

THIS DOCUMENT AND ITS ENCLOSURES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000, as amended (the "FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you sell or transfer or have sold or otherwise transferred all of your Existing Shares, please forward this Circular and the accompanying documents to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer is/was effected, as soon as possible, for onward transmission to the purchaser or transferee. However, the distribution of this Circular and the accompanying documents into certain jurisdictions (including but not limited to the United States) other than the United Kingdom and Switzerland is or may be restricted by law and therefore persons into whose possession this Circular and the accompanying documents come should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, neither the Prospectus nor the Provisional Allotment Letter (if and when received) should be distributed, forwarded to or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to, and subject to certain exceptions, the United States, Australia, Canada, Japan and South Africa. Please refer to paragraphs 7 and 8 of Part VII — "Use of Proceeds and Terms and Conditions of the Rights Issue" of the Prospectus if you propose to send the Prospectus and/or the Provisional Allotment Letter (if and when received) outside the United Kingdom. If you sell or transfer or have sold or otherwise transferred only part of your holding of Existing Shares, you should retain this Circular and the accompanying documents.

Except as otherwise indicated, capitalised terms have the meanings ascribed to them in Part IX — "Definitions and Glossary of Technical Terms". References to times in this Circular are to London time, unless otherwise stated.

Xstrata plc

(incorporated in England and Wales under the Companies Act 1985, with registered number 4345939)

Proposed 2 for 1 Rights Issue of up to 1,982,508,352 New Shares at 210 pence per New Share

Proposed Related Party Acquisition of the Prodeco Business from Glencore

Circular and Notice of Extraordinary General Meeting

This Circular does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security.

This Circular does not constitute a prospectus or prospectus equivalent document. Nothing in this Circular should be interpreted as a term or condition of the Rights Issue. Any decision to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any Provisional Allotment Letter, Nil Paid Rights, Fully Paid Rights and/or New Shares must be made only on the basis of the information contained in and incorporated by reference into the Prospectus. Copies of the Prospectus are available from Xstrata's registered office and as described in paragraph 7 of Part VIII — "Additional Information — Documents available for inspection" of this Circular.

This Circular is not for distribution in or into the United States. The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. The Nil Paid Rights, the Fully Paid Rights and the New Shares may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares in the United States.

The Rights Issue and the Proposed Acquisition are conditional, amongst other things, upon the approval of Shareholders at the Extraordinary General Meeting referred to below. Your attention is drawn to the letter from the Senior Independent Director of Xstrata plc on pages 9 to 25 of this Circular, recommending that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. You should read this Circular in its entirety, not rely solely on summarised information, and should consider whether to vote in favour of the Resolutions in light of the information contained in, and incorporated by reference into, this Circular.

Notice of an Extraordinary General Meeting of Xstrata, to be held at Theater-Casino Zug, Artherstrasse 2-4, CH-6300 Zug, Switzerland at 10.30 a.m. (Central European time) on Monday, 2 March 2009 is set out at the end of this Circular.

Shareholders will find enclosed a Form of Proxy for use in connection with the Extraordinary General Meeting. Shareholders are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, whether or not they intend to be present at the meeting, so as to be received by the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, UK, as soon as possible but in any event by no later than 9.30 a.m. (London time) on Saturday, 28 February 2009. CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the Extraordinary General Meeting at the end of this Circular. The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude Shareholders from attending and voting at the Extraordinary General Meeting, should they so wish.

If you hold Ordinary Shares through the SIX SIS System you will be contacted separately by the Swiss Bank through which you hold Ordinary Shares as to how to participate at the Extraordinary General Meeting.

Deutsche Bank, JPMorgan Cazenove and J.P. Morgan Securities Ltd. are each authorised and regulated by the Financial Services Authority in the UK and are acting for Xstrata and no one else in connection with the Rights Issue and the Proposed Acquisition and will not be responsible to anyone other than Xstrata (whether or not a recipient of this Circular) for providing the protections afforded to their respective clients or for providing advice in relation to the Rights Issue, the Proposed Acquisition and/or any other matter referred to in this Circular.

Rothschild, which is authorised and regulated by the Financial Services Authority in the UK, is acting exclusively for Xstrata and Xstrata (Schweiz) AG and no one else in connection with the Proposed Acquisition and will not be responsible to anyone other than Xstrata or Xstrata (Schweiz) AG (whether or not a recipient of this Circular) for providing the protections afforded to its clients or for providing advice in relation to the Proposed Acquisition and/or any other matter referred to in this Circular.

Apart from the responsibilities and liabilities, if any, which may be imposed on Deutsche Bank, JPMorgan Cazenove, J.P. Morgan Securities Ltd. and Rothschild by the FSMA, each of Deutsche Bank, JPMorgan Cazenove, J.P. Morgan Securities Ltd. and Rothschild accepts no responsibility whatsoever and makes no representation or warranty, express or implied, for the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with Xstrata, the New Shares, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue or the Proposed Acquisition, and nothing in this Circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Deutsche Bank, JPMorgan Cazenove, J.P. Morgan Securities Ltd. and Rothschild accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this Circular or any such statement.

Deutsche Bank, JPMorgan Cazenove, J.P. Morgan Securities Ltd. (the "Banks") and Rothschild and/or their affiliates provide various investment banking, commercial banking and financial advisory services from time to time to the Xstrata Group. In addition, affiliates of the Banks are lenders under and/or otherwise party to certain of the Xstrata Group's debt facilities agreements. In particular, Deutsche Bank and JPMorgan Chase are lenders under the Club Facility and the Syndicated Facility and Deutsche Bank and J.P. Morgan plc are arrangers and bookrunners of the Club Facility. See paragraph 3 of Part VIII — "Additional Information — Summary of the terms of the Underwriting Agreement" for details of the Underwriting Agreement and paragraph 21.13 of Part IX of the Prospectus — "Additional Information — Material contracts — Debt Facilities Agreements" for details of the Club Facility and the Syndicated Facility.

The Joint Underwriters may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Joint Underwriters do not propose to make any public disclosure in relation to such transactions.

No person has been authorised to give any information or to make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been authorised by Xstrata, any of the Banks or Rothschild. Subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules, the delivery of this Circular shall not, in any circumstances, create any implication that there has been no change in the affairs of the Xstrata Group or the Prodeco Business since the date of this Circular or that the information in it is correct as at any subsequent date.

Certain information in relation to the Xstrata Group has been incorporated by reference into this Circular. You should refer to the section of this Circular headed "Relevant Documentation and Incorporation by Reference".

No statement in this Circular is intended as a profit forecast or a profit estimate and no statement in this Circular 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.

All Shareholders, other than, subject to certain exceptions, those Shareholders with a registered address in the United States have been sent this Circular. In addition, all Shareholders other than, subject to certain exceptions, those Shareholders with a registered address in the United States, Australia, Canada, Japan or South Africa have been sent a Prospectus pursuant to which the Rights Issue will be made. In addition, subject to the passing of the Resolutions, it is expected that Qualifying Non-CREST Shareholders, other than (subject to certain exceptions) those with registered addresses or who are located in the United States, Australia, Canada, Japan or South Africa, will be sent a Provisional Allotment Letter on 2 March 2009. Further, subject to the passing of the Resolutions, it is expected that Qualifying CREST Shareholders (none of whom will be sent a Provisional Allotment Letter), other than (subject to certain exceptions) those with registered addresses in the United States, Australia, Canada, Japan or South Africa, will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 3 March 2009. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission. Qualifying CREST Shareholders who are CREST sponsored

members should refer to their CREST sponsors regarding the action to be taken in connection with the Prospectus and the Rights Issue.

The Existing Shares are listed on the Official List, admitted to trading on the London Stock Exchange's main market for listed securities and admitted to listing on the SIX. Application will be made to the Financial Services Authority for the New Shares (nil and fully paid) to be issued in connection with the Rights Issue to be listed on the Official List and admitted to the London Stock Exchange's main market for listed securities. Application will be made to the Admission Board of the SIX for the New Shares (nil and fully paid) to be admitted to listing on the SIX. It is expected that Admission and Swiss Admission will (in each case) become effective and that dealings in the New Shares will commence on the London Stock Exchange and on the SIX, nil paid, at 8.00 a.m. (London time) on 3 March 2009.

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Presentation of Information

Cautionary note regarding forward-looking statements

This Circular and the information incorporated by reference into this Circular 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 Circular and the information incorporated by reference into this Circular and include statements regarding the intentions, beliefs or current expectations of the 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 Enlarged Group and the industries in which they operate.

This Circular also contains forward-looking statements regarding the Proposed Acquisition, including statements regarding and relating to the expected completion, and the expected timing of completion, of the Proposed Acquisition (which is conditional, amongst other things, upon Shareholder approval and receipt of certain regulatory clearances) and anticipated benefits of the Proposed Acquisition.

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 and the Enlarged Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industries in which they operate may differ materially from the impression created by the forward-looking statements contained in this Circular and/or the information incorporated by reference into this Circular. Further, actual developments in relation to the Proposed Acquisition, and the expected completion of the Proposed Acquisition, may differ materially from those contemplated by forward-looking statements depending on certain factors which include, but are not limited to: the risk that Shareholders may not vote in favour of the Resolutions; the risk that the Xstrata Group will not be able to obtain the required approvals or clearances from regulatory and other agencies and bodies on a timely basis or at all; the risk that the other conditions of the Rights Issue and the Proposed Acquisition may not be satisfied on a timely basis or at all; the risk that the Xstrata Group may not realise the anticipated benefits from the Proposed Acquisition; and the risk that the Xstrata Group may incur and/or experience unanticipated costs and/or delays and/or difficulties relating to the integration of the Prodeco Business. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Xstrata Group and the Enlarged Group (as the case may be), and the development of the industries in which they operate, are consistent with the forward-looking statements contained in this Circular and/or the information incorporated by reference into this Circular, 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; the availability of debt and other financing on acceptable terms; changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour 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\$, the Colombian peso/US\$, the Peruvian Sol/US\$ and the Kroner/US\$ exchange rates); the Xstrata Group's and the Enlarged Group's ability to integrate new businesses (including the Prodeco Business) and recover their reserves or develop new reserves and changes in business strategy or development plans and other risks, including those described in the section of the Prospectus headed "Risk Factors".

You are advised to read this Circular, the Prospectus and the information incorporated by reference herein and therein in their entirety for a further discussion of the factors that could affect the Xstrata Group's and the Enlarged Group's future performance and the industries in which they operate. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Circular and/or the information incorporated by reference into this Circular may not occur.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), neither Xstrata, Rothschild nor any of the Banks undertakes any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Presentation of financial information

Unless otherwise indicated, financial information for the Xstrata Group in this Circular and incorporated by reference into this Circular is presented in US dollars and has been prepared in accordance with IFRS.

Unless otherwise indicated, financial information for Prodeco in this Circular is presented in US dollars and has been prepared in accordance with IFRS on the basis described in section B of Part III — “Information on Prodeco — Financial information on Prodeco”.

Financial information for the Xstrata Group in this Circular and incorporated by reference into this Circular relating to the six-month periods ended 30 June 2008 and 30 June 2007, the Preliminary Results for the year ended 31 December 2008 and the comparative information for the year ended 31 December 2007 and as otherwise indicated is unaudited. Financial information for Prodeco in this Circular relating to the 10-month period ended 31 October 2008 and as otherwise indicated is unaudited. The pro forma financial information set out in Part IV (“Unaudited Pro Forma Financial Information”) of the Prospectus, which is incorporated by reference into this Circular as described in the section of this Circular headed “Relevant Documentation and Incorporation by Reference”, is also unaudited.

Although neither of IFRS or 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 or Prodeco’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 Circular and the information incorporated by reference into this Circular in relation to the Xstrata Group, net profit or loss from continuing operations before interest, taxation, depreciation and amortisation. Unless otherwise indicated, EBIT represents earnings before interest and taxation.

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

Currencies

In this Circular and the information incorporated by reference into this Circular, 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” 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 the “Peruvian Sol” are to the lawful currency of Peru, references to “Rand” or “ZAR” are to the lawful currency of South Africa, references to “CHF” are to the lawful currency of Switzerland, references to “£”, “Sterling”, “GBP” or “pence” are to the lawful currency of the United Kingdom and references to “US dollars”, “US Dollars”, “US\$”, “\$US”, “US¢” or “cents” are to the lawful currency of the United States.

