine Engineer, Anglo Platinum Ltd

GC = Gordon Chunnett, Group Exploration Manager, Anglo Platinum Ltd.

Pieter-Jan Gräbe, the Alloys Business (SACNASP)

DT = Dave Thompson, Consultant, DW Thompson and Associates (Pty) Ltd, (SACNASP)

JF = Johan Fourie, Consultant (PLATO).

Coal

Coal Australia

June 30, 2006 (total mine basis)

Name of Operation	Ownership	Mining Method	Commodity	Coal Reserves – Recoverable – Proved (Mt)	Coal Reserves – Recoverable – Probable (Mt)	Coal Reserves – Marketable – Proved (Mt)	Coal Reserves – Marketable – Probable (Mt)	Coal Resources – Measured (Mt)*	Coal Resources – Indicated (Mt)*	Coal Resources – Inferred (Mt)*	Competent Person*
Coal – June 2006											
Oakbridge Group			**Thermal Coal**	**235.1**	**47.5**	**166.1**	**34.8**	**799.9**	**361.9**	**630**	
Bulga OC[(a)]	68.3%	OC	Thermal Coal	72.7	–	49.7	–	229.7	9.1	–	MFC/PG
Beltana[(b)]	68.3%	UG	Thermal Coal	160.1	39.9	114.5	28.7	530.2	309.6	559	MFC/PG
Baal Bone OC	74.1%	OC	Thermal Coal	0.9	–	0.8	–	4.3	–	–	MFC/JHB
Baal Bone UG[(c)]	74.1%	UG	Thermal Coal	1.4	7.6	1.1	6.1	7.5	21.1	9	MFC/JHB
Running Stream OC	78.0%	OC	Thermal Coal	–	–	–	–	28.2	7.4	17	JHB
Running Stream UG	78.0%	UG	Thermal Coal	–	–	–	–	–	14.7	45	JHB
Maquarie Coal Joint Venture	**80.0%**		**Thermal Coal**	**27.5**	**26.8**	**20.5**	**16.5**	**76.8**	**267.9**	**182**	
West Wallsend[(d)]		UG	Thermal Coal	23.7	26.8	16.7	16.5	69.8	59.4	–	MFC/CFRP
Westside[(e)]		OC	Thermal Coal	3.8	–	3.8	–	4.9	–	–	MFC/CFRP
Cardiff Borehole		UG	Thermal Coal	–	–	–	–	–	12.4	22	CFRP
Mitchells Flat		OC/UG	Thermal Coal	–	–	–	–	–	112.5	160	CFRP
Teralba		UG	Thermal Coal	–	–	–	–	2.1	83.6	–	CFRP
Liddell Group	**67.5%**		**Thermal Coal**	**30.9**	**73.4**	**21.5**	**49.6**	**59.2**	**265.9**	**269**	
Liddell OC		OC	Thermal Coal	30.9	73.4	21.5	49.6	59.2	246.0	35	MFC/RWD
Liddell UG		UG	Thermal Coal	–	–	–	–	–	19.9	234	RWD
Cumnock	**84.0%**		**Thermal Coal**	**3.2**	**–**	**2.5**	**–**	**291.7**	**158.4**	**–**	
Open-cut Stage 3		OC	Thermal Coal	3.2	–	2.5	–	4.0	–	–	MFC/CFRP
Open-cut Other[(f)]		OC	Thermal Coal	–	–	–	–	283.7	112.2	–	CFRP
Underground		UG	Thermal Coal	–	–	–	–	4.0	46.2	–	CFRP
Mount Owen Complex	**100.0%**		**Thermal Coal**	**125.9**	**43.3**	**84.4**	**26.9**	**199.2**	**101.8**	**133**	
Mount Owen[(g)]		OC	Thermal Coal	58.9	38.9	35.9	24.1	57.8	54.2	58	MFC/SJF
Ravensworth East[(h)]		OC	Thermal Coal	18.9	2.5	15.2	1.6	63.0	9.7	–	MFC/SJF
Glendell[(i)]		OC	Thermal Coal	48.1	1.9	33.3	1.2	78.4	37.9	75	MFC/SJF
United[(j)]	**95.0%**	**UG**	**Thermal Coal**	**12.7**	**–**	**9.6**	**–**	**55.1**	**38.8**	**20**	MFC/RMD
Ulan	**90.0%**		**Thermal Coal**	**44.0**	**157.0**	**41.1**	**141.9**	**121.7**	**690.1**	**30**	
Ulan OC[(k)]		OC	Thermal Coal	3.3	4.0	2.1	2.8	52.2	26.6	13	MFC/RMD
Ulan UG #3[(l)]		UG	Thermal Coal	23.9	71.6	22.7	63.2	53.3	314.2	–	MFC/RMD
Ulan UG West[(m)]		UG	Thermal Coal	16.8	81.4	16.3	75.9	16.2	349.3	17	MFC/RMD
Ravensworth Group			**Thermal Coal**	**29.9**	**–**	**29.9**	**–**	**88.5**	**–**	**–**	
Narama	50.0%	OC	Thermal Coal	12.8	–	12.8	–	15.6	–	–	MFC/JHB
Ravensworth West[(n)]	100.0%	OC	Thermal Coal	17.1	–	17.1	–	72.9	–	–	MFC/JHB
Subtotal – New South Wales				**509.2**	**348.0**	**375.6**	**269.7**	**1,692.1**	**1,884.8**	**1,264**	
Oaky Creek	**55.0%**		**Coking**	**77.1**	**132.2**	**53.7**	**85.7**	**126.9**	**217.9**	**122**	
Oaky Creek OC		OC	Coking	0.5	0.1	0.4	0.1	21.8	26.8	22	JM/MS
Oaky No. 1[(o)]		UG	Coking	37.7	12.2	25.5	7.4	105.1	166.9	24	JM/MS
Oaky North[(p)]		UG	Coking	38.9	119.9	27.8	78.2				JM/MS
Other		UG	Coking	–	–	–	–	–	24.2	76	MS
NCA	**55.0%**		**Coking/Thermal**	**133.7**	**137.1**	**103.5**	**90.9**	**333.2**	**448.6**	**430**	
Newlands OC[(q)]		OC	Thermal	39.2	35.8	28.1	18.7	97.1	48.7	58	MFC/TH
		OC	Coking	20.1	20.0	15.1	14.1	31.1	29.1	21	MFC/TH
Newlands Northern UG[(r)]		UG	Thermal	33.1	–	25.9	–	74.3	–	–	MFC/TH
Newlands Southern UG		UG	Thermal	–	0.7	–	0.5	2.2	–	–	MFC/TH
Newlands Suttor Ck UG		UG	Thermal	–	72.5	–	51.5	–	127.9	–	MFC/TH
Newlands Other		OC/UG	Thermal	–	–	–	–	73.1	76.8	135	TH
		OC/UG	Coking	–	–	–	–	1.9	13.0	181	TH
Collinsville OC		OC	Thermal	26.9	2.7	24.0	2.2	32.4	9.4	1	MFC/MB
		OC	Coking	14.4	5.4	10.4	3.9	18.9	14.2	7	MFC/MB
Collinsville UG		UG	Thermal	–	–	–	–	0.5	74.2	18	MB
		UG	Coking	–	–	–	–	1.7	55.3	9	MB
Cook[(s)]	**95.0%**	**UG**	**Coking/Thermal**	**–**	**–**	**–**	**–**	**66.2**	**59.0**	**820**	ABP
Rolleston[(t)]	**75.0%**	**OC**	**Thermal**	**61.4**	**90.9**	**61.4**	**90.9**	**70.8**	**126.3**	**250**	
Rolleston ML	75.0%	OC	Thermal	61.4	90.9	61.4	90.9	70.8	106.8	68	GM/PS
Rolleston MDL & EPCs	75.0%	OC	Thermal	–	–	–	–	–	19.5	182	PS
Togara North	**33.3%**		**Thermal Coal**	**–**	**–**	**–**	**–**	**305.5**	**376.8**	**460**	
Togara North OC		OC	Thermal Coal	–	–	–	–	36.9	22.2	30	KJW
Togara North UG		UG	Thermal Coal	–	–	–	–	268.6	354.6	430	KJW
Wandoan	**75.0%**	**OC**	**Thermal**	**–**	**–**	**–**	**–**	**–**	**522.3**	**607**	**GJ**
Subtotal – Queensland				**272.2**	**360.2**	**218.6**	**267.5**	**902.6**	**1,750.9**	**2,689**	
Subtotal – Coal Australia				**781.4**	**708.2**	**594.2**	**537.2**	**2,594.7**	**3,635.7**	**3,953**	

Definitions
OC = open-cut; UG = underground

Notes

- The estimates of Coal Resources and Reserves presented in this table have been carried out in accordance with the "2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)" prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
- Reserves are a subset of resources and are included in the resource estimate. Reserves are NOT to be deducted from Resources.
- The Resource and Reserve figures tabulated have been stated on a total mine basis as at June 30, 2006.
- Resources and Reserves stated on a total mine basis include interests in Resources and Reserves attributable to minority interests in controlled entities and the interests of joint venture partners.
- Figures are subject to rounding and therefore totals may not add up.
- Unless otherwise stated, the product yields used to estimate Marketable reserves were derived from the "Resource Mastor" software developed by A&B Mylec. Inputs to this model are coal ply thickness and dilution.
- The model includes adjustments for plant efficiencies to calculate practical yields. The model is calibrated to historical plant performance and includes the closest large diameter borehole data to each mining block.
- Coal Resources are contained within the Sydney Basin (New South Wales), the Bowen Basin (Queensland) and the Surat Basin (Wandoan, Queensland).
- Coal Resources have been estimated for potentially mineable seams within mining or exploration leases and are limited by major cadastral, geological and economic boundaries.
- Coal Resources are also constrained by the occurrence and quality of geological information.
- Coal Resources exclude areas where the seam has been affected by igneous bodies, extracted by mining and areas where coal has been sterilized by mining to June 30, 2006.
- Coal Resources are reported for the full coal seam thickness to a minimum thickness of typically 0.3m to 0.5m for open-cut resources, and 1.5m to 2m for underground resources.
- Resources do not include out-of-seam dilution. Underground resources are typically reported on a full seam or working section basis, and may contain a small amount of interseam dilution.
- Resource tons have been reported using an appropriate in situ moisture basis for each deposit, ranging from 3% to 10% moisture excluding Rolleston which is reported at an insitu moisture of around 16%.
- Coal Resources have been re-estimated for inclusion in this summary table (with the exception of Cook where previous estimate has been adjusted for production).
- Revisions of the totals include changes to classifications of Resource status due to exploration, geological reinterpretation and remodelling and changes to lease holdings.
- Adherence to the 2003 Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves has resulted in some Measured Resources being classified as Indicated and some Indicated Resources being reclassified as Inferred. Coal tonnages for Mitchells Flat, Teralba and Cardiff Borehole were estimated prior to publishing of the 2004 JORC Code. The Resource categories were re-classified for this table, pursuant to the 2003 Guidelines.
- Other changes and notes relevant to the estimation of Resources and Reserves are listed below for specific projects.

(a) Changes to Whybrow pit, Deep pit and Wambo pit endwalls reduced Coal Reserves by 1.4Mt ROM.

(b) Extended longwall lengths in Whybrow and Blakefield seams increased Coal Reserves by 12.2Mt ROM.

(c) Additional longwall panels added in SE after exploration increased Coal Reserves 4.5Mt ROM.

(d) Two short longwall blocks removed, two longwall blocks shortened and six longwall blocks lengthened resulting in a decrease in Coal Reserves of 2.1Mt ROM.

(e) Resources reported for the Great Northern Seam include areas where this seam has been previously extracted by bord and pillar methods. Pillar recovery has been assumed from historical mine record tracings.

(f) In an area where Cumnock and Ravensworth West leases overlap, Coal Resources have been classified as having potential for open-cut extraction as the linear waste: coal strip ratio for all seams (including those belonging to Ravensworth West) is generally less than 10:1.

(g) Resources in an area of high geological complexity have been classified as Indicated, although it may appear as if sufficient information exists for classification as Measured status.

Exploration and subsequent model review revised open-cut/underground depth cut-off, changing classification and reporting areas of thin seams and thick seams to east of open-cut. Some marginal and deep seams were reclassified from Indicated to Inferred as a result of model review and insufficient quality data, decreasing Coal Reserves by 4.4Mt ROM.

The seam thickness cut-off was adjusted for thin seams that have thin intervening partings.

(h) Increased dilution assumption and ROM ash cut-off resulting in increase in Coal Reserves of 1.3Mt ROM.

(i) Detailed mine planning has enlarged pit shell resulting in increase in Coal Reserves of 14.4Mt ROM.

(j) Increased dilution assumption increased Coal Reserves 0.4Mt ROM.

(k) Additional block of mineable coal identified near old UG roadways increased Coal Reserves by 4.1Mt ROM.

(l) The Ulan underground mine currently extracts the basal 3m of the 6-7m thick Ulan Seam. Coal plies above the underground mining section have been reported and included in the total Resource.

Two eastern and three western longwall blocks shortened resulting in decrease in Coal Reserves of 7.1Mt ROM.

(m) Three longwall blocks lengthened resulting in increase in Coal Reserves of 4.2Mt ROM.

(n) Slightly smaller pit shell when mining lease granted resulting in decrease in Coal Reserves of 0.8Mt ROM.