Unless otherwise indicated in this Circular and the information incorporated by reference into this Circular, the financial information contained in this Circular or incorporated by reference into this Circular has been presented in US dollars. In addition, solely for convenience, this Circular contains US dollar translations of certain amounts in various currencies as at 30 January 2009, being the latest practicable date prior to the publication of this Circular, or such other relevant date. 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 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.

Ore reserve and mineral resource reporting — basis of preparation

Ore reserves and mineral resources information reported in this Circular in respect of Prodeco 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 and is reported as at 1 January 2008 for the La Jagua mine and 1 September 2008 for the Calenturitas mine. Ore reserve and mineral resource information in this Circular in respect of Prodeco is based on information compiled by Competent Persons (as defined in, and required by, the JORC Code).

The relevant definitions from the December 2004 edition of the JORC Code and certain other definitions can be found in Part IX — “Definitions and Glossary of Technical Terms”. The JORC Code recognises a fundamental distinction between mineral resources and ore reserves. Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into “measured”, “indicated” and “inferred” categories reflecting decreasing confidence in geological and grade continuity.

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

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

Rounding

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

Rights Issue Statistics

Basis of Rights Issue	2 New Shares for every Existing Share
Issue Price per New Share	210 pence
Number of Ordinary Shares in issue at the date of this Circular	977,670,540
Maximum number of New Shares to be provisionally allotted by the Company pursuant to the Rights Issue	1,982,508,352 ⁽¹⁾
Maximum number of New Shares expected to be provisionally allotted by the Company pursuant to the Rights Issue	1,955,341,080 ⁽²⁾
Maximum number of Ordinary Shares expected to be in issue at completion of the Rights Issue	2,933,011,620 ⁽³⁾
Number of New Shares subject to the Glencore Undertaking	673,602,666
Estimated gross proceeds of the Rights Issue	£4,106 million ⁽²⁾
Estimated total expenses of the Rights Issue	£126 million
Estimated net proceeds of the Rights Issue after estimated total expenses	£3,980 million ⁽²⁾

Notes:

(1) As at 30 January 2009 (being the latest practicable date prior to the publication of this Circular) US\$374,900,000 of the 2017 Convertible Bonds remain outstanding. At the current exchange price of £15.27, the 2017 Convertible Bonds are convertible into 13,571,812 Ordinary Shares. If all of the 2017 Convertible Bonds converted before the ex-rights date it would result in an additional 27,143,624 New Shares being offered pursuant to the Rights Issue. Given that the current exchange price of £15.27 is substantially higher than the existing market price of the Ordinary Shares, Xstrata does not believe that any of the 2017 Convertible Bonds will be converted before the ex-rights date and has, therefore, not sought to underwrite any of the additional New Shares that could theoretically be offered pursuant to the Rights Issue following any such conversion. The Xstrata Employee Share Ownership Trust and Xstrata Employee and Directors' Share Ownership Trust currently hold in aggregate 5,074,064 Ordinary Shares to satisfy the exercise or vesting of awards granted pursuant to the Xstrata Share Schemes. In addition to the 2017 Convertible Bonds, if all options and awards in respect of Ordinary Shares granted under the Xstrata Share Schemes prior to 30 January 2009 (being the latest practicable date prior to the publication of this Circular) and capable of being exercised prior to the ex-rights date were to be exercised prior to the ex-rights date, the Directors would be required to issue a further 11,824 Ordinary Shares. This would result in an additional 23,648 New Shares being offered pursuant to the Rights Issue. Given the exercise prices of these options are, in most cases, substantially higher than the existing market price of the Ordinary Shares, Xstrata has assumed that none of these options will be exercised before the ex-rights date and has, therefore, not sought to underwrite any of the additional New Shares that could theoretically be offered pursuant to the Rights Issue following any such exercise. As the additional New Shares that could theoretically be offered pursuant to the Rights Issue following any such conversion or exercise are not underwritten, if they are not subscribed for (whether by Qualifying Shareholders or otherwise) then they will not be allotted and issued. Even if all the New Shares the subject of the Rights Issue are not subscribed for (whether by Qualifying Shareholders, the Joint Underwriters or otherwise), those New Shares which have been taken up will be allotted to persons who have validly subscribed for New Shares if the Rights Issue becomes unconditional.

(2) This assumes that no options granted under the Xstrata Share Schemes or conversion rights under the 2017 Convertible Bonds are exercised between 30 January 2009 (being the latest practicable date prior to the publication of this Circular) and the ex-rights date.

(3) This assumes that no options granted under the Xstrata Share Schemes or conversion rights under the 2017 Convertible Bonds are exercised between 30 January 2009 (being the latest practicable date prior to the publication of this Circular) and completion of the Rights Issue.

Expected Timetable of Principal Events

Subject as noted below, the following is the expected timetable of principal events in relation to the Rights Issue and the Proposed Acquisition:

Record Date for entitlements under the Rights Issue	5.00 p.m. (6.00 p.m. Central European time) on Friday, 27 February 2009
Last time and date for receipt of Forms of Proxy	9.30 a.m. (10.30 a.m. Central European time) on Saturday, 28 February 2009
Extraordinary General Meeting	9.30 a.m. (10.30 a.m. Central European time) on Monday, 2 March 2009
Expected date of dispatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only ⁽¹⁾)	Monday, 2 March 2009
Expected date of publication of a supplementary prospectus containing Xstrata's audited consolidated financial statements for the year ended 31 December 2008	Monday, 2 March 2009
Expected date of completion of the Proposed Acquisition	Tuesday, 3 March 2009
Expected date that dealings in New Shares, nil paid, will commence on the London Stock Exchange and on the SIX	8.00 a.m. (9.00 a.m. Central European time) on Tuesday, 3 March 2009
Expected date that Existing Shares will be marked "ex-rights" by the London Stock Exchange	8.00 a.m. (9.00 a.m. Central European time) on Tuesday, 3 March 2009
Expected date that Nil Paid Rights will be credited to stock accounts in CREST (Qualifying CREST Shareholders only ⁽¹⁾) and SIX SIS	as soon as practicable after 8.00 a.m. (9.00 a.m. Central European time) on Tuesday, 3 March 2009
Expected date that Nil Paid Rights and Fully Paid Rights will be enabled in CREST	as soon as practicable after 8.00 a.m. (9.00 a.m. Central European time) on Tuesday, 3 March 2009
Recommended latest time and date for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. (5.30 p.m. Central European time) on Wednesday, 11 March 2009
Expected latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account	3.00 p.m. (4.00 p.m. Central European time) on Thursday, 12 March 2009
Expected latest time and date for acceptance and payment in full with value date 17 March 2009 in respect of Nil Paid Rights attributable to Ordinary Shares held in the SIX SIS System	11.00 a.m. (12.00 noon Central European time) on Friday, 13 March 2009
Expected latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m. (4.00 p.m. Central European time) on Friday, 13 March 2009
Expected latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. (12.00 noon Central European time) on Tuesday, 17 March 2009
Expected date of announcement of the results of Rights Issue through a Regulatory Information Service	Wednesday, 18 March 2009
Expected date of commencement of dealings in New Shares, fully paid, on the London Stock Exchange and on the SIX and New Shares credited to CREST stock accounts (uncertificated holders only)	8.00 a.m. (9.00 a.m. Central European time) on Wednesday, 18 March 2009
Expected date of dispatch of definitive share certificates for New Shares (to Qualifying non-CREST Shareholders only ⁽¹⁾)	by Wednesday, 25 March 2009

Note:

(1) The ability to participate in the Rights Issue is subject to certain restrictions relating to Shareholders with registered addresses outside the United Kingdom. See paragraphs 7 and 8 of Part VII — "Use of Proceeds and Terms and Conditions of the Rights Issue" of the Prospectus.

References to times in this Circular are to London time, unless otherwise stated.

Expected Timetable of Principal Events

The times and dates set out in the expected timetable of principal events above and mentioned throughout this Circular are indicative only and subject to change. If any of the times and/or dates change, the revised times and/or dates will be notified by announcement through a Regulatory Information Service and to the SIX. If the FSA has not amended the Listing Rules as explained below (such that the current 21 day minimum rights issue subscription period is reduced) two days before the date of dispatch of Provisional Allotment Letters (which is expected to be on 2 March 2009), Xstrata will publish a supplementary prospectus extending the offer period so that it complies with the current Listing Rules requirement, and setting out the revised times and dates.

In January 2009 the FSA issued a Consultation Paper on whether the current 21 day minimum rights issue subscription period should be reduced to either 14 calendar days or 10 business days. In that Consultation Paper the FSA stated that it is consulting with a view to amending the Listing Rules in time for shorter rights issue subscription periods to be in place at the start of February 2009. The dates set out in the expected timetable of principal events above and mentioned throughout this Prospectus are on the basis that the FSA amends the Listing Rules such that the current 21 day minimum rights issue subscription period is reduced. If the FSA has not amended the Listing Rules (such that the current 21 day minimum rights issue subscription period is reduced) two days before the date of dispatch of Provisional Allotment Letters (which is expected to be on 2 March 2009), the dates set out in the expected timetable of principal events above and mentioned throughout this Prospectus will change to reflect this. For example, the expected date of Admission, Swiss Admission and commencement of dealings in New Shares, fully paid, on the London Stock Exchange and on the SIX and on which New Shares will be credited to CREST stock accounts (uncertificated holders only) would be expected to change from 18 March 2009 to 24 March 2009. All times and dates mentioned in this Circular should be read as being subject to such adjustment.

In addition, pursuant to the Underwriting Agreement, the Company and the Banks have agreed that if a supplementary prospectus is issued by the Company two or fewer Business Days prior to the date specified in the expected timetable of principal events above as the expected latest time and date for acceptance and payment in full (or such later date as may be agreed by the Company and the Banks), such date shall be deemed to be the date which is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date will be adjusted accordingly).

Different deadlines and procedures may apply in certain cases. For example, Shareholders that hold their Ordinary Shares through a CREST member or other nominee may be set earlier deadlines by the CREST member or other nominee than the times and dates noted above.

Relevant Documentation and Incorporation by Reference

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information which is relevant to the Rights Issue and the Proposed Acquisition.

The following sections of the Prospectus, the Cerrejón Circular, the Xstrata plc Half-Yearly Report 2008, the Annual Reports and Accounts and the Preliminary Results are incorporated by reference into this Circular so as to provide information in respect of the Rights Issue, the Proposed Acquisition and related party transactions between the Xstrata Group and Glencore.

Information incorporated by reference into this Circular	Destination of incorporation	Page number in this Circular
Prospectus (pages 275 to 300 inclusive) — Part VII — “Use of Proceeds and Terms of Conditions of the Rights Issue”	Paragraph 10 of Part I — “Letter from the Senior Independent Director — Principal terms of the Rights Issue” Part II — “Use of Proceeds and Terms of Conditions of the Rights Issue”	19
Prospectus (pages 312 to 320 inclusive) — paragraph 9 of Part IX — “Additional Information — Summary of the memorandum and articles of association of the Company and mandatory takeover bids, squeeze-out and sell-out rules”	Paragraph 10 of Part I -- “Letter from the Senior Independent Director — Principal terms of the Rights Issue”	19
Prospectus (pages 23 to 25 inclusive) — “Risk Factors — Risks relating to the Proposed Acquisition”	Paragraph 12 of Part I — “Letter from the Senior Independent Director — Risk factors” Section A of Part III — “Information on Prodeco — Information on the Prodeco Business — Risk factors”	21 31
Prospectus (pages 25 to 26 inclusive) — “Risk Factors — Market considerations”	Paragraph 12 of Part I — “Letter from the Senior Independent Director — Risk factors”	21
Cerrejón Circular (pages 45 and 46 inclusive) — Part III — “Principal Terms of the Proposed Acquisition”	Paragraph 4 of Part V — “The Xstrata Group’s relationship with Glencore — Related party transactions”	90
Xstrata plc Half-Yearly Report 2008 (page 90) — Note 14 (Related Parties) to the consolidated financial statements of Xstrata for the six month period ended 30 June 2008	Paragraph 4 of Part V — “The Xstrata Group’s relationship with Glencore — Related party transactions”	90
Annual Report and Accounts 2007 (Financial Statements pages 233 to 240 inclusive) — Note 35 (Related Parties) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2007	Paragraph 4 of Part V — “The Xstrata Group’s relationship with Glencore — Related party transactions”	90
Annual Report and Accounts 2006 (Financial Statements pages 236 to 240 inclusive) — Note 36 (Related Party Transactions) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2006	Paragraph 4 of Part V — “The Xstrata Group’s relationship with Glencore — Related party transactions”	90
Annual Report and Accounts 2005 (Financial Statements pages 104 to 108 inclusive) — Note 38 (Related Parties) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2005	Paragraph 4 of Part V — “The Xstrata Group’s relationship with Glencore — Related party transactions”	90
Xstrata Preliminary Results (pages 2 to 85 inclusive)	Part VI — “Unaudited Preliminary Results for the Xstrata Group for the Financial Year ended 31 December 2008”	92

Relevant Documentation and Incorporation by Reference

Information incorporated by reference into this Circular	Destination of incorporation	Page number in this Circular
Prospectus (pages 265 to 269 inclusive) — Part IV — “Unaudited Pro Forma Financial Information”	Part VII — “Unaudited Pro Forma Financial Information”	93
Prospectus (pages 355 to 363 inclusive) — paragraph 21 of Part IX — “Additional Information — Material contracts”	Paragraph 4 of Part VIII — “Additional Information — Material contracts”	97

Copies of the above documents are available:

- (a) on the Company’s website (www.xstrata.com); and
- (b) as provided in paragraph 7 of Part VIII — “Additional Information — Documents available for inspection”.

Except to the extent expressly set out above in this section “Relevant Documentation and Incorporation by Reference”, neither the content of the Company’s website (or any other website) nor the content of any website accessible from hyperlinks on the Company’s website (or any other website) is incorporated into, or forms any part of, this Circular.

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this Circular. It should be noted that, except as set forth above, no other part of the above documents is incorporated by reference into this Circular.

Part I

Letter from the Senior Independent Director



Xstrata plc

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Willy Strothotte (Chairman)*†
David Rough (Senior Independent Director and Deputy Chairman)*
Michael Davis (Chief Executive)
Trevor Reid (Chief Financial Officer)
Santiago Zaldumbide (Executive Director)
Ivan Glasenberg*†
Paul Hazen*
Claude Lamoureux*
Robert MacDonnell*
Sir Steve Robson CB*
Ian Strachan*

* Non-Executive Director

† Glencore International Nominee: see Part V — “The Xstrata Group’s Relationship with Glencore”

2 February 2009

To Shareholders

Dear Shareholder,

Proposed Rights Issue and Proposed Acquisition of Prodeco

1. Introduction and overview

Xstrata announced on 29 January 2009:

- a rights issue to raise approximately £4.1 billion (approximately US\$5.9 billion) (before costs and expenses); and
- the Proposed Acquisition of the Prodeco Business from Glencore, for a consideration of US\$2 billion, to be satisfied in cash on the Prodeco Closing Date.

As part of the Proposed Acquisition, the Xstrata Group has conditionally agreed to grant Glencore a Call Option to repurchase the Prodeco Business which can be exercised at any time up to the Business Day following the first anniversary of the Prodeco Closing Date. The aggregate consideration payable by Glencore on exercise of the Call Option is US\$2.25 billion, plus all profits of the Prodeco Business accrued and not distributed to the Xstrata Group and any cash paid into the Prodeco Business by the Xstrata Group, less any amounts distributed by the Prodeco Target Companies to the Xstrata Group, in each case in the period since the Effective Date of 1 January 2009. The Xstrata Group will retain the economic benefit of profits generated by the Prodeco Business prior to any exercise of the Call Option, should this take place.

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Since Xstrata's substantial shareholder, Glencore is the vendor of the Prodeco Business, the Proposed Acquisition is a related party transaction for the purposes of the Listing Rules. The Proposed Acquisition is therefore conditional, amongst other things, upon the approval of Xstrata Shareholders. In accordance with the Listing Rules, Glencore will not vote on the Proposed Acquisition Resolution to be proposed at the Extraordinary General Meeting and Glencore has undertaken to take all reasonable steps to ensure that its associates will not vote on the Proposed Acquisition Resolution. Details of the Xstrata Group's relationship with Glencore are set out in Part V — "The Xstrata Group's relationship with Glencore" of this Circular. Xstrata has received independent financial advice from Rothschild in relation to the Proposed Acquisition.

I am writing this letter to you in my capacity as Senior Independent Director and Deputy Chairman because the Chairman of Xstrata plc, Mr. Strothotte, is a director of Glencore International and therefore has not (along with his fellow Glencore International Nominee, Mr. Glasenberg), in accordance with the Listing Rules and the Relationship Agreement, taken part in the board's consideration of the Proposed Acquisition.

Xstrata has received irrevocable undertakings from Glencore to vote in favour of the Rights Issue Resolutions and to take up its full entitlements under the Rights Issue. Glencore's irrevocable undertaking to vote in favour of the Rights Issue Resolutions is given in respect of 336,801,333 Ordinary Shares, representing approximately 34.45% of Xstrata's issued Ordinary Shares (or approximately 35.03% excluding the Ordinary Shares held by Batiss, which, in accordance with the terms of Xstrata's independently-managed equity capital management programme (the "ECMP"), will not exercise the voting rights attaching to the Ordinary Shares held by it at the EGM). A total of 673,602,666 New Shares are subject to Glencore's irrevocable undertaking to take up its full entitlements under the Rights Issue (approximately 34.45% of the maximum number of New Shares expected to be issued under the Rights Issue). Glencore has also agreed to a lock-up in respect of its Ordinary Shares and New Shares which, subject to certain exceptions, will expire six months after the latest time for acceptance and payment in full of entitlements to subscribe for New Shares pursuant to the Rights Issue.

The Rights Issue and the Proposed Acquisition are inter-conditional and conditional, amongst other things, on Shareholder approval, which will be sought at an Extraordinary General Meeting convened for Monday, 2 March 2009.

All Qualifying Shareholders who have been sent this Circular (other than, subject to certain exceptions, those Shareholders with a registered address or who are located in the United States, Australia, Canada, Japan or South Africa), have also been sent a Prospectus pursuant to which the Rights Issue will be made.

The purpose of this Circular is: to provide you with details of, background to and reasons for the Rights Issue and the Proposed Acquisition; to explain why the board of directors of the Company believes that the Rights Issue and the Proposed Acquisition are in the best interests of the Company and Shareholders as a whole; and to seek your approval for the Rights Issue and the Proposed Acquisition. A notice convening an Extraordinary General Meeting of the Company at which the Resolutions are to be proposed is set out at the end of this Circular.

2. Information on Xstrata

Development and delivery of Xstrata's strategy since 2002

Since its initial public offering in March 2002, Xstrata has grown to become a major, diversified mining group, headquartered in Zug, Switzerland. The Xstrata Group is one of the world's top five producers of copper, export thermal coal, export coking coal, ferrochrome, zinc, nickel and vanadium. 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.

Xstrata's Existing Shares are listed on the Official List, admitted to trading on the London Stock Exchange's main market for listed securities and admitted to listing on the SIX Swiss Exchange.

At the time of its initial public offering, Xstrata's board of directors set out the Xstrata Group's strategy to develop Xstrata as a distinct mining company positioned to create value for its shareholders. Since that time, Xstrata has grown to become a major diversified mining group with a portfolio of cash generative operations and a world-class pipeline of organic growth options. The successful execution of the Xstrata Group's strategy has resulted in:

- the execution and integration of three major acquisitions delivering transformational growth;

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Letter from the Senior Independent Director

- the opportunistic identification and completion of a number of bolt-on acquisitions to deliver incremental growth and improvements to the portfolio;
- the development of a significant internal pipeline of growth options; and
- substantial improvements to the capital and operating efficiency of its businesses.

Growth through transformational acquisitions

The transformation of Xstrata from a small, illiquid company with limited growth potential into a major diversified mining and metals group with significant growth options over the past seven years has been achieved in large part due to the successful execution and integration of three major transformational acquisitions. In 2002, at the time of its initial public offering, Xstrata acquired the former Enex and Duiker coal assets, becoming the world's largest producer of export thermal coal. In 2003, Xstrata acquired MIM Holdings Limited, an Australian listed company, gaining exposure to two additional commodities — copper and coking coal — and augmenting its zinc-lead assets. In 2006, Xstrata acquired Falconbridge, a Canadian listed company, adding nickel to its portfolio, augmenting its zinc-lead business further and substantially enhancing its copper business. These acquisitions have provided the Xstrata Group with significantly increased scale and critical mass; an excellent spread of operating assets which position Xstrata as one of the top-five producers in seven major international commodity markets; diversification of geographic, commodity and currency risk; and a world class pipeline of brownfield and greenfield growth projects that provide long-term organic growth options.

The Xstrata Group has established a strong track record of efficient and effective post-acquisition integration expertise. Importantly, Xstrata has delivered significant improvements in the operating and financial performance of the assets acquired since 2002. For example, within one year of acquisition, mining productivity rose by 15% and 20% at the Mount Isa copper and zinc operations respectively, and, following the Falconbridge acquisition, over US\$90 million of annualised cost synergies were achieved in the first full year of ownership. In both cases, safety performance at the acquired operations improved, by over 40% and 33% respectively in the first full year of ownership.

Incremental growth

Xstrata has also pro-actively secured value-enhancing growth from bolt-on acquisitions to supplement the Xstrata Group's existing commodity businesses or provide access to new commodities. These include the acquisitions of a one-third stake in the Cerrejón coal operation in Colombia from Glencore and of the Tintaya copper operation in Peru from BHP Billiton in 2006. They also include the acquisitions in 2007 and early 2008 of Resource Pacific Holdings Limited, Tahmoor and the Mangoola project (formerly known as Anvil Hill) in Australia, the acquisition and development of the Eland platinum business in South Africa and the acquisition of Jubilee Nickel in Western Australia. A major focus in each transaction has been the rapid and successful integration of acquired operations. Post-acquisition, the Xstrata Group's management has implemented a number of initiatives to enhance the net present value of acquired operations, through sustainable operating cost reductions, productivity improvements, extensions to mine life and reserves, and the development of low-risk, brownfield future growth options. Between August and October 2008, Xstrata acquired 24.9% of Lonmin plc, providing a significant shareholding in the world's third largest platinum producer.

In line with this strategy, the proposed acquisition of the long-life Prodeco thermal coal assets will provide the Enlarged Group with additional exposure to premium quality, low sulphur thermal coal, consolidating the Enlarged Group's strategic position in Colombia, with access to the attractive European and North American markets. Further information about Prodeco and the Proposed Acquisition is set out in paragraphs 5, 6, 7 and 11 of this letter below and in Parts III — "Information on Prodeco" and IV — "Principal terms at the Proposed Acquisition" of this Circular.

Organic growth options

Since the acquisition of Falconbridge, the Xstrata Group has largely focused on maximising the value of its existing portfolio with an emphasis on developing and sequencing its extensive organic brownfield and greenfield growth options. While the Xstrata Group's near term strategy is to optimise cash, resulting in the deferral of a large portion of previously budgeted discretionary expansionary capital expenditure in 2009, Xstrata remains committed to retaining its attractive suite of growth options, which can be activated when market conditions allow.

Capital and operating efficiency improvements

Since 2002, Xstrata has achieved sustainable reductions in its operating cost base, trimming net operating costs by an average of 1% per annum, taking into account mining sector inflation. In the twelve months to 31 December 2008 a further US\$184 million of real unit cost savings were achieved by the Xstrata Group, principally through the commencement of or increased focus on lower cost production. The current environment of lower oil prices and other declining input prices presents significant opportunities for further operating and capital cost reductions and Xstrata management is prioritising cost containment across its businesses. In addition, the decline of major producer currencies against the US dollar is mitigating the full impact of recent rapid declines in commodity prices and is expected to provide significant further cost benefits in 2009. The Xstrata Board is confident that Xstrata's devolved management structure and track record in reducing operating costs, together with management's rapid action to suspend or close higher cost production in late 2008 and early 2009, will deliver substantial cost benefits in 2009 and beyond.

Current trading and prospects

Robust demand for commodities and stable economic conditions in the first half of 2008 were interrupted by the severe and sudden impact of the global financial crisis on the availability of liquidity and expectations for global economic growth.

While zinc and nickel prices were markedly lower in the first half of 2008 compared to the record high levels of 2007, copper prices traded at or near historic highs during the first half of 2008 and very tight coking and thermal coal markets supported record spot and contract settlements. As the full scale of the global crisis became evident, ultimately culminating in the failure of several financial institutions and a paralysis of credit markets in the autumn, commodity prices declined dramatically.