(o) Increased dilution assumption and longer longwall blocks resulted in increased Coal Reserves of 2.4Mt ROM. Increased yield from washplant upgrade offset by increased dilution resulted in increased Marketable Reserves of 0.4Mt.

(p) Reduced dilution assumption for introduction of new longwall equipment decreased Coal Reserves by 0.3Mt Increased yield from washplant upgrade resulted in increased Marketable Reserves of 7.8Mt.

(q) Reclassification of some Thermal coal to Coking coal and realigned highwalls in Suttor Creek open-cut reduced Coal Reserves by 10.5Mt ROM.

(r) Longwall block 2 lengthened inbye increased Coal Reserves by 2.5Mt ROM.

(s) Exploration and structural review allowed a new resource estimate for the northern two-thirds of the lease area. Coal Resources for Cook Colliery were adjusted for production from the previous year's estimate.

(t) Production has reduced reserves by 3.1Mt and estimation of Coal Reserves according to Resource classifications under 2004 JORC result in decreased in Coal Reserves by 17.6Mt ROM.

* Competent Person for Coal Reserve/ Competent Person for Coal Resource

Competent persons
ABP = Andrew Paul, Senior Geologist, McElroy Bryan Geological Services Pty Ltd, Consulting Geologists (AusIMM)
CFRP = Charles Parbury, Director, McElroy Bryan Geological Services Pty Ltd, Consulting Geologists (AusIMM)
GJ = Greg Jones, JB Mining Services Pty Ltd. (AusIMM)
GM = Greg Maiden, Runge Pty Ltd. (AusIMM)
JHB = John Bryan, Director, McElroy Bryan Geological Services Pty Ltd, Consulting Geologists (AusIMM)
JM = John Moore, Business Development Manager, Oaky Creek Coal Pty Ltd, (AusIMM)
KJW = Kerry Whitby, Managing Director, McElroy Bryan Geological Services Pty Ltd, Consulting Geologists (AusIMM)
MB = Mal Blaik, Principal Consultant, JB Mining Services Pty Ltd. (AusIMM)
MFC = Malcolm Cox, Business Development Manager, the Coal Business (AusIMM)
MS = Marko Seppanen, Senior Geologist, Oaky Creek Coal Pty Ltd, (AusIMM)
PG = Peter Graham, Senior Geologist, Bulga Coal (AusIMM)
PS = Phil Sides, Senior Geologist, JB Mining Services Pty Ltd. (AIG)
RMD = Robert Dyson, Senior Geologist, McElroy Bryan Geological Services Pty Ltd, Consulting Geologists (AusIMM)
RWD = Rod Davis, Principal Consultant, Mining & Exploration Geology Services Pty Limited, Consulting Geologists (AusIMM)
SJF = Sandra Frogley, Senior Geologist, McElroy Bryan Geological Services Pty Ltd, Consulting Geologists (AusIMM)
TH = Todd Harrington, Geology Superintendent, NCA Coal Project (AusIMM)

Coal Americas

June 30, 2006 (total mine basis)

Name of Operation	Ownership	Mining Method	Commodity	Coal Reserves[(a)] Recoverable Proved (Mt)	Recoverable Probable (Mt)	Marketable[(c)] Proved (Mt)	Marketable Probable (Mt)	Coal Resources Measured (Mt)*	Indicated (Mt)*	Inferred (Mt)*	Competent Person*
Coal – June 2006											
Carbones del Cerrejón . . .			**Thermal Coal**	**694.5**	**211.2**	**712.5**	**215.4**	**731.2**	**224.1**	**2**	
Cerrejón Mine[(b)]	33.3%	OC	Thermal Coal	694.5	211.2	712.5	215.4	731.2	224.1	2	GH
Donkin Mine Alliance				–	–	–	–	–	–	–	
Donkin Coal Mine[(d)]	66.0%	UG	Thermal/Coking Coal	–	–	–	–	–	–	–	
Subtotal – Coal Americas .				**694.5**	**211.2**	**712.5**	**215.4**	**731.2**	**224.1**	**2.0**	

Definitions
OC = open-cut; UG = underground

Notes

(a) Reserves are ROM (Run of Mine) Reserves – as mined reserves taking into account geological losses, mining losses, contamination and as mined moisture adjustments. Reserves are reported on a ROM moisture basis. Reserves are included in the Resources within the mine plan.

Resources are reported on an in situ moisture basis. Resources within the mine plan include Reserves.

(b) Saleable Reserves: As sold basis are reserves adjusted for yield losses in the preparation plant (if applicable) and converted to a saleable moisture basis. The Coal Resource and Coal Reserve estimates tabulated above are stated on a total mine basis as at June 30, 2006.

(c) Cerrejón Resources are Gross Tons in Situ Resources (GTIS). The resources within a defined optimized pit shell which conform to specific quality and thickness criteria and which have been discounted for geological losses. Additional Resources outside the 32 Mtpa shell are not included. Resources in the 32 Mtpa mine plan exclude coal resources underlying the Rancheria River. The estimates of Coal Resources and Coal Reserves presented in this table for Cerrejón have been calculated according to the SAMREC Code (South African Code for Reporting of Coal Resources and Coal Reserves)

(d) Resources for the Donkin Coal Mine were last assessed in 1981 according to the 1979 CANMET guidelines. These resources are currently being reassessed according to current standards for future reporting.

* Competent Person for Coal Resource and Coal Reserve.

Competent person

German Hernandez, APS Geology Superintendent, Carbones del Cerrejón (GSSA)

Coal South Africa

June 30, 2006 (total mine basis)

				Coal Reserves				Coal Resources				
				Recoverable		Marketable						
Name of Operation	Ownership	Mining Method	Commodity	Proved (Mt)	Probable (Mt)	Proved (Mt)	Probable (Mt)	Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Competent Person*
Tweefontein Division				**531.6**	**92.8**	**287.5**	**52.2**	**1,224**	**121**	**1,345**	**108**	**MS/RK**
Waterpan[a]	100.0%	UG/OC	Thermal Coal	102.8	5.5	53.8	2.8	239	23	262	15	
Boschmans[b]	100.0%	UG/OC	Thermal Coal	64.5	3.1	37.0	2.2	198	16	214	1	
Witcons[c]	100.0%	UG/OC	Thermal Coal	13.5	2.4	7.8	1.3	89	27	115	17	
South Witbank[d]	100.0%	UG/OC	Thermal Coal	75.2	0.0	40.6	0.0	172	12	184	9	
Goedgevonden[e]	100.0%	UG/OC	Thermal Coal	275.6	81.8	148.3	45.8	526	44	570	67	
iMpunzi Division				**125.4**	**0.0**	**71.6**	**0.0**	**360**	**13**	**374**	**15**	**MS/RK**
Phoenix[f]	100.0%	UG/OC	Thermal Coal	10.2	0.0	5.4	0.0	92	5	97	6	
Tavistock[g]	100.0%	UG/OC	Thermal Coal	26.7	0.0	12.4	0.0	101	7	109	9	
ATC[h]	50.0%	UG/OC	Thermal Coal	17.5	0.0	11.1	0.0	41	0	41	0	
ATCOM[i]	50.0%	OC/UG	Thermal Coal	71.1	0.0	42.8	0.0	126	1	127	0	
Mpumalanga Division				**41.2**	**0.0**	**26.9**	**0.0**	**223**	**0**	**223**	**18**	**MS/RK**
Tselentis[j]	100.0%	UG/OC	Thermal Coal	20.3	0.0	13.1	0.0	64	0	64	0	
Spitzkop[k]	100.0%	UG/OC	Thermal Coal	20.9	0.0	13.8	0.0	159	0	159	18	
Mines operated by Ingwe				**213.4**	**62.8**	**167.1**	**50.0**	**1,002**	**118**	**1,121**	**68**	**LP**
DTJV[l]	16.0%	OC/UG	Thermal Coal	213.4	62.8	167.1	50.0	1,002	118	1,121	68	
Undeveloped[m]	**100.0%**		**Thermal Coal**	**0.0**	**0.0**	**0.0**	**0.0**	**123**	**855**	**978**	**1,723**	
Subtotal – South Africa				**911.6**	**155.6**	**553.1**	**102.2**	**2,934**	**1,107**	**4,041**	**1,932**	

Definitions
OC = open-cut; UG = underground

Notes

– The Coal Resource and Coal Reserve figures tabulated have been stated on a total mine basis as at June 30, 2006.

– The estimates of Coal Resources and Coal Reserves presented in this table have been estimated according to the SAMREC Code (South African Code for Reporting of Coal Resources and Coal Reserves) and are also JORC (Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves) compliant.

– Coal Resources and Coal Reserves stated on a total mine basis include interests in Coal Resources and Coal Reserves attributable to minority interests in controlled entities and the interests of joint venture partners. Figures are subject to rounding and therefore totals may not add up.

– Coal Resources and Recoverable Coal Reserves are quoted on an air dried moisture basis.

– Marketable Coal Reserves are quoted on an as-received moisture basis, with the exception of Ingwe managed mines which are quoted on air dried basis.

– Marketable Coal Reserves for managed operations are based on theoretical yields for a 27.5MJ/kg export quality product, adjusted by practical plant factors based on current operational performance.

– Marketable Coal Reserves for Tavistock are based on a 27.5MJ/kg primary wash, plus a 25MJ/kg wash of the primary rejects.

– Marketable Coal Reserves for Waterpan, Boschmans, Witcons and Goedgevonden are based on a 27.5MJ/kg primary wash for the select seams and a 22MJ/kg (domestic power generation product) primary wash for the Upper Seams

– Marketable Coal Reserves for Ingwe managed mines are as received from Ingwe, based on a mix of export and domestic products.

– Coal Resources and Coal Reserves for operations are contained within fully permitted areas, with the exception of those stated under individual operations.

– The undeveloped Coal Resources are not fully permitted.

(a) Waterpan: ROM Reserve – 0.7 Mt mined from July 05 to June 06, 1.5 Mt increase in 1 seam reserves due to optimized LOM, 16.6Mt of low quality 2 upper seam (domestic power generation) and 17.2 Mt of export steam coal 2 seam pillars included as opencast reserves (Makoupan Opencast), 7.7 Mt decrease in underground 2 seam reserves based on new drilling and ply remodelling 3.1 Mt increase in opencast reserves based on optimized LOM, Resource – 1.2 Mt mined from July 05 to June 06, 19.9Mt of low quality 2 upper seam (domestic power generation) and 18.3 Mt of export steam coal 2 seam pillars included as resources (Makoupan Opencast), 9.2 Mt decrease in underground 2 seam resources based on new drilling and ply remodelling, 0.1 Mt increase in 5 seam resources due to drilling and remodelling of sub-outcrops,

(b) Boschmans: ROM Reserve – 3.9 Mt mined from Jul 05 to June 06, 1.2 Mt additional 2 seam resources planned as opencast reserves after re-classification, 3.0 Mt of low quality upper seam (domestic power generation) included as opencast reserves, 1.6 Mt additional 4 seam resources planned as underground reserves after re-classification, 1.0 Mt increase in 1 seam from re-modelling and re-classification, Mining Horizon re-modelling based on new Borehole / Ply information accounted for a total decrease of 8Mt of the 2 seam reserve – the ply re-modelling increased the yield from 36.52% to 54.66%, 17.9Mt increase in 2 seam underground reserves that have been reallocated from Witcons. Resources – 4.7 Mt mined from Jul 05 to June 06, 4.1 Mt of low quality upper seam (domestic power generation) included as resources form opencast areas, 4.1 Mt increase in 1 seam from additional drilling and re-modelling, 3.6 Mt increase in 5 seam resources due to additional drilling re-modelling, Mining Horizon remodelling based on new Borehole / Ply information accounted for a total decrease of 15.4 Mt of the 2 seam Resource, 24.3 Mt increase in 2 seam underground resources reallocated from Witcons.

(c) Witcons: ROM Reserve – 2.5 Mt mined from Jul 05 to June 06, 1.1 Mt decrease in 2 seam opencast reserves (not scheduled), 1.3 Mt decrease in 2 seam pillar reserves due to geotechnical considerations, 17.9 Mt 2 seam underground reserves reallocated to Boschmans, 3.0 Mt 4 seam opencast reallocated to Boschmans, 1.6 Mt decrease in 4 seam opencast from additional drilling and remodelling of sub-outcrops. Resource – 4.1 Mt mined from Jul 05 to June 06, 1.8 Mt decrease in 2 seam pillar resources due to geotechnical considerations, 24.3 Mt 2 seam underground resources reallocated to Boschmans , 4.1 Mt 4 seam opencast reallocated to Boschmans, 2.2 Mt decrease in 4 seam opencast from additional drilling and remodelling of sub-outcrops, 6.0 Mt increase in 4 seam underground from re-interpretation and re-modelling, 3.3 Mt increase in 5 seam resources from additional drilling and remodelling.

(d) South Witbank: ROM Reserve – 3.5 Mt mined from July 05 to June 06, 8.7 Mt increase from 5 seam ceded from Tavistock, 10 Mt reduction in 4 seam reserves due to mining horizon reinterpretation and re-modelling based on new borehole/ply information, 8.4 Mt decrease due to exclusion of 4 seam stooping reserves, 2.8 Mt decrease in 2 seam reserves due to poor yield, Resource – 6.3 Mt mined from July 05 to June 06, 22.3 Mt increase from 5 seam ceded from Tavistock, 16.5 Mt reduction in 4 seam resources due to mining horizon re-interpretation and remodelling based on new borehole/ply information, 2 seam resource increases by 3.2 Mt due to additional drilling and re-modelling.

(e) Goedgevonden: Production from Minipit area only. Minipit already excluded from reserves and mining did not infringe on draglines pits.

(f) Phoenix: ROM Reserve – 1.7 Mt mined from Jul 05 to June 06, 1.7 Mt decrease in 1 seam reserves due to geotechnical considerations, 2.5 Mt reduction in 4S reserves from optimized LOM, 0.8 Mt 2 seam excluded due to low CV and Vols from infill drilling and re-modelling. Resources – 2.0 Mt mined from Jul 05 to June 06, 2.3 Mt increase in 4 seam resources from re-classification and re-modelling, 0.1 Mt 2 seam excluded due to low CV and Vols from infill drilling and re-modelling.

(g) Tavistock: ROM Reserve – 3.6 Mt mined from July 05 to June 06, 8.7 Mt 5 Seam re-allocated to South Witbank, 15.4 Mt of 4S Reserves was removed due to poor yields, 10.0 Mt of 2 Seam Pillar Reserves were sterilized due to Safety Factors and Slurry in Old Workings Study, Resource – 6.5 Mt mined from July 05 to June 06, 22.3 Mt 5 Seam re-allocated to South Witbank, 6.2 Mt reduction in 4 seam resources from stooping blocks sterilized by slurry and surface infrastructure.

(h) ATC: ROM Reserve – 2.5 Mt mined from Jul 05 to June 06, 1.4 Mt increase in 4 seam reserves reallocated from Tavistock, 4.7 Mt increase in 4 Seam opencast reserves under the Impunzi office block, 3.2Mt decrease in 2s pillar reserves due to geotechnical considerations, 1.3 Mt increase in 2 Seam opencast reserves under the Impunzi office block. Resources – 3.0 Mt mined from Jul 05 to June 06, 2.3 Mt increase in 4 seam resources reallocated from Tavistock.

(i) ATCOM: ROM Reserve – 3.5 Mt mined from Jul 05 to June 06, 8.3Mt increase from ATCOM Triangle conversion from underground to opencast reserves (1, 2, 4 and 5 seams). 3.2Mt increase on the 2 seam north pit due to the contamination increasing from 23% to 35% in pillar areas and the reduction of the remnant pillar sizes. Resources – 4.2 Mt mined from Jul 05 to June 06, 0.2 Mt increase in 1 seam resources from additional drilling and re-modelling, 2.2Mt increase in 4 seam resources due to re-interpretation and remodelling.

(j) Tslentis: ROM Reserve – 2.9Mt mined June 2005 to June 2006. Tselentis South: 10Mt was taken out of reserves due to drop in yield caused by an additional 35 cm of roof being cut – recommended by Rock Mechanics due to the poor nature of the roof. Tselentis North: 2.6 Mt of B seam taken out after economic evaluation. Resource: – 4.7 Mt mined June 2005 to June 2006.

(k) Spitzkopf: ROM Reserve – 1.0 Mt mined from Jul 05 to June 06. There is an increase in C seam reserves of 5.3 Mt due to new mining areas being planned, 3.7 Mt of B-Seam reserves were taken out after economic evaluation, 1.1 Mt of C-seam Opencast reserves were taken after economic evaluation. 4.8 Mt of Stooping reserves on both the B and C Seams were gained. Resource: -1.6 Mt mined from Jul 05 to June 06, 2.5 Mt of B-seam underlying Jennings' farm were taken out of resources as the area is not covered by the Spitzkop mining authorization, 9.5Mt of C seam in the graben was added to the resources.

(l) DTJV: ROM Reserve – 33.6 Mt mined from Jul 05 to June 06, 59.8 Mt decrease from revised mining lay-out for Kleinkopje/Steenkoolspruit, 31.0 Mt increase from re-modelling and re-interpretation. Resource – 46 Mt mined from July 2005 to June 2006, increase from pillar resources included.

(m) Due to the promulgation of the new Mineral and Petroleum Resources Development ACT, 2002 (Act No. 28 of 2002) all valid prospecting permits reverted back to Un-used Old Order Rights. The Coal Business South Africa has applied for New Order Prospecting rights over all the undeveloped Resource areas. New Order Prospecting rights were issued over most of the undeveloped Resource areas since July 2006 and work has commenced on these projects. The resources reported as at June 30, 2005 are identical to those reported as at December 31, 2004 with the exception of Mooifontein 109 that was re-evaluated and the C Upper seam included in resources.

* Competent Person for Coal Reserve / Competent Person for Coal Resource.

Competent persons
RK = Rowan Karstel, the Coal Business (SACNASP)
LP = Leon Pienaar, BHP Billiton Energy Coal (SACNASP)
MS = Marius Smith, the Coal Business (SACNASP)
LP = Leon Pienaar, BHP Billiton Energy Coal (SACNASP)

Copper

Copper Australia

June 30, 2006 (total mine basis)

Name of Operation	% ownership	Mining Method	Commodity	Ore Reserves Proved (Mt)	Ore Reserves Probable (Mt)	Mineral Resources Measured (Mt)	Mineral Resources Indicated (Mt)	Mineral Resources Inferred (Mt)	Competent person*
Ernest Henry	100.0%								
(Jun-06)									
Open Cut[(a)]		OC	Ore	41	20	41	20	1	CS
			Copper	0.9%	0.8%	0.9%	0.8%	0.4%	
			Gold g/t	0.5	0.4	0.5	0.4	0.2	
Underground[(b)]		UG	Ore	–	–	–	21	23	CS
			Copper	–	–	–	1.5%	1.4%	
			Gold g/t	–	–	–	0.7	0.7	
Mount Isa	100.0%								
(Jun-06)									
X41 Mine 1100 and 1900 Orebodies[(c)]		UG	Ore	28	21	76	7.0	10	MJ / IH
			% Copper	2.1%	1.8%	2.1%	1.8%	2%	
Enterprise Mine 3000 & 3500 Orebodies[(d)]		UG	Ore	32	5.7	61	8.1	1	MJ / IH
			% Copper	3.6%	3.2%	3.3%	2.7%	2%	
500 Orebody[(e)]		UG	Ore	–	–	–	–	70	MJ / IH
			% Copper	–	–	–	–	1%	
Open Pit[(f),(g)]		OC	Ore	–	–	98	69	110	JM
			% Copper	–	–	1.4%	1.2%	1%	

Definitions

OC = open-cut; UG = underground

Notes

– All Ore Reserve and Mineral Resource estimates in the Copper Australia table represent the position at June 30, 2006.

– All tonnage and grade estimations for Mineral Resources are reported as inclusive of tonnage and grade estimations for Ore Reserves.

– Rounding to two significant figures has been applied generally to tonnage and grade estimates with rounding to one significant figure applied in most cases to Inferred Mineral Resources.

(a) Ernest Henry: Copper and gold mineralization occurs in a breccia comprised of strongly altered and replaced intermediate volcanic fragments in a matrix assemblage of predominantly magnetite, chalcopyrite and carbonate. Copper occurs as chalcopyrite and gold is strongly associated with chalcopyrite. Mining of 8.7 million tons of ore at 1.16% Cu, 0.59 g/t Au since end June 2005 depleted the Open Cut Ore Reserve and Mineral Resource. Ore Reserve and Mineral Resource estimates are based on an Ordinary Kriged block model. Resource classification is based on geostatistical analysis of data, combined with, structural and geological interpretation. A cut-off grade of 0.27% Cu is applied.

(b) Ernest Henry Underground Mineral Resource: The estimate is based on a copper equivalent cut-off of 1.5% (CuEq = Cu % + 0.73 x Au g/t). Estimates are derived from an Ordinary Kriged block model after the application of geostatistical analysis of data combined with structural and geological interpretation. The Underground Mineral Resource includes all material below (down dip from) the current life of mine plan pit. The underground Mineral Resource remains open at depth.

(c) Mount Isa X41 Copper Mine 1100 and 1900 Orebodies: Mount Isa X41 Copper Mine 1100 and 1900 Orebodies: Mineral Resource categorization is based on assessment of orebody continuity, structural complexity and adequacy of data coverage. New drilling in the northern 1100 orebody has been successful in adding 2 million tons to the Mineral Resource. Additions to Ore Reserves of 5 million tons at 1.7% Cu have resulted from engineering reviews carried out during the year. Further work is continuing to evaluate the Measured and Indicated Mineral Resources for conversion to Ore Reserves using different mining methods and economic parameters. Mine production of 2.9 million tons at 2.8% Cu since end June 2005 depleted the Ore Reserve and Mineral Resource. Additional depletion of the Mineral Resource and Ore Reserve has occurred due to sterilization of ground adjacent to stopes mined out during the year. Mineralization occurs generally as breccia hosted massive to disseminated chalcopyrite in "silica dolomite" altered pyritic dolomitic siltstone.

(d) Enterprise Mine 3000 and 3500 Orebodies: Mineral Resource categorization is based on assessment of orebody continuity, structural complexity and adequacy of data coverage. Additions to Ore Reserves of 1.5 million tons at 2.8% Cu have resulted from engineering reviews carried out during the year. Further work is continuing to evaluate the Measured and Indicated Mineral Resources for conversion to Ore Reserves using different mining methods and economic parameters. Mine production of 3.2 million tons at 4.2% Cu since end June 2005 depleted the Ore Reserve and Mineral Resource. Additional depletion of the Mineral Resource and Ore Reserve has occurred due to sterilization of ground adjacent to stopes mined out during the year. Mineralization occurs generally as breccia hosted massive to disseminated chalcopyrite in "silica dolomite" altered pyritic dolomitic siltstone.

(e) Mount Isa 500 Orebody: Mineral Resource categorization is based on assessment of orebody continuity, structural complexity and adequacy of data coverage. The Mineral Resource estimate is based on a block model with grade interpolation by Ordinary Kriging. This block was defined during a scoping study in 2006 and is now the subject of a pre-feasibility study including a significant drilling program. Mineralization occurs generally as breccia hosted massive to disseminated chalcopyrite in "silica dolomite" altered pyritic dolomitic siltstone. The copper mineralization is contained within an envelope of weak to moderate leaching as determined by initial geotechnical assessment.

(f) Mount Isa Open pit: Mineral Resource categorization is based on assessment of orebody continuity, structural complexity and adequacy of data coverage. The Mineral Resource estimate is based on a block model with grade interpolation by Ordinary Kriging. The Mineral Resource has been reported inside an optimized pit shell using a cut-off grade of 0.5% Cu. Copper mineralization occurs generally as breccia hosted massive to disseminated copper minerals in "silica dolomite" altered pyritic dolomitic siltstone. Approximately 60% of the copper Mineral Resource is in primary chalcopyrite, the remainder being oxidized or partially oxidized, with a minor amount of supergene chalcocite mineralization.

(g) Underground-Open Pit Overlap: There is some overlap between the underground and open-pit copper Mineral Resources as reported above. The extent of double counting is indicated by the following tonnages of underground Mineral Resource as reported above which are also included in the open-pit Mineral Resource (Measured: 8.6Mt @ 1.8% Cu, Indicated: 1.6Mt @ 1.6% Cu, Inferred: 59Mt @ 1.3% Cu).

* Competent Person for Ore Reserve / Competent Person for Mineral Resource; where only one set of initials are listed, the same Competent Person is responsible for both Ore Reserve and Mineral Resource

Competent persons

CS = Cameron Schubert, the Copper Business (AusIMM)
MJ = Myles Johnston, the Copper Business (AusIMM)
IH = Ian Holland, the Copper Business (AusIMM)
JM = Jeffrey Moncrieff, the Zinc Business (AusIMM)

Copper Americas

December 31, 2006 (total mine basis)

Name of Operation	% ownership	Mining Method	Commodity	Ore Reserves Proved (Mt)	Ore Reserves Probable (Mt)	Mineral Resources Measured (Mt)	Mineral Resources Indicated (Mt)	Mineral Resources Inferred (Mt)	Competent person*
Antamina[(a)]	33.75%	OC	Copper Ores	60	251	87	349	105	DG
(Dec-06)			% Copper	1.23%	1.13%	1.03%	1.11%	0.96%	
			% Zinc	0.18%	0.15%	0.17%	0.15%	0.10%	
			Silver g/t	8.8	9.8	7.7	9.8	14.2	
			% Molybdenum	0.040%	0.037%	0.04%	0.035%	0.028%	
			Copper-Zinc Ores	32	90	43	134	18	DG
			% Copper	1.05%	1.14%	0.92%	1.13%	0.89%	
			% Zinc	3.15%	2.72%	2.62%	2.63%	1.90%	
			Silver g/t	22.3	19.4	19.4	18.5	21.8	
			% Molybdenum	0.009%	0.009%	0.011%	0.009%	0.010%	
Bajo de la Alumbrera[(b)]	50%	OC	Ore	360	23	380	23	–	LR
(Dec-06)			% Copper	0.45%	0.42%	0.44%	0.42%	–	
			Gold g/t	0.48	0.43	0.47	0.43	–	
Collahuasi[(c)]	44%	OC	Sulfide Ore	193	1,534	434	1,767	1,820	JC
(Dec-06)			% Copper	1.09%	0.86%	0.86%	0.83%	0.75%	
			% Molybdenum	0.02%	0.03%	0.02%	0.03%	0.03%	
		OC	Oxide & Mixed Ore	2	29	3	30	0.5	
			% Copper	1.15%	0.97%	1.09%	0.97%	0.74%	
Kidd Creek Division[(d)] (not including Mine D, Stage 2)	100%	UG	Ore	19.6	1.4	21.3	1.8	0.4	AM / SG
(Dec-06)			% Copper	2.00%	1.61%	2.24%	1.80%	1.7%	
			% Zinc	5.29%	5.97%	5.73%	6.28%	3.2%	
			% Lead	0.17%	0.11%	0.19%	0.13%	0.2%	
			Silver g/t	53	33	57	38	34	
Lomas Bayas[(e)]	100%	OC	Oxide & Mixed Ore	87	158	100	248	2	GS
(Dec-06)			% Copper	0.37%	0.29%	0.37%	0.26%	0.30%	
Tintaya[(f)]	100%	OC	Ore	51	60	60	77	13	LR
(Dec-06)			% Copper	1.45%	1.25%	1.44%	1.25%	1.25%	
			Gold g/t	0.16	0.11	0.15	0.11	0.13	

Definitions
OC = open-cut; UG = underground

Notes

– All Ore Reserve and Mineral Resource estimates in the table represent the position at December 31, 2006.