Overall, unaudited revenue in Xstrata's 2008 Preliminary Results for the year to 31 December 2008 declined marginally compared to 2007, to US\$28 billion. Unaudited earnings before interest, tax, depreciation and amortisation decreased by 11% to US\$9.7 billion compared to the record profits achieved in 2007, with unaudited earnings before interest and tax from operations 17% lower at US\$7.3 billion. The impact of lower prices on Xstrata's earnings was contained to US\$49 million, as lower base metal prices were largely offset by the benefit of record coal contracts in 2008 and strong prices for Xstrata Alloys' products. The US dollar strengthened against most currencies in the latter part of 2008, with particularly material increases against the currencies of commodity-based economies, adding US\$207 million to EBIT compared to the prior year. However, as with prior years, the headwinds of higher industry input costs together with consumer price inflation continued to erode earnings by US\$1,257 million compared to 2007, as cost depreciation lagged the sharp declines in commodity prices and economic conditions.

The financial crisis has produced a marked lack of visibility into future economic activity, and as such, the outlook for 2009 is uncertain. The Directors believe that there will be increased investment in infrastructure in 2009 compared with the second half of 2008, reflecting the significant stimulus packages announced by many major governments, a particularly commodity intensive form of investment.

In the medium term, the current shortage of capital and poor short-term visibility is delaying further the introduction of new production capacity to replace ageing mines with falling grades and increasingly difficult mining conditions due to the delay and cancellation of organic growth projects by major producers and the inability of the junior sector — which traditionally identifies new supply — to raise new finance. The Company believes that, when OECD economies return to a growth phase, the impact of synchronised demand growth from developed and emerging economies, coupled with greater commodity supply constraints resulting from lower inventories and a lack of investment during the financial crisis, has the potential to lead to a rapid increase in the demand and prices of commodities, resulting in substantial cash flows and margin expansion for those metals and mining companies which have weathered the current challenging conditions.

Xstrata's near-term strategy is to:

- use the current downturn to reposition its operations lower on the cost curve;
- optimise cash in the short term to ensure the Company remains financially robust with an investment grade balance sheet even under a scenario in which the period of uncertainty is unexpectedly prolonged; and

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- position Xstrata to emerge from the current downturn in a position of strength and, at the appropriate time, seize the most value-accretive growth opportunities presented by the current dislocation of market values and underlying valuations.

Xstrata has acted decisively and pro-actively to respond to challenging operating conditions and an uncertain near-term outlook to strengthen Xstrata's financial position. The Rights Issue is one of a series of ongoing, decisive measures taken by Xstrata management to strengthen the Group's financial position. These initiatives include:

- suspending or closing higher cost or unprofitable production, for example:
 - closing the joint venture Lennard Shelf zinc-lead operation in Western Australia;
 - placing operations at the Falcondo ferronickel operation on a care and maintenance programme; and
 - accelerating the closure of two end-of-life nickel mines in the Sudbury basin, Canada;
- reducing production at existing operations to respond to weaker demand, for example:
 - suspending 17 ferrochrome furnaces in South Africa representing approximately 80% of the Xstrata-Merafe Chrome Venture's annual production capacity;
 - reducing production at McArthur River Mine to an annual rate of 2 million tonnes of ore per annum, from 2.5 million tonnes per annum. Operations have subsequently been placed on care and maintenance pending confirmation by the Australian Federal Government of preliminary approval to resume mining; and
 - suspending longwall operations at Oaky No. 1 coking coal mine in Queensland, Australia;
- continuing to drive down operating costs across Xstrata's commodity businesses through restructurings, productivity improvements and commencement of lower cost supply;
- improved working capital management, with approximately US\$1 billion of cash released in the second half of 2008; and
- substantially reducing discretionary sustaining and expansionary capital expenditure. An ongoing review of all capital expenditure projects has identified approximately US\$3 billion of capital expenditure deferrals or reductions for 2009, reducing anticipated capital expenditure for 2009 by 45% to US\$3.4 billion. The revised estimate for 2009 capital expenditure comprises approximately US\$1.2 billion of essential sustaining capital expenditure and approximately US\$2.2 billion of expansionary capital expenditure. Those elements of Xstrata's extensive growth pipeline which have been deferred remain available to be accelerated at the appropriate time.

In addition to these commodity-business led initiatives, on 1 October 2008, Xstrata entered into a US\$5.0 billion Club Facility with a broad group of relationship banks to refinance and extend the maturity of the Group's existing debt and provide further headroom. On 2 January 2009, the Club Facility was increased by an additional US\$459 million to approximately US\$5.46 billion.

As a result of these actions, Xstrata benefits from significant headroom, comfortable interest cover and no significant debt refinancing requirements until 2011. Xstrata's management will continue to focus on taking decisive action with a view to ensuring that Xstrata's businesses remain cash positive and financially robust, including, where necessary, further reductions in capital expenditure, the suspension or closure of unprofitable or high cost operations and the optimisation of operating costs and working capital.

As described in further detail under "Benefits and Financial impact of the Rights Issue — Background and market conditions", Xstrata's Board continues to believe that demand for commodities, and consequently commodity prices, are experiencing a long-term positive demand trend, driven by the ongoing industrialisation of a number of developing Asian economies and in particular China.

Xstrata continues to operate a suite of cash generative operations across a broad range of geographies, with excellent growth potential and a strong competitive position in each of its key commodity markets. Against a background of a positive medium to longer term outlook for commodity demand and prices and in view of the near-term actions taken by Xstrata management to optimise cash and enhance the Group's financial flexibility, the Directors believe that the prospects for Xstrata remain very encouraging.

3. The Rights Issue

The Company is proposing to raise approximately £4.1 billion (approximately US\$5.9 billion) (before costs and expenses) pursuant to the Rights Issue. The proceeds of the Rights Issue will enable Xstrata to repay existing debt, including debt drawn under the Group's existing facilities to finance the Proposed Acquisition. As explained in more detail in paragraph 4 below, the drawn amount under the Group's recently increased US\$5.46 billion revolving facility will be repaid in full and the balance of the proceeds will be used to repay in part the drawn amount under the Group's US\$4.68 billion facility.

The Rights Issue will be made on the basis of 2 New Shares for every Existing Share held on the Record Date, which is expected to be 5.00 p.m. (London time) on 27 February 2009, at the Issue Price of 210 pence per New Share. The Issue Price represents a discount of approximately 66% to the Closing Price of 623 pence per Ordinary Share on 28 January 2009, which was the last Business Day prior to the announcement of the Rights Issue.

Save in respect of New Shares which Glencore takes up pursuant to the irrevocable undertakings it has given to the Company (which are described in paragraph 9 of this letter below), the Rights Issue is underwritten on the terms of the Underwriting Agreement by Deutsche Bank and, on behalf of its affiliate JPMorgan Cazenove, by J.P. Morgan Securities Ltd.

Subject to the passing of the Resolutions, it is expected that Qualifying non-CREST Shareholders, other than (subject to certain exceptions) those with registered addresses or who are located in the United States, Australia, Canada, Japan or South Africa, will be sent a Provisional Allotment Letter on 2 March 2009. Dealings in New Shares, nil paid, are expected to commence on the London Stock Exchange and on the SIX on 3 March 2009. The expected latest date for acceptance and payment in full under the Rights Issue is 17 March 2009. **Please refer to the section of this document headed "Expected Timetable of Principal Events" for an important note about possible changes to the Rights Issue timetable and how any such changes will be communicated.**

Shareholders who choose not to take up their rights under the Rights Issue will be diluted by 66% following the issue of the New Shares.

The maximum number of New Shares expected to be issued pursuant to the Rights Issue is 1,955,341,080, representing approximately 200% of the existing issued ordinary share capital of Xstrata and approximately 66% of the expected enlarged issued ordinary share capital of Xstrata immediately following completion of the Rights Issue.

Further information in relation to the Rights Issue is contained in the Prospectus, together with the terms and conditions of the Rights Issue and the procedure for acceptance and payment. These parts of the Prospectus are incorporated by reference into this Circular as described in the section of this Circular headed "Relevant Documentation and Incorporation by Reference".

4. Benefits and financial impact of the Rights Issue

Background and market conditions

Xstrata continues to believe that the long-term positive trend for increased demand for metals and energy remains intact, driven by the ongoing industrialisation of developing economies and the urbanisation of over 20 million people per annum in China and India and over 65 to 70 million people globally at current rates. Long-term positive demand trends of this nature result in higher average commodity prices than historical averages in real terms, as new supply struggles to keep pace with increasing demand from emerging economies.

Against this background, economic growth in the western world has been slowing since late 2007 and is widely expected to continue to slow in 2009, impacting short-term demand growth for commodities. However, the additional impact of the financial crisis, which escalated rapidly in mid-September 2008 with the failure of several major financial institutions and a severe liquidity shortage in global financial markets, has caused an unexpectedly sudden and severe slowdown in developed economies, many of which are now widely agreed to be in recession. Demand for exports from Asia into these western economies has also been impacted, causing gross domestic product growth to slow in many emerging economies, including China, albeit from historically high double digit growth rates. These conditions have led to a lack of visibility and consequent destocking and production curtailments amongst key consumers of basic commodities, leading in turn to a steep decline and pronounced volatility in the price of most commodities, in particular LME-traded base metals.

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Many of Xstrata's commodities are currently trading at levels below industry marginal costs. However, the supply-side — now more consolidated than ever before — has been quick to respond to falling demand, with a smaller number of larger producers taking more rational supply-side decisions to limit cash losses, while funding constraints often prevent smaller producers from continuing to run loss-making operations for any extended period. Rapid reductions in higher cost production, ongoing curtailments in exploration expenditure and the deferral or cancellation of numerous growth projects are all likely to limit the extent to which large producer or customer inventories are built-up and will contribute to even greater supply-side constraints when demand from developed and developing economies increases.

Benefits and financial impact

The proceeds of the Rights Issue will enable Xstrata to repay existing debt, including debt drawn under the Group's existing facilities to finance the Proposed Acquisition. Xstrata intends to repay the US\$2.7 billion borrowings that are currently outstanding under the Group's recently increased US\$5.46 billion Club Facility, together with the additional borrowings to be drawn under the Club Facility to satisfy the US\$2 billion cash consideration payable to acquire the Prodeco Business, and apply the balance of the net proceeds to reduce the US\$4.4 billion borrowings that are currently outstanding under the Group's US\$4.68 billion Syndicated Facility. As a result, net debt is expected to reduce to approximately US\$12.6 billion following completion of the proposed Rights Issue.

Including the proceeds from the Rights Issue, net of the debt raised to fund the Proposed Acquisition, the combined impact on Xstrata's financial position, of the actions taken by the Group to conserve cash and reduce operating and capital costs is expected to be more than US\$7 billion, ensuring that it remains robust, even in the event of an unexpectedly prolonged period of depressed commodity prices. This is in line with the Xstrata Group's firm commitment to retain an investment grade balance sheet throughout the economic cycle. Following the Rights Issue, Xstrata's gearing is expected to reduce to less than 30% (on a net debt to net debt plus equity basis), below Xstrata's long-term target range of 30% to 35%.

If the Rights Issue is not completed, the Group will seek to take other measures, which may include further actions to conserve cash, reduce operating costs or raise funds in the capital markets. These measures may be less effective than the Rights Issue in reducing Xstrata's gearing, may not improve its strategic positioning (for when the outlook for commodity prices and cash flows improves) and may not be in the best long term interests of Shareholders.

The actions described above position Xstrata to emerge from the current downturn with a strengthened balance sheet and an enhanced platform from which, at the appropriate time, to initiate the next stage of the Group's growth. A number of opportunities are beginning to emerge as a result of the dislocation of market values from underlying company valuations and the distressed or forced sale of attractive, cash generative assets or projects. Once visibility into the outlook for commodity prices and cash flows improves, Xstrata will continue to use its proven ability to identify and execute the most value-accretive acquisition opportunities, seeking to improve the strategic positioning of its business units and the Group as a whole. Xstrata will continue to take a highly disciplined approach to any future acquisition, in which the creation of Shareholder value and a prudent approach to funding and capital structure will remain the Xstrata Board's primary considerations.

5. The Proposed Acquisition

The Board (excluding the Glencore International Nominees) believes, and has believed for some time, that the Prodeco Business is a strategically attractive asset with excellent growth potential that is able to add significant long-term value to the Xstrata Group. The Xstrata Group has conditionally agreed to acquire the Prodeco Business from Glencore, for a consideration of US\$2 billion, to be satisfied in cash on the Prodeco Closing Date. The consideration paid by Xstrata in connection with the Proposed Acquisition will be used by Glencore to take up its entitlements under the Rights Issue.