– All tonnage and grade estimations for Mineral Resources are reported as inclusive of tonnage and grade estimations for Ore Reserves.

– Rounding to two significant figures has been applied generally to tonnage and grade estimates with rounding to one significant figure applied in most cases to Inferred Mineral Resources

(a) Antamina: The resource model has been updated to incorporate additional drill core data providing information for a new resource model (April 2006). The Resources and Reserves reported above are based on a new pit design constructed from the updated resource model and incorporate revised pit slope recommendations for the SE part of the pit. This new pit slope is flatter to assist in the management of structures intersecting the pit. The reserves also include a new pit in the Usu Pallares area, located to the south and east of the primary crusher. A new cut-off grade strategy has provided for the stockpiling of resource grade material (at break-even) which is included in the Mineral Resource. The current life-of-mine plan does not consider processing this material, however further metallurgical testing of stockpile material degradation patterns is being conducted in order to confirm whether this material should be classified as Ore Reserve. Antamina is a polymetallic (Copper, Zinc and Molybdenum predominate) skarn deposit resulting from complex multiple intrusive events. Copper mineralization occurs mainly as chalcopyrite except for two areas of bornite, representing approximately 5% of the deposit. Zinc mineralization generally occurs as sphalerite. Other significant sulfide minerals include molybdenite and pyrite, while trace amounts of numerous silver and bismuth bearing minerals and local areas of galena (lead sulfide) are also found within the deposit.

(b) Bajo de la Alumbrera: The Proved Reserves include 96 million tons @ 0.34 % Cu, 0.39 g/t Au of Medium and Low-Grade material stockpiled for treatment during the remaining of the life of mine. Mineral Resources and Ore Reserves reported are based on new pits constructed from the updated resource block model with grade interpolation by Ordinary Kriging. The major variations from the December 31, 2005 published reserve statement are due to the mining and processing of 36 million tons and the inclusion of an additional 40 million tons of ore defined under and surrounding the previous pit bottom ring. The ultimate pit slopes design was based on Call & Nicholas Inc. recommendations (CNI, Tucson AZ, USA). After ten (10) years of mining, the remaining of the Alumbrera Orebody could be considered wholly a primary sulfide mineralized ore which comprises disseminated, vein and fracture controlled chalcopyrite in altered dacite and andesite host rocks, with minor chalcocite and covellite in the enriched zone that surrounds the major faults.

(c) Collahuasi: Variable cut-off formulae were applied to the Mineral Resources and Ore Reserves dependant on the ore type (sulfide, oxide and mixed ore) and forecast metal price assumptions. Resources are estimated within optimized pit shells for each source area, with the exception of Resource material falling between pit shells at Capella Este. Open pit Ore Reserve shells were optimized on the Ujina and Rosario Resource models based on the Lersch-Grossmann algorithm using the Whittle 4X software. At Capella Este Ore Reserves are attributed more conservative price assumptions due to uncertainties in the acid consumptions in processing this material. Deeper mineralization at Capella Este is considered marginally economic at present due to higher stripping ratios. As a result, material falling between the 85c and the 95c pits at Capella Este has not been converted to Ore Reserve at this time. Rosario material in stockpile is included as Probable Reserves in the table above. Proved Reserves are reported only for Rosario ore falling above the operational cut-off of 0.6% Cu although this cut-off during the initial years will be slightly higher.

(d) Kidd Creek: The bulk of the Kidd Mine Block 3 Resource (82 to 88 level) was moved to Reserve in 2006 after a definition drilling program (minor in-fill drilling remains). This more than offset 2006 production which amounted to 2.5 Mt @ 66g/t Ag, 2.05% Cu, 5.24% Zn. Without the development of Stage 2 of Mine D, production from the operation steadily declines after 2009. With current mining, costing and long-term pricing assumptions the operating period 2013 to 2016 is at a high risk of being uneconomic, and may force the transfer of 5.8 Mt of ore from Reserve to Resource. The Resources are inclusive of Reserves in this statement – this is a change in practice from previous reporting. Kidd Creek is a Volcanogenic Massive Sulfide Cu-Zn-Ag deposit (VMS). Mineralization occurs within a rhyolitic volcanic/volcaniclastic sequence as massive sulfide lenses of dominantly pyrite-pyrrhotite-sphalerite-galena-rich ores that are underlain by copper (chalcopyrite) stringer zones.

(e) Lomas Bayas: The block model is based on Ordinary Kriging and developed in August 2006. This model includes holes from exploration drilling campaigns prior to 2000, and infill drilling from 2001 to 2005. The resource categorization method is based on average sample distance, a minimum number of samples and drill hole spacing. Copper recovery is modelled by dividing the deposit into 4 zones according to the geological features of the deposit. Copper oxides and sulphates are the main copper bearing minerals resulting from a weathering-leaching process on top of a low grade porphyry style orebody.

(f) Tintaya: The proved and probable Reserves include 15 million tons @ 1.0% Cu of Sulfide and Oxide material stockpiled for treatment during the remaining life of mine. Mineral Resources and Ore Reserves reported are based on new pits constructed from the updated resource block model with grade interpolation by Ordinary Kriging. The major variations from the May 31, 2006 published reserve statement (under BHPB standards) are due to: a) the mining and processing of 6.4 million tons, b) the inclusion of an additional 25 million tons of ore defined as a consequence of changes in the metal price assumptions and additional ore delineated in the Chabuca N, Esperanza and Zone Industrial areas located at the NW and N of the old Tintaya pit. The ultimate pit slope designs are based on Tintaya's geotechnical staff recommendations. The Tintaya orebody is defined as a copper skarn deposit, which consists of Cretaceous sedimentary rocks intruded by monzonitic plutons, with bornite, chalcopyrite, chalcocite and copper oxides as the main copper bearing minerals.

* Competent Person for Ore Reserve / Competent Person for Mineral Resource; where only one set of initials are listed, the same Competent Person is responsible for both Ore Reserve and Mineral Resource

Competent persons

DG = Daniel Gutler
LR = Luis Rivera
JC = Jorge Camacho
AM = Arie Moerman
SG = Stu Gibbins
GS = Gordon Stothart

Copper Projects

December 31, 2006 (total mine basis)

Name of Operation	% ownership	Mining Method	Commodity	Ore Reserves Proved (Mt)	Ore Reserves Probable (Mt)	Mineral Resources Measured (Mt)	Mineral Resources Indicated (Mt)	Mineral Resources Inferred (Mt)	Competent person*
Antapacay[(a)] **(Dec-06)**	100.0%	OC							
Antapaccay North			Ore	–	–	58	61	23	EH
			% Copper	–	–	0.70%	0.62%	0.65%	
			Gold g/t	–	–	0.12	0.10	0.07	
			Silver g/t	–	–	2.0	1.6	1.7	
			% Molybdenum	–	–	0.004%	0.006%	0.007%	
Antapaccay South			Ore	–	–	81	156	93	EH
			% Copper	–	–	0.82%	0.78%	0.73%	
			Gold g/t	–	–	0.17	0.17	0.15	
			Silver g/t	–	–	1.6	1.6	1.8	
			% Molybdenum	–	–	0.008%	0.006%	0.006%	
Las Bambas[(b)]	100.0%	OC	Ore	–	–	–	432	76	RR
(Dec-06)			% Copper	–	–	–	1.21%	0.74%	
			% Molybdenum	–	–	–	0.0230%	0.0158%	
			Gold g/t	–	–	–	0.1	0.1	
Kidd Mine D, Stage 2[(c)]	100.0%	UG	Ore	–	–	1.0	1.0	6.3	AM / SG
(Dec-06)			% Copper	–	–	1.50%	2.12%	1.8%	
			% Zinc	–	–	7.89%	4.35%	5.6%	
			% Lead	–	–	0.40%	0.24%	0.2%	
			Silver g/t	–	–	117	69	77	
El Morro[(d)]	70.0%	OC	Ore	–	–	189	300	227	RR
(Dec-06)			% Copper	–	–	0.69%	0.53%	0.5%	
			Gold g/t	–	–	0.58	0.49	0.41	

Definitions
OC = open-cut; UG = underground

Notes

– All Ore Reserve and Mineral Resource estimates in the table represent the position at December 31, 2006.

– All tonnage and grade estimations for Mineral Resources are reported as inclusive of tonnage and grade estimations for Ore Reserves.

– Rounding to two significant figures has been applied generally to tonnage and grade estimates with rounding to one significant figure applied in most cases to Inferred Mineral Resources.

– El Pachón: The Mineral Resource estimation for this deposit is currently being reviewed.

(a) Antapaccay: Mineral Resource categorization is based on assessment of orebody and grade continuity, structural complexity, data quality, adequacy of data coverage, and reasonable prospect of economical extraction. The results presented in the table are based on an estimation performed in 2005. Since this estimate was produced, ten new holes were drilled and are being processed to generate a new estimate (forthcoming). Resources are stated at a cut-off grade of 0.4% total copper. * Competent Person for Mineral Resource / Competent Person for Ore Reserve; where only one set of initials are listed, the same Competent Person is responsible for both Mineral Resources and Ore Reserves.

(b) Las Bambas: The Las Bambas district is located in the central part of the skarn-porphyry belt in south-central Perù. Skarn-related alteration and mineralization is associated with a suite of intrusives that are in contact with carbonate rocks. The porphyry style mineralization occurs in quartz-monzonite to granodiorite rocks. Hypogene copper sulfides are the main copper bearing minerals with minor occurrences of supergene copper oxides and carbonates near the surface. This new Mineral Resource estimate reflects the significant amount of new drilling incorporated to the updated model. The resource classification scheme chosen is a combination of various interpolation parameters designed to reflect data density and the interpreted geological continuity of the orebody.

(c) Kidd Mine D-Stage 2: Resource (below 88 Level) is reported separately from the currently-accessible Resource above the 88 level. Access to the Stage 2 material requires further mine deepening through extension of the Kidd Mine ramp and level development below the 90 level. The No. 4 shaft was completed to the 96 level in 2006 to facilitate further drilling and provide provision for ore handling. Work on economic evaluation of the Resource is ongoing. Kidd Creek is a Volcanogenic Massive Sulfide Cu-Zn-Ag deposit (VMS). Mineralization occurs within a rhyolitic volcanic/volcaniclastic sequence as massive sulfide lenses of dominantly pyrite-pyrrhotite-sphalerite-galena-rich ores that are underlain by copper (chalcopyrite) stringer zones.

(d) El Morro: The El Morro project, located in north-central Chile on a gold – rich porphyry copper property in which La Fortuna deposit is the larger of the two known resources, and has been the primary focus of exploration on the project. The updated resource estimate reported herein is based new drilling and interpretation information. This has allowed for the first delineation of Measured and Indicated Resources for a significant portion of the overall Mineral Resource. The Mineral Resources lie within an economic pit shell and are classified using a combination of various criteria including kriging parameters, geological continuity and data density employed for the evaluation.

* Competent Person for Ore Reserve / Competent Person for Mineral Resource; where only one set of initials are listed, the same Competent Person is responsible for both Ore Reserve and Mineral Resource

Competent persons
EH = Emmanuel Henry- AMEC (AusIMM)
AM = Arie Moerman (Association of Professional Engineers of Ontario)
SG = Stu Gibbins (Association of Professional Geoscientists of Ontario)
RR = Raul Roco (AusIMM)

Nickel

December 31, 2006 (total mine basis)

Name of Operation	% ownership	Mining Method	Commodity	Ore Reserves Proved (Mt)	Ore Reserves Probable (Mt)	Mineral Resources Measured (Mt)	Mineral Resources Indicated (Mt)	Mineral Resources Inferred (Mt)	Competent Person*
Nickel – December 2006									
Falcondo	85.3%	OC	Ore	43.9	8.8	38.5	23.9	5.1	MAA
			Nickel (%)	1.22%	1.18%	1.56%	1.43%	1.4%	
Koniambo	49.0%	OC	Ore	17.2	45.3	21.2	54.4	156.0	DM/MAA
			Nickel (%)	2.50%	2.36%	2.54%	2.45%	2.2%	
Montcalm	100.0%	UG	Ore	4.1	0.0	4.2	–	–	FP/GS
			Nickel (%)	1.38%	0.0%	1.38%	–	–	
			Copper (%)	0.64%	0.0%	0.64%	–	–	
Raglan	100.0%	UG/OC	Ore	5.8	8.9	5.3	9.4	11.1	LW/TM
			Nickel (%)	2.56%	2.96%	2.93%	3.23%	2.9%	
			Copper (%)	0.71%	0.82%	0.81%	0.89%	0.8%	
Sudbury	100.0%	UG	Ore	3.1	3.9	2.3	4.3	12.1	PB/GP
			Nickel (%)	1.18%	1.04%	1.80%	1.40%	1.6%	
			Copper (%)	1.73%	1.25%	2.74%	1.48%	2.3%	
Araguaia	100.0%	OC	Ore	–	–	–	–	91	MAA
			Nickel (%)	–	–	–	–	1.5%	
Fraser Morgan	100.0%	UG	Ore	–	–	3.4	1.6	2.4	GP
			Nickel (%)	–	–	1.86%	1.69%	1.8%	
			Copper (%)	–	–	0.62%	0.46%	0.5%	
			Cobalt (%)	–	–	0.06%	0.06%	0.1%	
			Platinum (g/t)	–	–	0.14	0.12	0.1	
			Palladium (g/t)	–	–	0.19	0.17	0.1	
Kabanga	50.0%	UG	Ore	–	–	–	9.7	36.3	CP
			Nickel (%)	–	–	–	2.37%	2.8%	
			Copper (%)	–	–	–	0.32%	0.4%	
			Cobalt (%)	–	–	–	0.19%	0.2%	
			Platinum (g/t)	–	–	–	0.07	0.3	
			Palladium (g/t)	–	–	–	0.09	0.3	
Nickel Rim South	100.0%	UG	Ore	–	–	–	–	13.8	GP
			Nickel (%)	–	–	–	–	1.7%	
			Copper (%)	–	–	–	–	3.3%	
			Cobalt (%)	–	–	–	–	0.04%	
			Platinum (g/t)	–	–	–	–	1.8	
			Palladium (g/t)	–	–	–	–	2.0	
Onaping Depth	100.0%	UG	Ore	–	–	–	14.6	1.2	GP
			Nickel (%)	–	–	–	2.52%	3.6%	
			Copper (%)	–	–	–	1.15%	1.2%	
			Cobalt (%)	–	–	–	0.06%	0.1%	
			Platinum (g/t)	–	–	–	0.43	0.6	
			Palladium (g/t)	–	–	–	0.48	0.8	

Definitions
OC = open-cut; UG = underground

Notes

- The mineral reserve and resource estimates are prepared in accordance with the "CIM Definition Standards On Mineral Resources and Mineral Reserves", adopted by CIM Council on November 14, 2004, and the "CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines", adopted by CIM Council on November 23, 2003, using geostatistical and/or classical methods, plus economic and mining parameters appropriate to each project. The resource totals have been restated in compliance with the JORC Code.
- The Measured and Indicated Resources are inclusive of those Mineral Resources later modified to produce Ore Reserves.
- All Mineral Reserve and Resource data are shown on 100% basis as of December 31, 2006.

- The mineral reserve estimates are compiled and verified by Chester Moore, Principal Geologist, Scott Wilson Mining Group, a member of the Professional Geoscientists of Ontario with over 30 years experience as a geologist. Mr. Moore was the Director, Mineral Reserve Estimation and Reporting, for Falconbridge Limited for a period of nine years until October 31, 2006 and he is completely familiar with the operations and projects reported and the methodologies used to estimate the mineral reserves and resources.
- There are no known environmental, permitting, legal, taxation, political or other relevant issues that would materially affect the estimates of the mineral reserves.
- Reserves are calculated using long term mineral price assumptions (Nickel: US$3.35/lb., Copper: US$0.90/Lb, and Cobalt $6.00/Lb) and exchange rates (US$:CDN$ = 1:1.50) except in the current Sudbury mines, which due to short-term mine lives, used Nickel at US$8.22, Copper at US$2.58, Cobalt at US$8.83 and an exchange rate of US$:CDN$ = 1:1.15.
- Totals may not add correctly due to rounding of input numbers.

* Competent Person for Mineral Reserve / Competent Person for Mineral Resource. If only one set of initials are listed then that person is responsible for both reserves and resources.

Competent persons

MAA = Marc-Antoine Audet, the Nickel Business, APGO
GS = Gregg Snyder, the Nickel Business, APGO
TM = Terry Mallinson, the Nickel Business, OGQ
GP = Gary Potts, the Nickel Business, APGO
CP = Christine Petch, the Nickel Business, APGO
DM = Dan Malinski, the Nickel Business, P. Eng
DL = Donald Laroche, the Nickel Business, OIQ
PB = Philip Bridson, the Nickel Business, P. Eng

Zinc

June 30, 2006/December 31, 2006 (total mine basis)

Name of Operation	% Ownership	Mining method	Commodity	Ore reserves Proved (Mt)	Ore reserves Probable (Mt)	Mineral resources Measured (Mt)	Mineral resources Indicated (Mt)	Mineral resources Inferred (Mt)	Competent person*
Zinc Lead Australia – June 2006									
Mount Isa	100.0%								
Black Star Open Cut[(a)]		OC	Ore	17.9	14.4	27.2	4.3	3	JM
			% Zinc	4.9%	5.4%	5.4%	4.8%	5%	
			% Lead	2.6%	3.8%	3.4%	3.0%	4%	
			Silver g/t	52	72	65	60	80	
Mount Isa Open Pit – Excl. Black Star[(b)]		OC	Ore	–	–	87.3	69.4	180	JM
			% Zinc	–	–	4.1%	3.9%	4%	
			% Lead	–	–	3.5%	3.3%	2%	
			Silver g/t	–	–	81	81	50	
George Fisher[(c)]	100.0%								
George Fisher South (Hilton) Orebodies		UG	Ore	12.5	5.9	25.3	10.6	10	CW/MH
			% Zinc	8.3%	7.8%	9.7%	9.2%	10%	
			% Lead	5.7%	5.8%	6.9%	6.6%	6%	
			Silver g/t	127	126	150	139	100	
George Fisher North Orebodies		UG	Ore	11.3	15.1	14.5	27.9	45	CW/MH
			% Zinc	8.9%	8.3%	10.4%	9.5%	9%	
			% Lead	4.7%	3.9%	5.2%	4.0%	4%	
			Silver g/t	91	75	101	74	80	
Lady Loretta[(d)]	75.0%	UG	Ore	–	–	8.5	3.1	0.1	PB
			% Zinc	–	–	15.6%	17.5%	13.7%	
			% Lead	–	–	5.9%	5.2%	3.5%	
			Silver g/t	–	–	95	94	84	
Lennard Shelf[(e)]	50.0%	UG	Ore	–	3.0	1.4	1.1	0.2	DA/PBa
			% Zinc	–	7.3%	8.9%	7.9%	9.6%	
			% Lead	–	1.8%	2.4%	1.8%	1.9%	
McArthur River[(f)]	100.0%								
Open Cut		OC	Ore	–	45.4	103.0	45.9	–	DH/SP
			% Zinc	–	9.7%	12.0%	9.1%	–	
			% Lead	–	4.2%	5.0%	4.5%	–	
			Silver g/t	–	43	51	44	–	
Woyzbun South Zone		UG	Ore	–	–	8.3	–	–	DH/SP
			% Zinc	–	–	14.0%	–	–	
			% Lead	–	–	5.6%	–	–	
			Silver g/t	–	–	58	–	–	
Zinc Lead Canada – December 2006									
Brunswick Mine[(g)]	100.0%	UG	Ore	11.3	0.9	14.6	2.3	–	EC/PB
			% Zinc	8.6%	8.2%	9.5%	8.7%	–	
			% Lead	3.5%	3.3%	3.8%	3.4%	–	
			% Copper	0.4%	0.2%	0.4%	0.4%	–	
			Silver g/t	104	88	113	96	–	
Perseverance[(h)]	100.0%	UG	Ore	4.2	0.8	4.4	0.8	–	AC
			% Zinc	13.7%	14.2%	16.2%	13.7%	–	
			% Copper	1.1%	1.0%	1.3%	1.0%	–	
			Silver g/t	26.0	26.0	30.0	27.0	–	
			Gold g/t	0.3	0.3	0.4	0.3	–	

Definitions

OC = open-cut; UG = underground

Notes

- Rounding to two significant figures has been applied generally to tonnage and grade estimates with rounding to one significant figure applied in most cases to Inferred mineral Resources.
- The term 'Ore Reserves', as used in the Zinc Business Australia public statement in accordance with Australian practice, has the same meaning as 'Mineral Reserves' as defined in Clause 28 of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code), December 2004 edition.
- Mineral Resources Reported on Inclusive Basis. In this table, where both Ore Reserves and Mineral Resources are reported, the Measured and Indicated Mineral Resources are inclusive of those Resources modified to produce the Ore Reserves.
- Rounding to two significant figures has been applied generally to tonnage and grade estimates with rounding to one significant figure applied in most cases to Inferred Resources.

– The term 'Ore Reserves', as used in the Zinc Business Canada public statement is not in accordance with Canadian practice, but has the same meaning as 'Mineral Reserves' as defined in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) "Definition Standards for Mineral Resources and Mineral Reserves". The CIM standards are incorporated, by reference, in the Canadian Securities Administrators (CSA) National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

(a) Black Star Open Cut: Lead-zinc-silver mineralization occurs in galena and sphalerite-rich bedding parallel horizons in dolomitic and variably carbonaceous pyritic shales and siltstone. Approximately 85% of the lead-zinc-silver resource is primary sulfide, the remainder being considered as transitional (mixed primary sulfide and secondary oxide/ carbonate) mineralization. Mine production totalling 1.6 million tons at 4.8 % Zn, 3.3 % Pb and 58 g/t Ag depleted the Ore Reserves and Mineral Resources. Mineral Resource categorization is based on assessment of orebody continuity, structural complexity and adequacy of data coverage. The Mineral Resource is contained within a designed Stage 4 pit and is reported above a 16.55 NSR (Net Smelter Return). The Mineral Resource estimate is based on a block model built with grade interpolation by ordinary kriging reporting to blocks with dimensions of 6mE x 15mN x 8mRl. The resource model is developed from approximately 1,020,350m of diamond drilling, 18,400m of RC drilling and 168,200m of underground sampling. Potential revenue from the oxidized portion of the silver, lead, zinc mineralization has not been used in the optimization nor has this mineralization been reported as Mineral Resource.

(b) Mount Isa Open Pit: Lead-zinc-silver mineralization occurs in galena and sphalerite-rich bedding parallel horizons in dolomitic and variably carbonaceous pyritic shales and siltstone. Approximately 85% of the lead-zinc-silver resource is primary sulfide, the remainder being considered as transitional (mixed primary sulfide and secondary oxide/ carbonate) mineralization. The Black Star Open Cut Resource has been removed from the Isa Open Pit and is reported separately. Mineral Resource categorization is based on assessment of orebody continuity, structural complexity and adequacy of data coverage. Pit optimization was applied to the new resource block model, using Measured, Indicated and Inferred Mineral Resources, and a pit shell was generated. Mineral Resources have been reported inside this pit shell using a cut off 16.55 NSR (Net Smelter Return). The NSR is calculated on a recoverable payable basis, taking lead, zinc and silver grades, metallurgical recoveries, prices and realization costs into account. Potential revenue from the oxidized portion of the silver, lead, zinc mineralization has not been used in the optimization nor has this mineralization been reported as Mineral Resource.

(c) George Fisher North & South Orebodies: Lead-zinc-silver mineralization occurs in galena- and sphalerite-rich bedding parallel horizons in dolomitic and variably carbonaceous pyritic shales and siltstones. The Mineral Resource estimate is based on grade interpolated by ordinary kriging using the easting offset method and reporting to blocks 2mE x 5mN x 2mRl. Mineral Resource is reported for Measured, Indicated and Inferred resource blocks above a 55.0 (Aus$/Tonne) NSR (Net Smelter Return). Mine production totalling 2.7 million tons at 5.0% Pb, 8.3% Zn and 115 g/t Ag depleted the Ore Reserves and Mineral Resources. Orebody re-interpretation, re-modelling and reclassification of the Identified Mineral Resources were completed on the basis of additional geological information and operating experience during the year. Classification is based on assessment of orebody continuity, structural complexity and adequacy of data coverage. Total ore reserve tonnage increased by 5.8 million tons due to additional drilling, improved resource to reserve conversion and orebody re-interpretation. 2006 reserve Silver and Lead grades were lower than 2005 grades but Zinc grade was higher mainly due to the 5.5 million tonne increase at George Fisher North. Stope geotechnical performance in C and D ore bodies was continually monitored in 2005/06. Modified Dilution Graph, RQD Plots & Stable Beam Theory based stope designs were used in C and D ore bodies. Historical dilution values were used where limited geotechnical data was available.

(d) Lady Loretta: Lead-zinc-silver mineralization occurs in a galena and sphalerite rich massive sulfide lens located in carbonaceous pyritic shales and siltstones. The deposit is structurally complex and consists of a tight syncline dislocated by few major faults. The deeper and high grade portion of the deposit (known as the 'Keel' area) reaches 480 meters below the surface. Discovered in 1969 by surface diamond drilling, the deposit has been explored from underground in 1986-1988 via a 468 m deep shaft. Extensive additional surface exploration diamond drilling was performed in 1999 and 2000 by Noranda Pacific Pty Ltd in joint venture with Buka Minerals Pty Limited. A 3D geological model is based on 246 surface exploration drill holes and 153 underground drill holes. A geostatistical analysis was conducted and a block model generated by Snowden Mining Consultants in April 2000. With this block model, a preliminary mining plan has been completed in October 2000 by Australian Mining Consultants Pty Limited (AMC). Mineral Resources shown in the above table represent the in-situ contents of AMC's 443 planned stopes with no dilution and mining recovery factor applied. A feasibility study was conducted late 2000. The project has been essentially idle from 2001 to 2005. A project review and gap analysis is currently in progress (2006). This review includes an update of the Mineral Resource estimate based on a revised geological model which includes few metallurgical test holes drilled from April to July 2000 and adjustments to few diamond drill hole collar coordinates. Resource confidence categorization is also revisited. Scarborough Minerals plc (London, UK and Sydney, Australia) owns 25% interest in the deposit.