Since, during negotiations, Xstrata and Glencore failed to reach full agreement on an appropriate valuation of the Prodeco Business, the Proposed Acquisition includes a Call Option which Glencore may exercise to repurchase the Prodeco Business from the Xstrata Group at any time up to the Business Day following the first anniversary of the Prodeco Closing Date. The aggregate consideration payable by Glencore on exercise of the Call Option is US\$2.25 billion, plus all profits of the Prodeco Business accrued and not distributed to the Xstrata Group and any cash paid into the Prodeco Business by the Xstrata Group, less any amounts distributed by the Prodeco Target Companies to the Xstrata Group, in each case in the period since the Effective Date of 1 January 2009. The Xstrata

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Group will manage the Prodeco Business from the Prodeco Closing Date and will retain the economic benefit of profits generated while the operations are under its ownership and management from the Effective Date up to the date of any repurchase by Glencore pursuant to the Call Option, regardless of whether or not the Call Option is exercised. Should the Call Option be exercised, Glencore will pay a repurchase price that adequately compensates Xstrata's Shareholders by providing a robust return on the original consideration paid by Xstrata. The repurchase price will, nonetheless, represent a discount to Glencore's own valuation of these operations.

Furthermore, until the expiration of the Call Option any income generated by the Prodeco Business will be recognised in the Enlarged Group's consolidated income statements as finance income and, accordingly, will not contribute to EBITDA. In addition, Xstrata could be unable to take advantage of an asset which could have added significant long-term value to the Group. Following the expiration of the Call Option, the Prodeco Business's earnings will be consolidated into Xstrata Coal's (and hence, the Enlarged Group's) earnings.

The board of directors of the Company, which has been so advised by Rothschild, an independent adviser acceptable to the Financial Services Authority, considers that the Proposed Acquisition is fair and reasonable as far as the Shareholders of Xstrata are concerned. In providing its advice to the board, Rothschild has taken into account the board's assessments of the commercial merits of the Proposed Acquisition.

Further information about Prodeco and the Proposed Acquisition is set out in paragraphs 6, 7 and 11 of this letter below and in Parts III — "Information on Prodeco" and IV — "Principal Terms of the Proposed Acquisition" of this Circular. Risk factors relating to the Proposed Acquisition are set out in paragraph 12 below. A summary of the principal terms of the Proposed Acquisition and the Acquisition Agreement is set out in Part IV — "Principal Terms of the Proposed Acquisition".

6. Information on Prodeco

The Prodeco Business comprises Glencore's Colombian high-grade thermal coal mining operations and associated infrastructure. It consists of two open pit coal mining operations (the Calenturitas and La Jagua complexes), export port facilities and a 39.8% share in a railway.

As at 1 September 2008 the Prodeco Business had a saleable reserve base in excess of 250 Mt, with resources (measured, indicated and inferred) of in excess of 420 Mt. The Prodeco Business is currently the third largest producer of export thermal coal in Colombia, in 2008 producing 9 Mt of export thermal coal predominantly for the European and United States power generation markets. It plans to increase export thermal coal production to 17 Mtpa by 2013.

The Prodeco Business is going through a period of significant expansion, as coal production is planned to increase from 9 Mtpa in 2008, to 11 Mtpa in 2009 and to 17 Mtpa by 2013. This expansion, at an estimated capital cost of approximately US\$1 billion for mining equipment, transport, port and other infrastructure, is aimed at exploiting the existing extensive reserve base to take advantage of demand for import coal in Europe and the United States. The planned expansion is expected to have a significant positive impact on Prodeco's revenues from 2009. Prodeco has contracted coal sales for 2009 in respect of 100% of its production, benchmarked at a price of US\$75 per tonne.

In addition to the planned increase in production, operating costs at Prodeco from 2009 onwards are expected to benefit from:

- the transition from high-cost truck haulage to low-cost rail infrastructure to transport coal from the mines to the port, which will enable the Prodeco Business to exploit the recent completion of a rail spur from the main rail line to the Calenturitas mine and Prodeco's ownership of 19 proprietary locomotives and 660 heavy haul wagons;
- the commissioning of a new materials handling system at the Calenturitas mine which is planned for the first quarter of 2009;
- economies of scale from higher sales volumes as production expands;
- the transition from contract mining to primarily owner-operated fleets; and
- improved productivity from new mining equipment purchased during 2008.

Consequently, the Prodeco Business's ongoing operating costs on a unit cost basis are expected to decrease substantially. On completion of the Proposed Acquisition and as a result of reduced operating costs as outlined above, the Xstrata Group will gain ownership of 100% of a low cost, premium quality thermal coal operation with its own infrastructure in the strategically important region of Colombia, complementing the Xstrata Group's

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existing ownership of a one-third stake in Cerrejón, a similar low cost, premium quality Colombian coal operation. In addition, the unaudited combined profit of Prodeco for the 10-month period ended 31 October 2008 set out below is impacted by US\$55.8 million of financing and other costs relating to Glencore's ownership, which will not be paid from the Effective Date of 1 January 2009 under the terms of the Acquisition Agreement. A significant portion of these costs is pursuant to US\$452 million in indebtedness which will not affect the economic return to the Group of the Prodeco Business since the Prodeco Business is being purchased on a debt free basis.

The combined gross assets of the Prodeco Business as at 31 October 2008 were US\$1,049 million and as at 31 December 2007 were US\$872 million. In the 10-month period ended 31 October 2008, the Prodeco Business recorded combined profit of US\$41 million and combined gross profit of US\$179 million. In the year ended 31 December 2007, the Prodeco Business recorded combined profit of US\$46 million and combined gross profit of US\$78 million. The Prodeco Business financial information presented above has been extracted without material adjustment from the unaudited interim accounts prepared under IFRS as at and for the 10-month period ended 31 October 2008 and audited accounts prepared under IFRS as at and for the year ended 31 December 2007 set out in section B of Part III — "Information on Prodeco — Financial information on Prodeco" of this Circular.

Further information on Prodeco, including financial information, is set out in Part III — "Information on Prodeco" of this Circular.

7. Benefits and financial impact of the Proposed Acquisition

The acquisition of the Prodeco Business will provide Xstrata with access to a high quality, low cost thermal coal complex with excellent growth potential in a strategically attractive region to supply the European and North American energy markets.

The board of directors of the Company believes that the acquisition of the Prodeco Business will add significant value to the Xstrata Group by:

- enhancing the Xstrata Group's industry leading thermal coal portfolio through the addition of a long-life complex of high-quality thermal coal assets;
- consolidating the Xstrata Group's strategic position in Colombia, enhancing Xstrata's competitive position in supplying the important European market and positioning the business for growth in the United States market for low-sulphur, high-quality thermal coal imports;
- offering significant further brownfield growth potential from the purchased assets, together with additional optionality over future growth opportunities in the region; and
- leveraging Xstrata Coal's management expertise and operational experience to deliver operational upside through productivity and technical enhancements.

The total consideration payable by the Xstrata Group in respect of the Proposed Acquisition is US\$2 billion plus interest on the purchase price from the Effective Date to Prodeco Closing at LIBOR plus 1.50%. The economic effect of the transaction is a sale and purchase of the Prodeco Business as of the Effective Date. Accordingly, the profits and losses of the Prodeco Business from the Effective Date to Prodeco Closing are for the account of the Xstrata Group. For this reason and as is customary for a transaction of this nature, the Acquisition Agreement contains further provisions to ensure that any leakage of value (such as a dividend) from the Prodeco Business between the Effective Date and Prodeco Closing is for the account of Glencore and that any capital injection by Glencore in that period is for the account of the Xstrata Group. The Prodeco Business is being purchased on a debt free basis and the consideration will be funded from the Xstrata Group's existing Club Facility.

The aggregate consideration payable under the Call Option Agreement upon exercise of the Call Option is US\$2.25 billion, plus all profits of the Prodeco Business accrued and not distributed to the Xstrata Group and any cash paid into the Prodeco Business by the Xstrata Group, less any amounts distributed by the Prodeco Target Companies to the Xstrata Group, in each case in the period since the Effective Date. The Xstrata Group will retain the economic benefit of profits generated by the Prodeco Business prior to any exercise of the Call Option, should this take place.

Due to the provisions governing the Xstrata Group's conduct of the Prodeco Business during the Call Option exercise period, the Prodeco Business will be accounted for by the Enlarged Group as a financial asset under IFRS during such period. These provisions are described in Part IV — "Principal Terms of the Proposed Acquisition —

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Call Option Agreement — Undertakings of Xstrata (Schweiz) AG relating to conduct of the Prodeco Business". As a result, until the expiration of the Call Option, any income generated by the Prodeco Business will be recognised in the Enlarged Group's consolidated income statements as finance income and, accordingly, will not contribute to EBITDA. Following the expiration of the Call Option, the Prodeco Business's earnings will be consolidated into Xstrata Coal's (and hence, the Enlarged Group's) earnings. Should Glencore exercise the Call Option, the amount in excess of the purchase consideration will constitute finance income. In this scenario, the Prodeco Business will at all times have been accounted for as a financial asset and will have provided Xstrata with a robust return on the original consideration that it paid.

8. Dividend policy

Xstrata has to date adopted a progressive dividend policy, taking into account the underlying growth in earnings of the Xstrata Group, as well as its capital requirements and cash flows, whilst maintaining an appropriate level of dividend cover.

However, the Board has reviewed the dividend for the year ended 31 December 2008 and has decided, in the light of the proposed Rights Issue, not to declare a final dividend for 2008. The total dividend for the year will therefore consist of the interim dividend for 2008 of 18 US cents per share, which was paid on 10 October 2008. The Board intends to resume dividend payments at the earliest opportunity, while seeking to maintain a prudent capital structure against the backdrop of the macroeconomic climate and the Group's cash flow, capital requirements and dividend cover.

Dividends are declared and paid in US dollars, although Shareholders may elect to receive dividends in Sterling, Euro or Swiss Francs. Interim and final dividends are normally paid in October and May annually in the approximate proportions of one-third and two-thirds of the annual dividend, respectively.

The New Shares will rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions declared after the date of issue of the New Shares. Xstrata intends to adjust future dividend payments per Ordinary Share *pro rata* to take account of New Shares issued in connection with the Rights Issue.

9. Major Shareholder and irrevocable undertakings

So far as the Company is aware, as at 30 January 2009 (being the latest practicable date prior to the publication of this Circular) Glencore beneficially owned approximately 34.45% of the issued ordinary share capital of the Company and is the largest Shareholder of the Company.

In accordance with the Listing Rules, Glencore will not vote on the Proposed Acquisition Resolution to be proposed at the Extraordinary General Meeting. Xstrata has received irrevocable undertakings from Glencore, which has confirmed to the Company that it is fully supportive of the Rights Issue, to vote in favour of the Rights Issue Resolutions and to take up its full entitlements under the Rights Issue.

Glencore's irrevocable undertaking to vote in favour of the Rights Issue Resolutions is given in respect of 336,801,333 Ordinary Shares, representing approximately 34.45% of Xstrata's issued Ordinary Shares (or approximately 35.03% excluding the Ordinary Shares held by Batiss, which, in accordance with the terms of the ECMP, will not exercise the voting rights attaching to the Ordinary Shares held by it at the EGM).

A total of 673,602,666 New Shares are subject to Glencore's irrevocable undertaking to take up its full entitlements under the Rights Issue (approximately 34.45% of the maximum number of New Shares expected to be issued under the Rights Issue). The consideration paid by Xstrata in connection with the Proposed Acquisition will be used by Glencore to take up its entitlements under the Rights Issue.

Glencore has also agreed to a lock-up in respect of its Ordinary Shares and New Shares which, subject to certain exceptions, will expire six months after the latest time for acceptance and payment in full of entitlements to subscribe for New Shares pursuant to the Rights Issue.

Further details of the Glencore Undertaking are set out in paragraph 5 of Part V — "The Xstrata Group's Relationship with Glencore — Glencore Undertaking".

10. Principal terms of the Rights Issue

The Rights Issue will be made on the terms and subject to the conditions set out in the Prospectus (and, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter). Up to an aggregate of 1,982,508,352 New Shares will be offered by way of Nil Paid Rights payable in full on acceptance by Qualifying Shareholders on the basis of:

2 New Shares at 210 pence per New Share for every 1 Existing Share

held on the Record Date and so in proportion for any other number of Existing Shares then held. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Record Date is expected to be 5.00 p.m. (London time) on 27 February 2009. The Issue Price of 210 pence per New Share represents a discount of approximately 66% to the Closing Price of 623 pence per Ordinary Share on 28 January 2009, which was the last Business Day prior to the announcement of the Rights Issue.