(e) Lennard Shelf: Lennard Shelf Pty Ltd is owned by Xstrata plc (50%) and Teck Cominco Ltd (50%). Lead-zinc mineralization at Pillara Mine is related to faults, fractures and breccias and is described as typical Mississippi Valley Type (MVT). Historical underground mine production by previous owners totals 10.3 Mt @ 6.9% Zn and 2.3% Pb (June 1997 to October 2003). The mine has been kept under care and maintenance from November 2003 to May 2006 when a re-opening decision was taken. Resumption of commercial production is scheduled for April 2007. Underground mining zones are Pillara South, F10B, East Fault, F8 "Footwall lodes" and remnants of the West Fault. Two primary open methods will be used: Up Hole Benching and Sub Level Open Stoping (SLOS). Resources and Ore Reserves were estimated by Teck Cominco Ltd (Vancouver, Canada) using long term metal price assumptions of US$0.70/lb for Zn and US$0.35/lb for Pb. Resource estimates are reported Inclusive of Reserves and represent the tons and grade for each of the scheduled stopes before dilution and extraction rates were applied. By only reporting scheduled stopes, we insure "Reasonable Prospects of Economic Extraction". Ore Reserves are categorized as Probable only and are derived from Measured and Indicated Resources to which variable stope dilution estimates and 95% stope extraction rate (mining recovery) were applied. No Ore Reserves are currently categorized as Proven considering the new owners lack of mining experience in this particular type of mineralization.

(f) McArthur River: Total reconciled underground and open-pit production of 1.79 million tons at 11.1% Zn, 4.4%Pb and 43 g/t Ag depleted the Ore Reserves and Mineral Resource during 2005-2006. As of July 1, 2005, all identified mineral resources and reserves tabulated here, except for Woyzbun South, are reported within designed pit shells and there is a reasonable prospect that these resources will be mined at some stage in the future by open-pit methods. Resources that fall outside the ultimate pit shell, other than Woyzbun South, are not reported. The reported open-pit resources include the depletion of 11 years of reconciled underground mining production, totalling 8.5 million tons of measured resource within the ultimate pit shell. Measured Resources are classified by successful underground mining, milling and reconciliation of areas of number 2, 2/3, 3, 4 and 5 ore bodies where there is greatest structural and grade continuity. Indicated Resources are classified based on areas of increased structural uncertainty due to faulting and folding and increased grade variation due to the proximity of the orebody fringe. By default, Number 6, 7 and 8 ore bodies and all transitional ore are classed as Indicated due to the uncertainty of their metallurgical characteristics. Conversion of Measured Resources into the highest confidence category of Proven Reserve has not been undertaken due continuing lower certainty of geotechnical, environmental and hydrological factors. All resources have been converted into Probable reserve on the basis of an estimated 15% dilution of waste breccia interbeds and 10% mining losses within Pit Shell Stage 6. These reserves have been depleted by 5.7 million tons of probable reserve that has been mined within pit shell 6 from 1995 to 30th June 2006. This pit design is based on the optimal pit when mining 1.8Mtpa of ore to produce a bulk concentrate. Woyzbun South resources are classified as indicated and it assumed they will be mined at the end of the ultimate pit shell mine life by underground extraction. Zinc-lead-silver mineralization occurs predominantly as ultra fine bedding parallel sphalerite and galena rich bands hosted by dolomitic and carbonaceous pyritic siltstones, graded beds and chaotic debris flow breccias.

(g) Brunswick Mine: Lead-zinc-copper-silver mineralization occurs in complexly deformed massive sulfide lenses, rich in galena and sphalerite (with minor chalcopyrite) and hosted in sedimentary and volcanic rocks. The deposit extends from surface to a depth of 1,150 meters. The mine has been in continuous commercial production since 1964. Historical production at December 31, 2006 is 116.9 Mt at 8.8 %Zn, 3.5 %Pb, 0.4 %Cu and 102 g/t Ag. Current underground mining method is open stoping with delayed paste back fill. Total mine production for 2006 was 3.56 Mt at 8.7 %Zn, 3.4 %Pb, 0.4 %Cu and 108 g/t Ag. However, the Ore Reserves decreased only by 2.5 Mt from December 31, 2005 to December 31, 2006 mainly due to stope optimization and upgrade of Mineral Resource blocks to Ore Reserve status. The Mineral Resources and Ore Reserves are based on a 3D geological and grade-NSR block model derived from 350 surface diamond drill holes, over 8,700 underground drill holes and extensive underground geological mapping. Reconciliation between 'run-of-mine' grade and 'mill head' grade for 2006 was again very good (8.67 %Zn mined compared to 8.70 %Zn milled) reflecting the robustness of the Ore Reserves estimates. Total Identified Mineral Resources represent 481 individual blocks of mineralization located from the 425 m level down to the 1125 m level. Resource confidence categorization is essentially based on 1) the density of diamond drilling information, 2) the availability of geological mapping at the under cuts and/or over cuts and 3) the thickness, continuity and interpreted structural complexities of the mineralization. Included in the Mineral Resources, the Ore Reserves consist of 332 individual stopes designed at various levels of engineering and located in 21 mining zones. Net Smelter Return (NSR) cut-off used is CDN$ 60 per tonne. Average NSR value of the Ore Reserves is CDN$ 159 per tonne. Average expected external dilution for stopes is 9.9% while average expected mining recovery for stopes is 82.8 %. Current Life-of-Mine schedule extends to early 2010. Parameters used in the NSR calculation were: US$ 1.08/lb Zn, US$ 0.44/lb Pb, US$ 2.45/lb Cu, US$ 9.50/oz Ag, US$ 600/oz Au and a US$-CDN$ exchange rate of 1.15. An extensive engineering study and economical analysis has been undertaken in 2006 in order to screen the most potential resource blocks among all mine remnants. According to the generally accepted Canadian reporting approach recommended by the CIM Definition Standards, Mineral Resources at Brunswick Mine were reported in the past as being exclusive of (or 'in addition to') the Ore Reserves. For this reason, the Mineral Resources figures presented in the above table (inclusive of the Ore Reserves) may differ from the figures presented in other Canadian documents or presentations. Mineral Resources 'in addition to' the Ore Reserves are estimated at 3.5 Mt at 9.0 %Zn, 3.5 %Pb, 0.5 %Cu and 102 g/t Ag (149 blocks).

(h) Perseverance: The Perseverance resource comprises three separate and distinct Archean-age polymetallic volcanogenic massive sulfide deposits (Perseverance, Equinox and Perseverance West). The bulk of the zinc-copper-silver mineralization is present as banded massive sulfides composed predominately of pyrite, sphalerite, chalcopyrite and pyrrhotite. Less abundant sulfides are also present as stringer stockwork in adjacent alteration zones. Discovered by Noranda Inc in 2000, through an airborne geophysical survey campaign, the Perseverance Deposit was defined from surface, to a indicated and measured level of confidence that covers 90% of the resource. A 3-D geological model was built from the 211 diamond drill holes totalling 51,377m. A geostatistical analysis and a block model were generated by Snowden Mining Consultants in September of 2001. Neither the geological models nor the resource block models integrated geological data from the 2001 metallurgical and geotechnical drilling programs, because the metallurgical and geotechnical drill holes were bulk assayed on a hole-by-hole basis to conserve sample weight, and were drilled after the block models were created. Geological information from these additional surface holes will be integrated into a revised 3D geological model when underground diamond drilling information becomes available. The above mentioned resources are based upon a US$ 40 net smelter return (NSR) cut-off, at an average density of 3.91 and an average NSR of US$ 99.43. The resource includes diluting dyke material in areas where the US$ 40 cut-off is respected. Parameters used in the NSR calculation were: US$ 0.55/lb Zn, US$ 1.00/lb Cu, US$ 5.50/oz Ag, US$ 300/oz Au, and a US$-C$ exchange rate of 1.38. The1 above mentioned reserves are based upon a US$ 46 net smelter return (NSR) cut-off for blast hole and drift and fill stoping, and a US$ 57 net smelter return (NSR) cut-off for cut and fill stoping. A 93% recovery factor has been applied. The reserves encompass an average 9.2% of internal dilution and 14.6% of external dilution.

* Competent Person for Ore Reserve / Competent Person for Mineral Resource. If only one set of initials are listed then that person is responsible for both reserves and resources

Competent persons

JM = J Moncrieff, the Zinc Business, (AustIMM)
MH = M Haydon, the Zinc Business, (AIG)
CW = Clay Wittchen, the Zinc Business, (AustIMM))
PB = P Bernard, P.Geo., the Zinc Business Canada, (APEGNB)
SP = S Pevely, the Zinc Business, (AustIMM)
DH = D Herbert, AMDAD Pty Ltd, (AustIMM)
PBa = P Bankes, Teck Cominco Limited (APEGBC)
DA = D Andres, Teck Cominco Limited (APEGBC)
EC = É Côté, P.Eng., the Zinc Business Canada, (APEGNB)
AC = A. Côté, the Zinc Business Canada, (CCPG)

ANNEX B: DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

"2009 Floating Rate Notes"	US$500,000,000 floating rate notes due 2009 issued by Xstrata Dubai
"2011 Fixed Rate Notes"	US$750,000,000 5.50% notes due 2011 issued by the Issuer
"2012 Fixed Rate Notes"	€500,000,000 4.875% notes due 2012 issued by the Issuer
"2016 Fixed Rate Notes"	US$1,000,000,000 5.80% notes due 2016 issued by the Issuer
"2017 Convertible Debenture"	US$350,000,000 guaranteed convertible debenture due 2017 issued by Xstrata Capital
"2017 Fixed Rate Notes"	€500,000,000 5.250% notes due 2017 issued by the Issuer
"Acquisition Facilities"	the acquisition facilities provided to Xstrata under the Acquisition Facilities Agreement
"Acquisition Facilities Agreement"	the acquisition facilities agreement described in "Management's discussion and analysis of financial conditions and results of operation—Liquidity reserves—Bank loans"
"African Carbon Group"	the business group comprising the four operating companies African Fine Carbon (Proprietary) Limited, African Carbon Manufacturers (Proprietary) Limited, African Carbon Producers (Proprietary) Limited and African Carbon Union (Proprietary) Limited, in respect of which Xstrata South Africa has a controlling interest as the sole shareholder of Egalite Investments (Proprietary) Limited and International Carbon Holdings (Proprietary) Limited
"Alloys Business"	the business of the Xstrata Group comprising its chrome, vanadium and platinum operations
"AMERs"	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 Coal Project
"Anvil Hill Acquisition"	the acquisition, which completed on October 17, 2007, by the Xstrata Group of the Anvil Hill 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
"Austral"	Austral Coal Limited
"Austral Acquisition"	the acquisition of Austral Coal Limited
"Australia"	the Commonwealth of Australia
"Australian dollars" or "AUD" or "A$"	the lawful currency of Australia
"Barrick"	Barrick Gold Corporation
"Batiss"	Batiss Investment Limited, Guernsey registered entity owned by a charitable trust, which is independent of the Xstrata Group
"BCL"	BCL Limited
"BHP Billiton"	BHP Billiton plc and/or BHP Billiton Limited as the context may acquire
"Boliden"	Boliden Limited
"British pound" or "£" or "GBP"	the lawful currency of the United Kingdom
"Brookfield"	Brookfield Asset Management Inc., a company formerly known as Brascan Corporation
"Business Day"	any day which is not a Saturday, a Sunday or a bank or public holiday in England and Wales or in the Swiss Canton of Zug and Zurich
"Canada"	Canada, its territories and its possessions
"Canadian dollars" or "C$" or "Cnd$"	the lawful currency of Canada
"Canadian GAAP"	accounting principles generally accepted in Canada
"Canada Tax Act"	the Income Tax Act (Canada)
"CCR Refinery"	Canadian Copper Recycling refinery
"CC&R"	Canadian Copper and Recycling, a division of the Copper Business
"CDM"	Clean Development Mechanism
"Centennial"	Centennial Coal Company
"Cerrejón"	the Cerrejón coal mining operation in Colombia carried on by the Cerrejón Operating Companies
"Cerrejón Acquisition"	the acquisition, which completed on May 12, 2006, by the Xstrata Group of the Cerrejón Business pursuant to the Cerrejón Acquisition Agreement
"Cerrejón Acquisition Agreement"	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 procurred 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
"Cerrejón Business"	the Xstrata Group's one-third interest in Cerrejón held through the Cerrejón Xstrata Group Companies
"Cerrejón Operating Companies"	CMC Coal Marketing Ltd, Cerrejón Zona Norte S.A., Carbones del Cerrejón LLC and Cerrejón Coal (Bermuda) Limited
"Cerrejón Purchasers"	Xstrata Coal South America and Xstrata Coal Marketing
"Cerrejón Vendors"	Glencore International and Seez Trading
"Cerrejón Xstrata Group Companies"	Tironimus AG, Xstrata Cerrejón Limited and Perly Ltd.
"CEZ"	Noranda Income Fund's Canadian Electrolyte Zinc Limited
"Chairman"	the chairman for the time being of Xstrata
"CHF" or "Swiss Francs"	the lawful currency of Switzerland
"Chilean pesos" or "CLP"	the lawful currency of Chile
"Chrome Business"	the business of the Xstrata Group comprising its chrome operations
"Clearstream"	Clearstream Banking, S.A.
"Closing Date"	November 20, 2007
"Club Facility"	the US$2,000 million multi-currency revolving facility entered into by Xstrata Schweiz and certain other subsidiaries of Xstrata on October 8, 2007
"CMA"	common monetary area consisting of South Africa, Lesotho, Namibia and Swaziland
"CO"	Companies Ordinance (Chapter 32) of Hong Kong
"Coal Business"	the business of the Xstrata Group comprising its coal operations
"Collahuasi"	Compañía Minera Doña Inés de Collahuasi S.C.M., a company incorporated in Chile with limited liability
"Competent Persons"	competent persons as defined in and required by both the JORC Code and the SAMREC Code
"Copper Business"	the business of the Xstrata Group comprising its copper operations
"CPI"	consumer price index
"Cumnock" or "Cumnock Coal"	Cumnock Coal Limited, a company incorporated under the laws of Australia with limited liability
"Custodian"	The Bank of New York
"CVRD"	Companhia Vale do Rio Doce
"Debt Bridge Facility Agreement"	the bridge facility agreement details of which are provided in "Management's discussion and analysis of financial condition and results of operations – Liquidity reserves – Bank loans"

"Definitive Notes"	Notes in definitive registered form
"DIFC"	Dubai International Finance Center
"Directors" or "Xstrata Directors" or "Board" or "Board of Directors"	the Executive Directors and Non-Executive Directors of Xstrata as at the date of this Offering Memorandum
"DME"	Department of Minerals and Energy
"DNRM"	Department of Natural Resources
"DTC"	the Depositary Trust Company
"DTJV"	Douglas/Tavistock joint venture
"Duiker"	Duiker Mining (Proprietary) Limited, a company incorporated in South Africa with limited liability
"EBIT"	earnings before interest and taxation
"EBITDA"	unless otherwise indicated, when used in relation to the Xstrata Group, net profit or loss from continuing operations before interest, tax, depreciation and amortization, and when used in relation to the Falconbridge Group, net income from continuing operations before interest, taxation, depreciation, amortization, and accretion, net restructuring costs and minority interest earnings of subsidiaries
"ECMP"	Xstrata's independently managed equity capital management program, under which up to 10% of its issued share capital can be purchased in the market by Batiss
"EIS"	Environmental Impact Statement
"Eland"	Eland Platinum Holdings Limited
"Eland Acquisition"	the acquisition of Eland Platinum Holdings Limited
"Enex"	Enex Resources Limited (now known as the Coal Business Investments Australia Pty Limited), a company incorporated in Australia with limited liability
"EPA"	Environmental Protection Agency
"Equity Bridge Facility Agreement"	the bridge facility agreement details of which are provided in "Management discussion and analysis of financial conditions and results of operations – Liquidity reserves – Bank loans"
"Erdene"	Erdene Gold Inc
"Eskom"	Eskom Holding Limited, the South African State-owned electricity utility
"EU"	the European Union
"EU ETS"	EU emissions trading scheme
"Euro" or "€"	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

"Euro Medium Term Notes"	the 2012 Fixed Rate Notes and the 2017 Fixed Rate Notes
"Euroclear"	Euroclear System
"Exchange Act"	the United States Securities Exchange Act of 1934, as amended
"Executive Directors"	the executive Directors of Xstrata
"Falconbridge"	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
"Falconbridge Acquisition"	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.
"Falconbridge Acquisition Facilities"	acquisition facilities provided to Xstrata under the Acquisition Facilities Agreement, as described in "Management's discussion and analysis of financial condition and results of operations – Liquidity reserves – Bank loans"
"Falconbridge Amalgamation"	the amalgamation of Noranda and Former Falconbridge which became effective on June 30, 2005 to form the current Falconbridge, upon completion of which, the assets, liabilities and operations of Noranda and Former Falconbridge were combined and managed and operated as an integrated business by Falconbridge
"Falconbridge Annual Financial Information"	the audited consolidated financial statements of the Falconbridge Group prepared in accordance with Canadian GAAP as at and for the years ended December 31, 2003, December 31, 2004 and December 31, 2005
"Falconbridge Copper Business"	the business of the Falconbridge Group comprising its copper operations, including in Peru, Chile, the USA and Canada
"Falconbridge Group"	Falconbridge and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
"Falconbridge Financial Information"	the Falconbridge Annual Financial Information and the Falconbridge Interim Financial Information
"Falconbridge Interim Financial Information"	the unaudited consolidated financial statements of the Falconbridge Group prepared in accordance with Canadian GAAP as at and for the six months ended June 30, 2006, including comparative financial information as at and for the six months ended June 30, 2005
"Falconbridge Offer"	the offer made in connection with the Falconbridge Acquisition

"Falconbridge Shareholders"	the holders of Falconbridge Shares, where the context requires, prior to the completion of the Falconbridge Acquisition
"Falconbridge Shares"	common shares in the capital of Falconbridge, together with the associated SRP Rights while such SRP Rights subsisted
"Falconbridge Special Dividend"	the special cash dividend of C$0.75 per Falconbridge Share declared by the board of directors of Falconbridge on July 16, 2006 and paid by Falconbridge on August 10, 2006 to Falconbridge Shareholders of record at the close of business on July 26, 2006
"Falconbridge Zinc Business"	the business of the Falconbridge Group comprising the zinc mining and zinc concentrate operations
"Falcondo"	Falconbridge Dominicana C. por A., a company incorporated in the Dominican Republic with limited liability
"FIEL"	Financial Instruments and Exchange Law of Japan
"FIL"	Falconbridge International Limited
"Financial Services Authority"	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
"Finges"	Finges Investment BV, a wholly-owned subsidiary of Glencore
"First Falconbridge Shareholder Rights Plan"	the shareholder rights plan adopted pursuant to an agreement dated as of September 22, 2005 between Falconbridge and CIBC Mellon Trust Company, as rights agent, that expired on March 22, 2006
"Foreign Purchaser"	person other than a US person
"FSMA"	the Financial Services and Markets Act 2000, as amended
"fully-diluted" or "fully-diluted basis"	with respect to Falconbridge Shares calculated pursuant to the Xstrata Offer, only that number of Falconbridge Shares which would have been outstanding if all rights to acquire Falconbridge Shares had been exercised, but excluding Falconbridge Shares issuable upon the exercise of the SRP Rights and, with respect to Falconbridge Shares calculated pursuant to the Inco Offer, only that number of Falconbridge Shares which would have been outstanding if all rights to acquire Falconbridge Shares had been exercised other than those which were not, and could not in accordance with their terms become, exercisable within 120 days following August 10, 2006 and excluding Falconbridge Shares issuable upon exercise of the SRP Rights

"Glencore"	Glencore International and its subsidiaries and affiliates or, as the context requires, any subsidiary or affiliate thereof
"Glencore International"	Glencore International AG, a company incorporated in Switzerland and with limited liability
"Global Notes"	the Regulation S Global Note and the Rule 144A Global Note
"Guarantees"	the guarantees relating to the Notes
"Guarantors"	Xstrata, Xstrata Schweiz and Xstrata Dubai
"Hanmer"	Hanmer BV, a wholly-owned subsidiary of Glencore
"HDSAs"	historically disadvantaged South Africans
"Helios"	Helios Australia Pty Limited
"HMRC"	UK HM Revenue & Customs
"HSBC"	HSBC Bank plc
"IFRS"	International Financial Reporting Standards as adopted by the Council of the EU
"Inco"	Inco Limited, a corporation incorporated under the laws of Canada with limited liability
"Inco Offer"	the offer by Inco to purchase all of the outstanding Falconbridge Shares made under an offer document issued by Inco dated October 24, 2005, as amended and as extended by Inco's notices of extension dated December 14, 2005, January 19, 2006, February 27, 2006 and July 13, 2006, by Inco's notice of variation dated May 29, 2006 and by Inco's notices of variation and extension dated June 29, 2006 and July 16, 2006. The Inco Offer expired on July 28, 2006 without Inco taking up any Falconbridge Shares
"Inco Support Agreement"	the support agreement between Inco and Falconbridge in relation to the Inco Offer, as amended
"Indenture"	the indenture under which the Notes will be issued
"Ingwe"	Ingwe Collieries Limited, a South African subsidiary of BHP Billiton
"Initial Purchaser"	each of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Greenwich Capital Markets, Inc.
"Interest Act (Canada)"	Interest Act (Canada) R.S. 1985, C. I-15
"Issuer"	Xstrata Finance (Canada) Limited
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"Jubilee"	Jubilee Mines NL
"Jubilee Offer"	the proposed acquisition of Jubilee

"Kagiso"	Kagiso Trust Investments (Proprietary) Limited, a company incorporated in South Africa with limited liability
"KPV"	Kagiso Platinum Venture (Proprietary) Limited, a company incorporated in South Africa with limited liability
"Kroner"	the lawful currency of Norway
"Legal & General"	Legal & General Group Plc
"LIBOR"	London Inter Bank Offering Rate
"LionOre"	LionOre Mining International Ltd
"LionOre Termination Fee"	termination fee of C$350 million (approximately US$284 million) payable in the event that an offer competing with Xstrata's offer for LionOre was recommended by the LionOre Board and in certain other circumstances
"London Stock Exchange"	London Stock Exchange plc
"MAA"	Minera Alumbrera Limited, the operating company of the Alumbrera mine
"Magnola"	Magnola Metallurgy Inc., a company incorporated in Canada with limited liability
"Market Advisory Agreement"	the agreement entered into between the Xstrata Group and Glencore International whereby Glencore International acts as the Xstrata Group's market advisor with respect to export production of coal, as described in "Business of the Xstrata Group – Relationship with Glencore"
"Member States"	member states of the European Economic Area
"Merafe"	Merafe Resources Limited, a company incorporated in South Africa with limited liability
"MIM"	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
"Minimum Tender Condition"	the condition of the Xstrata Offer (amended and subsequently deleted) that there shall have been validly deposited under the Xstrata Offer and not withdrawn at the relevant expiry time (i) such number of Falconbridge Shares that, together with Falconbridge Shares held by Xstrata Canada Inc. and its affiliates (as defined in the OSA), constitutes at least 66⅔% of the Falconbridge Shares then outstanding (calculated on a fully-diluted basis) and (ii) at least a majority of the Falconbridge Shares then outstanding (calculated on a fully-diluted basis), the votes attached to which would be included in the minority approval of a second step business

	combination or going private transaction pursuant to Rule 61-501 and Regulation Q-27
"Mitsui & Co"	Mitsui & Co. Limited
"MMDSA"	Mitsui Minerals Development South Africa
"MMP"	Mine Management Plan
"MOPs"	Mining Operations Plans
"Mototolo Joint Venture"	the unincorporated joint venture in respect of platinum group metal resources in Mpumalanga Province in South Africa
"Mount Isa Act"	Mount Isa Mines Limited Agreement Act 1985
"MPRDA"	the South African Mineral and Petroleum Resources Development Act 28 of 2002
"n/a"	not applicable
"Native Title Act"	the Native Title Act 1933 (Cth) of Australia
"NCA"	Newlands-Collinsville-Abbot
"new order rights"	the new forms of prospecting and mining rights contemplated by the MPRDA
"Nickel Business"	the business of the Xstrata Group comprising its nickel operations
"Nikkelverk"	Falconbridge Nikkelverk, AS, a company incorporated in Norway with limited liability
"Non-executive Directors"	the non-executive Directors of Xstrata
"noon buying rate"	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
"Noranda"	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)
"NorFalco"	NorFalco LLC, a company incorporated in Delaware, United States with limited liability
"Noteholders"	prospective holders of Notes
"Notes"	US$500,000,000 6.90% Notes due 2037
"Notes Issue"	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"
"Novicourt"	Novicourt Inc.
"NYSE"	New York Stock Exchange
"Offering Memorandum"	this offering memorandum relating to the Notes offered hereby
"Official List"	the Official List of the Financial Services Authority

"old order rights"	the prospecting and mining rights currently held at common law and under the Minerals Act
"Ordinary Shares"	the ordinary shares of Xstrata
"OSA"	the Securities Act (Ontario), as amended
"Outokumpu"	Outokumpu Oyj, a corporation incorporated in Finland with limited liability
"Paying Agent"	The Bank of New York
"PCI"	pulverized coal injection
"Peruvian Sol"	the lawful currency of Peru
"Phelps Dodge"	Phelps Dodge Corporation
"Phelps Dodge Inco Combination"	the proposed combination by means of the Phelps Dodge Inco Combination Agreement, pursuant to which Phelps Dodge conditionally agreed to acquire all of the outstanding Inco shares by way of a statutory plan of arrangement for C$20.25 in cash and 0.672 common shares of Phelps Dodge for each Inco share, assuming full pro-ration
"Phelps Dodge Inco Combination Agreement"	the combination agreement dated as of June 25, 2006 between Phelps Dodge and Inco (as amended under a waiver and amendment agreement dated July 16, 2006 between Phelps Dodge and Inco and as terminated on September 5, 2006), under which Phelps Dodge and Inco agreed to implement the Phelps Dodge Inco Combination
"Placing"	the placing to institutional investors of 61,994,320 Ordinary Shares announced by Xstrata on May 17, 2006 consisting of 32,543,344 new Ordinary Shares which were issued by Xstrata and 29,450,976 Ordinary Shares held by Batiss and sold pursuant to the terms of the ECMP
"POO"	Plan of Operation
"Principal Paying Agent"	The Bank of New York
"Prospectus Directive"	Directive 2003/71/EC
"Prospectus Rules"	the rules made for the purposes of Part VI of the FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market and brought into effect on July 1, 2005 pursuant to Commission Regulation (EC) No. 809/2004
"PSV"	Pooling and Sharing Venture
"Purchase Agreement"	agreement between the Initial Purchasers and the Issuer in relation to this Notes Issue
"Qualified Institutional Buyer" or "QIB"	means "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act