Save in respect of New Shares which Glencore takes up pursuant to the Glencore Undertaking (which is described in paragraph 9 of this letter above), the Rights Issue is underwritten on the terms of the Underwriting Agreement by Deutsche Bank and, on behalf of its affiliate JPMorgan Cazenove, by J.P. Morgan Securities Ltd.

Subject to the passing of the Resolutions, it is expected that Qualifying non-CREST Shareholders, other than (subject to certain exceptions) those with registered addresses or who are located in the United States, Australia, Canada, Japan or South Africa, will be sent a Provisional Allotment Letter on 2 March 2009. Dealings in New Shares, nil paid, are expected to commence on the London Stock Exchange and on the SIX on 3 March 2009. The expected latest date for acceptance and payment in full under the Rights Issue is 17 March 2009. **Please refer to the section of this document headed “Expected Timetable of Principal Events” for an important note about possible changes to the Rights Issue timetable and how any such changes will be communicated.**

Shareholders who choose not to take up their rights under the Rights Issue will be diluted by 66½% following the issue of the New Shares.

The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends or distributions declared after the date of the Prospectus. There will be no restrictions on the free transferability of the New Shares save as provided in the Articles. The rights attaching to the New Shares are governed by the Articles, a summary of which is set out in paragraph 9 of Part IX — “Additional Information — Summary of the memorandum and articles of association of the Company and mandatory takeover bids, squeeze-out and sell-out rules” of the Prospectus (which is incorporated by reference into this Circular as described in the section of this Circular headed “Relevant Information and Incorporation by Reference”).

The Rights Issue is conditional upon, amongst other things, fulfilment of the following conditions:

- (a) the passing without material amendment (or with such amendments as the Banks and the Company may agree) of the Resolutions at the Extraordinary General Meeting;
- (b) none of the representations, warranties or undertakings given by Xstrata in the Underwriting Agreement being breached, untrue, inaccurate or misleading in any respect when made;
- (c) all of the conditions to the Acquisition Agreement (save for the allotment and issue of the New Shares to be allotted and issued to Glencore under the Rights Issue and any condition which will be satisfied on Admission) having been fulfilled (or if capable of waiver, waived) by Admission;
- (d) the Company having applied to Euroclear for admission of the Nil Paid Rights, the Fully Paid Rights and the New Shares to CREST as participating securities by the time of Admission and Swiss Admission and no notification having been received by the Company from Euroclear by such time that such admission or facility for holding and settlement has been or is to be refused;
- (e) Admission and Swiss Admission occurring at or before 8.00 a.m. on 9 March 2009 (or such later time or date as the Company and the Joint Underwriters may agree);
- (f) the Glencore Undertaking becoming unconditional subject only to Admission; and

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- (g) the Underwriting Agreement otherwise having become unconditional in all respects and not having terminated in accordance with its terms prior to Admission.

The Underwriting Agreement may terminate upon the occurrence of certain events, in which case the Rights Issue will not proceed. If the Underwriting Agreement does not become unconditional in all respects by Admission or if it is terminated in accordance with its terms, the Rights Issue will be revoked and neither it nor the Proposed Acquisition will proceed. Revocation cannot occur after nil paid dealings in the New Shares have begun. The attention of Qualifying Shareholders is drawn to paragraph 3 of Part VIII — “Additional Information — Summary of the terms of the Underwriting Agreement”, in which a summary of the principal terms of the Underwriting Agreement is set out.

Further information in relation to the Rights Issue is contained in the Prospectus, together with the terms and conditions of the Rights Issue and the procedure for acceptance and payment. These parts of the Prospectus are incorporated by reference into this Circular as described in the section of this Circular headed “Relevant Documentation and Incorporation by Reference”.

11. Principal terms of the Proposed Acquisition

Pursuant to the Acquisition Agreement, Glencore has conditionally agreed to sell, and Xstrata Coal South America has conditionally agreed to buy, the Prodeco Business for an aggregate consideration of US\$2 billion. Glencore and Xstrata Coal South America have agreed the legally binding principles of an offtake arrangement in relation to the sale of coal produced by the Prodeco Operating Companies with effect from the Effective Date.

Closing of the Proposed Acquisition of the Prodeco Business is conditional upon the satisfaction of each of the following conditions in the Acquisition Agreement: (i) the passing of the Proposed Acquisition Resolution; (ii) all or any applicable waiting periods under the HSR Act having expired, lapsed or been terminated as appropriate; (iii) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission and Swiss Admission (in each case, nil paid) and the condition relating to the Acquisition Agreement, and not having been terminated prior to Prodeco Closing; and (iv) the consent of the Bermuda Monetary Authority and any other relevant mandatory regulatory approvals having been obtained.

In addition, the Acquisition Agreement may be terminated prior to the satisfaction of the conditions referred to above if any fact, matter or event comes to the notice of Xstrata Coal South America at any time prior to Prodeco Closing which: (i) constitutes a material breach by Glencore of the Acquisition Agreement, which, if capable of rectification, has not been rectified within 7 days following notification or by Prodeco Closing (whichever occurs first); (ii) would constitute a breach of any warranty if the warranties were repeated on or at any time prior to Prodeco Closing by reference to the facts and circumstances then existing and which may constitute or constitutes a material adverse change to the Prodeco Business; (iii) constitutes a material adverse change to the Prodeco Business; (iv) involves any financial institutions which have the benefit of pledges over any of Glencore’s Xstrata Ordinary Shares enforcing any of their rights in respect of such pledges by taking beneficial ownership of such Ordinary Shares; or (v) would cause any of the conditions to the Acquisition Agreement to be incapable of fulfilment.

As part of the Proposed Acquisition, the Xstrata Group has conditionally agreed to grant Glencore a Call Option to repurchase the Prodeco Business which can be exercised at any time up to the Business Day following the first anniversary of the Prodeco Closing Date. The aggregate consideration payable by Glencore upon exercise of the Call Option is US\$2.25 billion, plus all profits of the Prodeco Business accrued and not distributed to the Xstrata Group and any cash paid into the Prodeco Business by the Xstrata Group, less any amounts distributed by the Prodeco Business to the Xstrata Group, in each case in the period since the Effective Date.

The exercise of the Call Option is conditional upon the satisfaction of each of the following conditions (i) completion of the Acquisition Agreement; (ii) all or any applicable waiting periods under the HSR Act having expired, lapsed or been terminated as appropriate; and (iii) the consent of the Bermuda Monetary Authority and any other relevant mandatory regulatory approvals having been obtained.

A summary of the principal terms of the Proposed Acquisition, the Acquisition Agreement and the Call Option Agreement is set out in Part IV — “Principal Terms of the Proposed Acquisition”.

12. Risk factors

Your attention is drawn to the risk factors set out in the section of the Prospectus headed "Risk Factors". In particular, your attention is drawn to the risks relating to the Proposed Acquisition and the market considerations set out in that section of the Prospectus, which are incorporated by reference into this Circular as described in the section of this Circular headed "Relevant Documentation and Incorporation by Reference", including the following risk factors:

Expiration of Prodeco's port facilities concession

Puerto Zuñiga, the principal port out of which the Prodeco Business's coal is exported, is operated under a private concession awarded by the Colombian Government which expires in March 2009. Prodeco has requested, in accordance with the legal framework established by the Colombian Ministry of Transport, a temporary authorisation to continue the operation of Puerto Zuñiga until a new multi-user facility to export coal is operating. Prodeco is party to a memorandum of understanding signed with the Colombian Government in respect of this new multi-user port. The application for the temporary authorisation was lodged on time and negotiations are underway to renew, extend and increase the capacity of the port concession until the new multi-user port is completed in 2013. However, to the extent that such temporary authorisation is not granted the Enlarged Group will not have a facility to export coal from the Prodeco assets (other than via other, third party ports, which would constitute a significant production bottleneck). Xstrata believes that the necessary temporary authorisation, extension and increase to the port capacity is likely to be forthcoming from the Colombian Government prior to the expiration of the current concession. Any failure to extend would adversely affect the results of operations and financial condition of the Prodeco Business.

Environmental approval of river diversion

The Prodeco Business has sought environmental approval to divert a river that runs through the concession within which the Calenturitas mine is situated in order to enable coal to be extracted from new, planned mining areas. This approval, which has not yet been received (although it is currently expected to be granted in 2009), is required to ensure that the full mine reserves can be accessed. While Xstrata believes that such approval will be forthcoming, a significant delay in granting the necessary environmental approval or the denial of such approval would adversely affect the results of operations and financial condition of the Prodeco Business.

Rail access

The Prodeco Business increasingly relies on the rail network to move its product efficiently to the port, and an expansion of the rail network capacity is currently underway to support the growth plans of the business. There are a number of community issues relating to the proximity of certain parts of the network to residential areas that are currently being managed by Fenoco, the rail concession holder, in which the Prodeco Business has an economic interest of approximately 39.8%. These issues, if not resolved, may impact the future expansion of the rail network capacity, which could result in restricted throughput and/or higher costs.

Accounting treatment of the Proposed Acquisition

The Prodeco Business will be accounted for by the Enlarged Group as a financial asset under IFRS during the Call Option period. As a result, should the Call Option be exercised any income generated by the Prodeco Business will at all times have been recognised in the Enlarged Group's consolidated income statements as finance income and, accordingly, will not have contributed to EBITDA (although Glencore will have paid a repurchase price that adequately compensates Xstrata's Shareholders by providing a robust return on the original consideration paid by Xstrata).

Glencore may exercise its Call Option

In the event that the Call Option is exercised, Glencore will pay a premium of US\$250 million over the original consideration paid by the Xstrata Group for the Prodeco Business and Xstrata will retain the earnings of the Prodeco Business from the Effective Date until completion of the transfer of the Prodeco Business to Glencore. If the Call Option is exercised, the board of directors of Xstrata believes that this premium will adequately compensate the Xstrata Group for Glencore's use of the original consideration, effectively financing its participation in the Rights

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Issue through the Proposed Acquisition structure, and for Xstrata being unable to take advantage of an asset which could have added significant long-term value to the Xstrata Group.

13. Extraordinary General Meeting

As a consequence of the Proposed Acquisition being a related party transaction for the purposes of the Listing Rules, it is conditional, amongst other things, upon the approval of Shareholders (other than Glencore) in general meeting. The Rights Issue is also conditional on the passing of the Resolutions.

A notice convening an Extraordinary General Meeting of the Company to be held at Theater-Casino Zug, Artherstrasse 2-4, CH-6300 Zug, Switzerland at 10.30 a.m. (Central European time) on Monday, 2 March 2009 is set out at the end of this Circular. A Form of Proxy to be used in connection with the Extraordinary General Meeting is enclosed with this Circular. The purpose of the Extraordinary General Meeting is to seek Shareholders' approval of the Resolutions set out in the EGM Notice.

The Resolutions will propose:

Resolution 1: the Proposed Acquisition Resolution

- (a) subject to the Rights Issue Resolutions described in paragraphs (b), (c) and (d) below being passed, to approve the Proposed Acquisition;

Resolutions 2, 3 and 4: the Rights Issue Resolutions

- (b) subject to the Proposed Acquisition Resolution described in paragraph (a) above and the Rights Issue Resolutions described in paragraphs (c) and (d) below being passed, to increase the authorised share capital of the Company from US\$750,000,000.50 and £50,000 to US\$2,250,000,000.50 and £50,000 by the creation of an additional 3,000,000,000 Ordinary Shares (representing an increase in the authorised ordinary share capital of the Company of approximately 200%). This will enable the Company to issue the New Shares for the purposes of the Rights Issue and also maintain headroom for future issues of Ordinary Shares;
- (c) subject to the Proposed Acquisition Resolution described in paragraph (a) above and the Rights Issue Resolutions described in paragraph (b) above and paragraph (d) below being passed, to authorise the directors of the Company, for the purposes of section 80 of the Companies Act 1985, to exercise all the powers of the Company to allot relevant securities (as defined in that section):
 - (i) in connection with one or more issues of relevant securities under the Rights Issue up to an aggregate nominal amount of US\$991,254,176 (equivalent to 1,982,508,352 Ordinary Shares, representing approximately 202.8% of the Company's issued ordinary share capital at 30 January 2009, being the latest practicable date prior to the publication of this Circular); and
 - (ii) in addition, US\$493,363,149 (equivalent to 986,726,298 Ordinary Shares, representing approximately one third of the Company's Enlarged Share Capital); and
- (d) subject to the Proposed Acquisition Resolution described in paragraph (a) above and the Rights Issue Resolutions described in paragraphs (b) and (c) above being passed, to authorise the directors of the Company to allot equity securities for cash pursuant to the authority referred to in paragraph (c) above as if section 89(1) of the Companies Act 1985 did not apply to such allotment. Other than in connection with the Rights Issue, any other rights issue or a scrip dividend or other similar issue, the authority contained in Resolution 4 set out in the EGM Notice will be limited to a maximum nominal amount of US\$74,004,472 (equivalent to approximately 148,008,944 Ordinary Shares, representing approximately 5% of the Company's Enlarged Share Capital).

Each of the Resolutions is conditional on each of the other Resolutions being passed. **If any of the Resolutions are not passed by the requisite majority, neither the Rights Issue nor the Proposed Acquisition will proceed.**

Each of the Resolutions described in paragraphs (a) to (c) above will be proposed as an ordinary resolution and, being an ordinary resolution, will be decided on a show of hands unless a poll is demanded in a manner permitted by the Articles. On a show of hands, each member present in person or by proxy has one vote. The passing of each of the ordinary Resolutions requires a majority of the votes cast in respect of that Resolution.

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The Resolution described in paragraph (d) above will be proposed as a special resolution and, being a special resolution, must be taken on a poll as required by the Articles. The passing of this Resolution requires a majority of not less than 75% of the votes cast in respect of that Resolution.

In accordance with the ECMP, Batiss will not exercise the voting rights attaching to the Ordinary Shares held by it at the Extraordinary General Meeting. As at 30 January 2009 (being the latest practicable date prior to the publication of this Circular), Batiss held 16,230,000 Ordinary Shares.

As the Proposed Acquisition is a related party transaction for the purposes of the Listing Rules, in accordance with the Listing Rules Glencore will not vote on the Proposed Acquisition Resolution described in paragraph (a) above and Glencore has undertaken to take all reasonable steps to ensure that its associates will not vote on the Proposed Acquisition Resolution. Mr. Strothotte and Mr. Glasenberg, as directors of Glencore International, have not, in accordance with the Listing Rules, taken part in the board's consideration of the Proposed Acquisition.

The Proposed Acquisition Resolution seeks to authorise the Proposed Acquisition of the Prodeco Business on the terms and subject to the conditions of the Acquisition Agreement, the granting of the Call Option to repurchase the Prodeco Business and the disposal by the Xstrata Group of the Prodeco Business to Glencore if and when the Call Option is exercised, in each case on the terms and subject to the conditions of the Call Option Agreement. It also seeks to authorise the board of directors of the Company to take all such steps as it considers necessary, expedient or desirable to implement and effect the Proposed Acquisition and any matter incidental to the Proposed Acquisition and to waive, amend, vary, revise or extend any terms and conditions of the Proposed Acquisition as the board may consider to be appropriate. The board's authority to implement and effect the Proposed Acquisition and any matter incidental to the Proposed Acquisition or to waive, amend, vary, revise or extend any of such terms and conditions, in each case other than in accordance with the Acquisition Agreement and the Call Option Agreement, will be limited to waivers, amendments, variations, revisions or extensions that are not material in the context of the Proposed Acquisition as a whole.

The authorities referred to in paragraph (c) above are authorities to allot authorised but unissued relevant securities. These authorities will (unless previously renewed, varied or revoked by Shareholders in general meeting) expire at the end of the next Annual General Meeting of the Company and will be in substitution for any existing authority at the time the Resolution is passed. The Directors consider the renewal of the authority to allot relevant securities referred to in paragraph (c)(ii) above appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise.

The Resolution referred to in paragraph (d) above seeks to authorise the directors to issue equity securities of the Company for cash without the application of pre-emption rights. This authority will (unless previously renewed, varied or revoked by Shareholders in general meeting) expire at the end of the next Annual General Meeting of the Company. Other than in connection with the Rights Issue, the Directors have no present intention of exercising this authority. The directors consider the authority described in paragraph (d) above appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise. In the event the Rights Issue does not proceed following the passing of the Resolutions, the authority granted by this Resolution will exceed the percentage limits in certain guidelines issued on behalf of institutional shareholders. Accordingly, the Directors confirm that, in such circumstances, they intend to use these authorities only to the extent that to do so would not breach those percentage limits. There are no treasury shares held by the Company as at the date of this Circular. Any sale of treasury shares would be treated as an issue of shares for the purposes of the Resolution described in paragraph (d) above.

The Xstrata Employee Share Ownership Trust and Xstrata Employee and Directors Share Ownership Trust currently hold in aggregate 5,074,064 Ordinary Shares to satisfy the exercise or vesting of awards granted pursuant to the Xstrata Share Schemes. The directors would be required to issue a further 11,824 Ordinary Shares to satisfy the exercise and vesting of all such outstanding awards.

Following the passing of the Resolutions described to in paragraphs (b) and (c) above, Xstrata will have in aggregate 2,969,234,650 authorised but unissued Ordinary Shares which the directors will be authorised to allot. Save as mentioned in this paragraph 13 above, the Directors have no present intention of issuing any authorised but unissued Ordinary Shares.

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Details of Xstrata's issued and authorised share capital, at present and as it would be immediately following the maximum issue of new Ordinary Shares pursuant to the authority described in paragraph (c) above, are set out in paragraph 5 of Part VIII — "Additional Information — Share capital".

Only holders of Ordinary Shares may vote at the Extraordinary General Meeting.

14. Convertible bonds

As at 30 January 2009, the latest practicable date prior to publication of this Circular, US\$374,900,000 of the 2017 Convertible Bonds remain outstanding. The exchange price of each of the 2017 Convertible Bonds will be adjusted to take account of the Rights Issue. Holders of 2017 Convertible Bonds will be notified of the details of the adjustments in due course. The effect of such adjustments will be to increase the number of Ordinary Shares to which each holder of 2017 Convertible Bonds will be entitled on conversion of the 2017 Convertible Bonds.

15. Xstrata Share Schemes

In accordance with the rules of the Xstrata Share Schemes, the Directors propose to make adjustments to the terms of outstanding options and awards to take account of the Rights Issue. Such adjustments will be made subject to the rules of the Xstrata Share Schemes. The Company will notify participants of any such adjustments in due course.

16. Action to be taken

You will find enclosed a Form of Proxy for use in connection with the Extraordinary General Meeting. Whether or not you intend to be present at the meeting you are requested to complete the Form of Proxy (in accordance with the instructions printed thereon) and return it to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, UK as soon as possible but in any event so as to arrive by no later than 9.30 a.m. (London time) (10.30 a.m. Central European time) on Saturday, 28 February 2009.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the EGM Notice.

The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending the meeting and voting in person if you so wish.

17. Further information

Your attention is drawn to the further information contained in Parts II to VII of this Circular. You are advised to read the whole of this Circular and not to rely solely on the information in this letter.

18. Recommendations

The board of directors of the Company has received financial advice in respect of the Rights Issue and the Proposed Acquisition from Deutsche Bank and JPMorgan Cazenove. In providing their advice to the board, Deutsche Bank and JPMorgan Cazenove have taken into account the board's assessments of the commercial merits of the Rights Issue and the Proposed Acquisition.

The Rights Issue

The board of directors of the Company considers that the Rights Issue and each of the Rights Issue Resolutions are in the best interests of the Company and the Shareholders of Xstrata as a whole. Accordingly, the board recommends Shareholders to vote in favour of each of the Rights Issue Resolutions, as the Directors intend to do in respect of their own beneficial shareholdings held at the time of the Extraordinary General Meeting, amounting to 1,047,390 Ordinary Shares in aggregate at the date of this Circular, representing approximately 0.107% of Xstrata's current issued ordinary share capital.

The Proposed Acquisition

The board of directors of the Company, which has been so advised by Rothschild, an independent adviser acceptable to the Financial Services Authority, considers that the Proposed Acquisition is fair and reasonable as far

Part I
Letter from the Senior Independent Director

as the Shareholders of Xstrata are concerned. In providing its advice to the board, Rothschild has taken into account the board's assessments of the commercial merits of the Proposed Acquisition.

The board of directors of the Company considers that the Proposed Acquisition and the Proposed Acquisition Resolution are in the best interests of the Company and the Shareholders of Xstrata as a whole. Accordingly, the board recommends Shareholders to vote in favour of the Proposed Acquisition Resolution, as the Directors (other than the Glencore International Nominees) intend to do in respect of their own beneficial shareholdings held at the time of the Extraordinary General Meeting, amounting to 1,047,390 Ordinary Shares in aggregate at the date of this Circular, representing approximately 0.107% of Xstrata's current issued ordinary share capital.

Yours sincerely

A handwritten signature in black ink, appearing to read "D Rough".

David Rough
Senior Independent Director and Deputy Chairman

Part II

Use of Proceeds and Terms and Conditions of the Rights Issue

The information on the Rights Issue set out in Part VII — “Use of Proceeds and Terms of Conditions of the Rights Issue” of the Prospectus is incorporated by reference into this Circular, as described in the section of this Circular headed “Relevant Documentation and Incorporation by Reference”.

Part III

Information on Prodeco

A. Information on the Prodeco Business

Introduction

The Prodeco Business comprises Glencore's Colombian high-grade thermal coal mining operations and associated infrastructure. It consists of two open pit coal mining operations (the Calenturitas and La Jagua complexes), export port facilities at Puerto Zuñiga in the town of Santa Marta on the Caribbean coast of Colombia and a 39.8% share in a railway linking Calenturitas (near the town of La Loma in the Cesar State, northern Colombia) and Puerto Zuñiga. As at 1 September 2008 the Prodeco Business had a saleable reserve base in excess of 250 Mt.

The Prodeco Business is involved in the exploration, production, transportation and shipment of high grade thermal coal, mined at its deposits, to markets principally in Europe and the Americas. Geographically the Prodeco Business is ideally positioned to supply the import markets of Europe and the Eastern and Gulf coasts of the United States. In the year ended 31 December 2008, the Prodeco Business produced 9 Mt of export thermal coal predominantly for the European and United States power generation markets.

The Prodeco Business's coal mining operations comprise the Calenturitas mine, near the town of La Loma in the Cesar State, northern Colombia, and the La Jagua complex, approximately 25 kilometres east of Calenturitas. The high-quality export thermal coal is produced from open cut mines using traditional truck and shovel methods.

The Prodeco Business owns a 39.8% stake in a railway, with a current capacity of 57 Mtpa, which connects Calenturitas with the export facilities at Santa Marta on the Caribbean coast of Colombia. La Jagua's thermal coal production is currently transported by road to Santa Marta. From the first quarter of 2009, La Jagua's product will be transported via heavy haul road trucks to Calenturitas where it will be loaded on to the railway.

Prodeco intends to increase export thermal coal production to 17 Mtpa by 2013. Further work will be completed to understand the maximum annual production achievable within the current lease area which may increase production to over 20 Mtpa.

The Prodeco Business is part of a consortium which plans to participate in the construction of a new greenfield dedicated coal export facility to provide users with throughput capacity of 32 Mtpa, which is expected to provide Prodeco with sufficient capacity for its planned growth profile. The Prodeco Business's pro rata share of anticipated investment in the proposed new port is estimated to be US\$492 million. Expansion of the railway to meet this capacity is underway.

Expansion

The Prodeco Business is going through a period of significant expansion, as coal production is planned to increase from 9 Mtpa in 2008, to 11 Mtpa in 2009 and to 17 Mtpa by 2013. This expansion, at an estimated capital cost of approximately US\$1 billion for mining equipment, transport, port and other infrastructure, is aimed at exploiting the existing extensive reserve base to take advantage of demand for import coal in Europe and the United States. The planned expansion is expected to have a significant positive impact on Prodeco's revenues from 2009. Prodeco has contracted coal sales for 2009 in respect of 100% of its production, benchmarked at a price of US\$75 per tonne.

In addition to the planned increase in production, operating costs at Prodeco from 2009 onwards are expected to benefit from:

- the transition from high-cost truck haulage to low-cost rail infrastructure to transport coal from the mines to the port, which will enable the Prodeco Business to exploit the recent completion of a rail spur from the main rail line to the Calenturitas mine and Prodeco's ownership of 19 proprietary locomotives and 660 heavy haul wagons;
- the commissioning of a new materials handling system at the Calenturitas mine which is planned for the first quarter of 2009;
- economies of scale from higher sales volumes as production expands;
- the transition from contract mining to primarily owner-operated fleets; and
- improved productivity from new mining equipment purchased during 2008.