"Qualified Investors"	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
"Rand" or "ZAR"	the lawful currency of South Africa
"REACH"	the European Union regulation for the Regulation, Evaluation and Authorization of Chemicals
"Redemption Date"	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"
"Registrar"	The Bank of New York
"Regulation Q-27"	Regulation Q-27 – Protection of Minority Securityholders in the Course of Certain Transactions of the Autorité des marchés financiers (Québec), as amended
"Regulation S"	Regulation S under the Securities Act
"Regulation S Global Note"	the global note representing Notes sold to persons other than US persons
"Relationship Agreement"	the agreement entered into by Glencore International and Xstrata on March 20, 2002 which regulates the ongoing relationship between them
"Relevant Implementation Date"	date on which the Prospectus Directive was implemented in a relevant member state
"Relevant Member State"	a member state of the European Economic Area which has implemented the Prospectus Directive
"Relevant Persons"	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
"Royalty Bill"	the Mineral and Petroleum Royalty Bill
"RPM"	Rustenburg Platinum Mines Limited, a company incorporated in South Africa with limited liability
"Rule 144A"	Rule 144A under the Securities Act
"Rule 144A Global Note"	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
"Rule 61-501"	OSC Rule 61-501 – Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions, as amended
"Samancor"	Samancor Limited, a major South African ferrochrome producer
"SAMREC Code"	the South African Code for Reporting of Mineral Resources and Mineral Reserves

"SDBJ"	Société de Développement de la Baie James
"SEC"	the United States Securities and Exchange Commission
"SEEP"	Sultide Extension Exploration Project
"Second Falconbridge Shareholder Rights Plan"	the shareholder rights plan adopted pursuant to an agreement dated as of March 21, 2006 between Falconbridge and CIBC Mellon Trust Company, as rights agent, that was cease traded on July 28, 2006
"Securities Act"	the US Securities Act of 1933, as amended
"SFO"	Securities and Futures Ordinance (Chapter 571) of Hong Kong
"South Africa"	the Republic of South Africa
"special purpose website"	the website containing the information incorporated by reference into this Offering Memorandum and having the address www.xstrata.com/financialinformation
"SWX"	SWX Swiss Exchange
"Syndicated Loan"	the US$4,680 million multi-currency revolving facility entered into by Xstrata Schwiez and certain other subsidiaries of Xstrata on July 25, 2007
"Teck Cominco"	Teck Cominco Limited, a corporation incorporated under the laws of Canada with limited liability
"TFR"	Transnet Freight Rail
"Tintaya"	Xstrata Tintaya S.A. (formerly BHP Billiton Tintaya S.A.), a company incorporated under the laws of Peru with limited liability
"Tintaya Acquisition"	the acquisition, which completed on June 21, 2006, by the Xstrata Group of 99.981% of the issued and outstanding shares of Tintaya
"Transfer Agent"	The Bank of New York
"Trustee"	The Bank of New York
"Trilon"	Trilon International Inc., a subsidiary of Brookfield
"TSX"	Toronto Stock Exchange
"UK Finance Act"	the UK Finance Act 2006
"UK GAAP"	accounting principles generally accepted in the United Kingdom
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US" or "USA"	the United States of America, its territories and possessions and any state of the United States and the District of Columbia
"US dollars" or "US Dollars" or "US$" or "$US" or "cents"	the lawful currency of the United States

"US$m"	millions of US Dollars
"US GAAS"	auditing standards generally accepted in the United States
"US person"	has the meaning given in Regulation S under the Securities Act
"Vanadium Business"	the business of the Xstrata Group comprising the mining, production and conversion of vanadium
"Western Metals"	Western Metals Limited
"XCSA"	Xstrata Coal South Africa
"XNI"	Xstrata Nickel International Limited
"XPS"	Xstrata Process Support
"Xstrata"	Xstrata plc, a public limited company incorporated in England and Wales
"Xstrata 2005 Annual Financial Information"	the audited consolidated financial statements of the Xstrata Group prepared in accordance with IFRS as at and for the year ended December 31, 2005, including audited comparative financial information as at and for the year ended December 31, 2004 as adjusted from the audited UK GAAP financial statements to be restated under IFRS
"Xstrata 2006 Annual Financial Information"	the audited financial statements of the Xstrata Group prepared in accordance with IFRS as at and for the year ended December 31, 2006, including the Xstrata Pro Forma Consolidated Financial Information
"Xstrata AG"	Xstrata AG, a company formerly incorporated in Switzerland with limited liability which was dissolved at the time of the Xstrata Merger
"Xstrata AG Shares"	ordinary bearer shares in the capital of Xstrata AG with a nominal value of 10 Swiss Francs
"Xstrata Alberta"	1184760 Alberta Limited, a wholly-owned indirect subsidiary of Xstrata and a corporation incorporated in the Province of Alberta, Canada with limited liability
"Xstrata Annual Financial Information"	the Xstrata 2006 Annual Financial Information and the Xstrata 2005 Annual Financial Information
"Xstrata Canada"	Xstrata Canada Inc., a corporation incorporated under the laws of the Province of Ontario, Canada with limited liability
"Xstrata Capital"	Xstrata Capital Corporation A.V.V., a company incorporated in Aruba with limited liability
"Xstrata Coal Marketing"	Xstrata Coal Marketing AG, a company incorporated in Switzerland with limited liability
"Xstrata Dubai"	Xstrata Finance (Dubai) Limited
"Xstrata Group"	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
"Xstrata Interim Financial Information"	the unaudited consolidated financial statements of the Xstrata Group prepared in accordance with IFRS as at and for the six months ended June 30, 2007, including comparative financial information as at and for the six months ended June 30, 2006
"Xstrata Merger"	the merger of Xstrata AG and Xstrata on March 25, 2002 pursuant to which Xstrata became the ultimate holding company of the Xstrata Group
"Xstrata Offer"	the offer by Xstrata Canada to purchase all of the outstanding Falconbridge Shares not already owned by the Xstrata Group, in connection with the Falconbridge Acquisition
"Xstrata Pro Forma Consolidated Financial Information"	the unaudited consolidated pro forma income statement prepared in accordance with IFRS for the year ended December 31, 2006
"Xstrata Schweiz"	Xstrata (Schweiz) AG, a company incorporated in Switzerland with limited liability
"Xstrata South Africa"	Xstrata South Africa (Proprietary) Limited, a company incorporated in South Africa with limited liability
"yen" or "JPY"	the lawful currency of Japan
"YMAD"	a state-owned corporation in Argentina
"Zinc Business"	the business of the Xstrata Group comprising its zinc operations
"Zinc Business Agreement"	the service agreement between Asturiana and Glencore

GLOSSARY OF TECHNICAL TERMS

"agglomeration"	binding fine particles together to create coarse particles as part of a mineral processing activity
"anode"	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
"anthracite"	a hard coal containing a high percentage of fixed carbon and a low percentage of volatile material
"attributable production"	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
"attributable reserves"	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
"attributable resources"	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
"attributable sales"	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
"bankable feasibility study"	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
"bituminous"	a measure of coal rank. It is a measure of the degree of metamorphosis or change from the original plant or vegetative state
"blister copper"	a crude form of copper (assaying about 99%) produced in a smelter, which requires further refining before being used for industrial purposes
"brownfield"	brownfield development projects are expansions to existing operations with proximity to existing infrastructure and known geological composition
"calcine"	zinc oxide produced from the roasting of zinc concentrates
"calorific value"	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
"capacity"	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
"cathode"	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
"chromite"	$FeCr_2O_4$, the principal chromium ore
"chromitite"	a rock composed chiefly of chromite
"CIM Definition Standards on Mineral Resources and Reserves"	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
"CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines"	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
"coal mine"	an operating mine producing coal
"coke"	bituminous coal from which the volatile components have been removed
"coking coal"	coal used to create coke – which is consumed in the steel reduction process
"COMEX"	The New York Commodity Exchange
"concentrate"	material that has been processed to increase the content of contained material or mineral relative to the contained waste

"continuous miner"	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
"dilution"	the contamination of ore with barren wall rock. The assay of the ore after mining is frequently lower than when sampled in place
"dmt"	dry metric tons
"doré"	a gold-silver alloy, an intermediate product from certain gold mines
"ferrochrome"	an alloy of iron and chromium primarily used as an input to stainless steel making
"ferronickel"	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
"ferrovanadium"	an alloy of iron and vanadium
"FeV"	Ferrovanadium
"FOB"	free on board
"grade"	the quality of an ore, alloy or metal, usually expressed as a percentage of the primary element
"greenfield"	greenfield development projects are expansions to areas where the Xstrata Group does not currently operate
"IAI"	International Aluminum Institute
"inferred mineral resource"(1)	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
"inferred resources"	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
"indicated mineral resource"(1)	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

Note
(1) NI 43-101 definitions

	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
"IsaMills"	a high intensity stirred grinding mill developed by Xstrata Technology that significantly increases the efficiency of mineral grinding
"ISASMELT"	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
"ISAPROCESS"	a permanent cathode technology developed by Xstrata Technology for the copper refining industry
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"kg"	kilogram
"Kidd Process"	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"(1)	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

Note
(1) NI 43-101 definitions

	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"(1)	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"(1)	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
"mineral rights"	the ownership of the minerals on or under a given surface with the right to remove the said minerals
"MRMR"	mineral resource and mineral reserve
"Mt"	million tons
"Mtpa"	million tons per annum
"MW"	mega watt
"MWh"	mega watt hour
"NI 43-101"	Canadian National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" of the Canadian Securities Administrators
"open-cut" or "open-pit"	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

Note:
(1) NI 43-101 definitions

"ore"	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction commercially profitable
"oz"	troy ounces
"PCI coals"	pulverized coal injection coals
"PGM" or "platinum group metals"	platinum, palladium, rhodium and related metals present in some nickel/ copper ores
"pillar"	a portion of a metal or coal deposit left in place in an underground mine to provide support for the roof
"plant"	fixed or moveable equipment required in the process of winning or processing the ore
"pound"	Imperial pound, equivalent to 0.4536 kilograms
"probable mineral reserve"(1)	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
"probable reserves"	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
"proved reserves"	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
"project"	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
"prospecting permit"	permission to prospect for minerals from a mineral rights area
"Qualified Person"	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"

Note
(1) NI 43-101 definitions

"recoverable reserves" or "recovery"	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
"reductant"	an additive used specifically to drive off oxygen in a metallurgical conversion process
"reef(s)"	a layer, vein or lode containing economic mineralization
"refinery"	a plant where concentrates or matte are processed into one or more refined metals
"reserves"	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
"resources"	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
"rights" or "surface rights"	the ownership of the surface land under which minerals occur
"roaster"	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
"ROM" or "ROM Reserves" or "run-of-mine"	as mined reserves, taking into account geological losses, mining losses, contamination and as mined moisture adjustments
"royalty"	a share of the product or profit reserved by the owner for permitting another to exploit the property
"SAG-ball grinding"	semi-autogenous grinding and ball milling, a process to reduce rock-sized ore to a suitable size to liberate individual minerals before separation
"saleable reserves"	reserves adjusted for yield losses in the preparation plant (if applicable) and converted to a saleable moisture basis
"SAMREC Code"	South African Code for Reporting of Mineral Resources and Mineral Reserves
"shaft"	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
"SHG"	special high grade, zinc ingot of 99% purity

"skarn"	a mineral deposit at or near a contact between an intrusive body and its host rock
"smelter"	a plant in which concentrates are processed into an upgraded product
"smelting"	thermal processing whereby molten metal is liberated from beneficiated ore or concentrate with impurities speared as lighter slag
"Söderberg"	a type of electrode used for smelting in electric furnaces
"spot price"	the current price of a metal for immediate delivery
"subsidence"	the sinking or settling of material, especially over an underground mining operation
"SX-EW"	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
"tailings"	finely ground rock from which valuable minerals have been extracted by milling
"thermal coal"	coal used in generating steam for electricity production
"t" or "ton"	1,000 kilograms, equivalent to 2,204.62 pounds
"tonnage"	number of tons
"tpa"	tons per annum
"TSX"	Toronto Stock Exchange
"UG2"	a chromitite layer in the Bushveld Complex in Mpumalanga, South Africa, which contains economically viable concentrations of PGM
"V_2O_5"	vanadium pentoxide
"waste"	rock lacking sufficient grade and/or other characteristics or ore to be economic
"winze"	a shaft or an inclined passage sunk from one level to another but not rising to the surface
"wmt"	wet metric tons
"zinc concentrate"	product of flotation process typically ranging in zinc content between 45% and 60%

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