Consequently, the Prodeco Business's ongoing operating costs on a unit cost basis are expected to decrease substantially. On completion of the Proposed Acquisition and as a result of reduced operating costs as outlined

Part III
Information on Prodeco

above, the Xstrata Group will gain ownership of 100% of a low cost, premium quality thermal coal operation with its own infrastructure in the strategically important region of Colombia, complementing the Xstrata Group's existing ownership of a one-third stake in Cerrejón, a similar low cost, premium quality Colombian coal operation. In addition, the unaudited combined profit of Prodeco for the 10-month period ended 31 October 2008 is impacted by US\$55.8 million of financing and other costs relating to Glencore's ownership, which will not be paid from the Effective Date of 1 January 2009 under the terms of the Acquisition Agreement. A significant portion of these costs is pursuant to US\$452 million in indebtedness which will not affect the economic return to the Group of the Prodeco Business since the Prodeco Business is being purchased on a debt free basis.

Calenturitas

The Calenturitas open pit coal mine is near the town of La Loma, in the Cesar State, northern Colombia, approximately 220 kilometres south of the Caribbean coast port of Santa Marta.

History

Prodeco was granted a 15 year mining concession licence for the Calenturitas mine in 2001. In July 2004, Prodeco commenced production, extracting high-quality export thermal coal at the Calenturitas mine. In 2007, the Prodeco mining concession was extended to 2035.

Operations

The 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 using mining shovels and a truck fleet. Coal seams are exposed and prepared for mining, loaded and transported in trucks to stockpiles and crushers. Coal is crushed and loaded into rail wagons at a temporary loading site located on the new rail loop. A new materials handling system located at the Calenturitas mine site is expected to be completed by the end of the first quarter in 2009. This system should be able to load trains at rates between 4,000 and 6,000 tonnes per hour.

Production of high-quality export thermal coal increased from 0.6 Mt in 2004, to 3.2 Mt in the year ended 31 December 2007. Production for the year ended 31 December 2008 is estimated at 4.9 Mt. An expansion of production of export thermal coal to 12 Mtpa is planned to be completed by 2013. However, work is still being completed to understand the maximum annual production achievable within the current lease area. This may increase production to approximately 14 Mtpa.

The Calenturitas reserve base at 1 September 2008 was 122 Mt. The mine life is currently expected to be approximately 12 years.

The ultimate production capacity will only be reached once a river diversion has been completed and access to additional mining areas is possible. Negotiations with various government entities relating to obtaining the necessary approval for this river diversion and associated amendments to the environmental licence for Calenturitas are currently at an advanced stage. It is currently anticipated that approval will be granted during 2009.

La Jagua complex

The La Jagua open pit coal mining complex is located 25 kilometres east of Calenturitas in the Cesar State, northern Colombia. The complex is governed by four coal mining leases held by separate companies, namely Carbones de La Jagua, S.A., Carbones el Tesoro, S.A. and Consorcio Minero Unido, S.A., all of which are wholly-owned by Glencore. All of these entities are proposed to be acquired indirectly by the Xstrata Group as part of the Proposed Acquisition.

History

The CDJ mine commenced operating in 1995, under the ownership of CI Carbones del Caribe S.A. Glencore purchased the mine in January 2005. The CET mine commenced operations in 1997 under private ownership and was purchased by Glencore in May 2007. The CMU mine started operations in 1990, under private ownership, and was acquired by Glencore in August 2006.

Operations

The 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 using 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 transported by truck either to the new materials handling system at the Calenturitas mine site where it is loaded into rail wagons and transported by rail to the port facility at Santa Marta or directly to the port facilities at Santa Marta.

In the year ended 31 December 2007, combined production of the three mines comprising the La Jagua complex was 4.3 Mt of high-quality export thermal coal. Production for the year ended 31 December 2008 is estimated at 4.4 Mt.

The operations of CMU, CET and CDJ are intended to be consolidated into one operation by the end of the first quarter in 2009. This consolidation will provide operational efficiencies and allow for the complete reserve base to be mined. Production is expected to reach 5 Mtpa by 2011. However, work is also being completed to understand the maximum annual production achievable within the current lease area. This may increase production to approximately 6 Mtpa.

The La Jagua reserve base at 1 January 2008 was 133 Mt. The mine life is currently expected to be approximately 22 years.

The railway

In 2006 Prodeco, together with four other Colombian coal producing companies (Drummond, Carbones del Cesar, Carbones del Caribe and Carbones de los Andes), acquired Fenoco. The Prodeco Business's shareholding in Fenoco is 39.759%.

Fenoco is the holder of a thirty-year railway concession (expiring in 2029) which links Santa Marta and the city of Chiriguana in the Cesar State. Fenoco has entered into take or pay commitments with its shareholders in return for guaranteed availability and volume of annual rail capacity.

Rolling stock for the railway is provided by Fenoco shareholders according to their individual requirements. In 2008, the Prodeco Business completed the procurement of 19 locomotive engines and 660 heavy haul wagons to service the recently completed rail spur from the main rail line to Calenturitas, providing at least 20 Mtpa of rail capacity between Calenturitas and Santa Marta.

The Fenoco shareholders have committed to expanding the railway to increase capacity to at least 65 Mtpa, which is expected to provide the Prodeco Business with sufficient capacity for its planned growth profile. The total cost of the expansion is expected to be approximately US\$242 million (to be funded pro rata by the Fenoco shareholders between March 2006 and completion of the expansion).

The port facilities

The port facilities currently used by the Prodeco Business are located near the city of Santa Marta on the Caribbean coast of Colombia. Coal is exported via three ports; Puerto Zuñiga (wholly-owned by Prodeco), Carbosan and Rio Cordoba (both independently owned).

Puerto Zuñiga is adjacent to the Simón Bolívar airport in Santa Marta and is operated under a private concession awarded by the Colombian Government, which expires in March 2009. Negotiations are currently underway to extend and increase the capacity of the port concession until a new multi-user port called Puerto Nuevo, adjacent to the existing Drummond port, is completed. Prodeco is party to a memorandum of understanding signed with the Colombian Government in respect of this new multi-user port. It is expected that the new multi-user port called Puerto Nuevo will be completed in 2013 with an initial capacity of 32 Mtpa.

Prodeco currently has total port capacity of 16.7 Mtpa comprising 14 Mtpa at Puerto Zuñiga and 2.7 Mtpa through the Carbosan port in Santa Marta. The current environmental approvals limit Puerto Zuñiga to 10 Mtpa. However, Prodeco is in the process of seeking an expansion which will go beyond the 14 Mtpa to 17 Mtpa. Detailed feasibility studies are currently being undertaken to increase the capacity of the current port operations at Puerto Zuñiga to 17 Mtpa. Subject to gaining environmental approvals, completion of the upgrade is expected by mid-2010. These expansions are intended to coincide with the planned mine expansions. The port currently receives coal by road and rail, stockpiles the coal, reclaims into barges and loads ships of all sizes by floating crane.

Part III
Information on Prodeco

The Prodeco Business has contractual port facility arrangements with the independently owned Carbosan, which provides 2.7 Mtpa of export capacity on a take or pay basis, the term of which runs until 2013.

Competition

The markets in which the Prodeco Business sells its product are competitive. The Prodeco Business competes with numerous suppliers of thermal coal, largely on the basis of price. In addition, increased production capacity from competitors in other countries may increase competition in the markets in which the Prodeco Business operates.

The Prodeco Business is currently the third largest producer of export thermal coal in Colombia, with Cerrejón (in which the Xstrata Group holds a one-third interest) and Drummond first and second respectively.

Key personnel

The following persons are key individuals, important to the Prodeco Business:

Gary Nagle, Chief Executive (born 1975)

Mr Nagle was appointed as Chief Executive of Prodeco in December 2007. Mr Nagle joined Glencore International in 2000 in the coal department in Switzerland, where he managed all Glencore's coal assets worldwide.

Darren Bowden, Chief Operating Officer (born 1969)

Mr Bowden was appointed as Chief Operating Officer of Prodeco in July 2007. Previously, Mr Bowden was the Mine Manager of Minera San Cristóbal in Bolivia and the Apex Silver project and worked for Ok Tedi, Anglo Coal Australia, Griffin Coal and Newlands Coal.

Chris Phillips, Chief Financial Officer (born 1963)

Mr Phillips was appointed as Chief Financial Officer of Prodeco in May 2002. Prior to joining Prodeco he held positions with Barloworld (South African CAT dealership) at their Zambian Operation as Finance Manager and in Angola as the Chief Financial Officer.

María Margarita Zuleta, General Counsel (born 1965)

Ms Zuleta was appointed as General Counsel of Prodeco in October 2005. Previously she worked as a partner at Brigard & Urrutia and with the Colombian Government, during the presidency of Alvaro Uribe, as Deputy Minister of Justice and as Director of President Uribe's Anti-corruption Program.

Part III
Information on Prodeco

Reserves and resources

The table below sets out the total mine reserves and resources summary for the Prodeco Business:

Operation	Coal reserves⁽¹⁾			Coal resources⁽²⁾			
	Proved	Probable	Total	Measured	Indicated	Inferred	Total
	Mt		Mt		Mt		
Calenturitas ⁽³⁾	113	9	122	169.1	9.8	97.0	275.9
La Jagua ⁽⁴⁾	109	24	133	119.7	26.2	—	145.9

Notes:

(1) Coal reserves as used in this report are the same as “Ore Reserves” in the JORC Code and “Mineable Reserves,” a common term used in the industry. Marketable Open Cut Coal Reserves are equal to The Coal Reserves as no washing occurs.

(2) Coal resources are reported inclusive of coal reserves.

(3) As at 1 September 2008.

(4) As at 1 January 2008.

Competent Persons

Coal reserves: Paul Westcott, MineConsult Minarco, (FAusIMM)

Coal resources: Kerry Whitby, Managing Director, McElroy Bryan Geological Services Pty Ltd, Consulting Geologists, (FAusIMM)

Risk factors

Your attention is drawn to the risk factors set out in the section of the Prospectus headed “Risk Factors”. In particular, your attention is drawn to the risks relating to the Proposed Acquisition and the market considerations set out in that section of the Prospectus, which are incorporated by reference into this Circular as described in the section of this Circular headed “Relevant Documentation and Incorporation by Reference”, and to the risk factors included in paragraph 12 of Part I — “Letter from the Senior Independent Director — Risk Factors”.

B. Financial information on Prodeco

The Prodeco Business is going through a period of significant expansion, as coal production is planned to increase from 9 Mtpa in 2008, to 11 Mtpa in 2009 and to 17 Mtpa by 2013, which is expected to have a significant positive impact on Prodeco's revenues from 2009. Prodeco has contracted coal sales for 2009 in respect of 100% of its production, benchmarked at a price of US\$75 per tonne. The Prodeco Business's ongoing operating costs on a unit cost basis are also expected to decrease substantially. In addition, the unaudited combined profit of Prodeco for the 10-month period ended 31 October 2008 is impacted by US\$55.8 million of financing and other costs relating to Glencore's ownership, which will not be paid from the Effective Date of 1 January 2009 under the terms of the Acquisition Agreement. A significant portion of these costs is pursuant to US\$452 million in indebtedness which will not affect the economic return to the Group of the Prodeco Business since the Prodeco Business is being purchased on a debt free basis. See further section A of this Part III — "Information on the Prodeco Business — Expansion".

The financial information relating to Prodeco presented in this section B has been extracted without material amendment from:

- (a) the audited financial statements of Prodeco (for the purposes of this section B of this Part III, the "Prodeco Group" or the "Group") as of and for the year ended 31 December 2007; and
- (b) the unaudited Condensed Combined Interim financial statements of the Prodeco Group as of and for the 10-month period ended 31 October 2008.

The financial information was prepared in accordance with IFRS and, although the Prodeco Group is not a legal entity, reflects 100% of the legal entities of the Prodeco Group.

The combination reflects the activities of the Prodeco Group as if they had operated as one economic entity during the year ended 31 December 2007 and the 10-month period ended 31 October 2008. All significant intercompany transactions and balances between Prodeco Group enterprises have been eliminated on combination. The companies included in the financial statements are: C.I. Prodeco S.A., Carbones de La Jagua S.A., Consorcio Minero Unido S.A., Carbones El Tesoro S.A. and Carbones de la Loma S.A. (Carboloma S.A.).

Deloitte & Touche Ltda. has issued an audit report on the financial statements of the Prodeco Group for the year ended 31 December 2007. Such audit report was unqualified save in relation to the following.

- (a) in 2007 the Prodeco Group recorded and capitalised environmental liabilities amounting to approximately US\$3.1 million which resulted from an agreement reached with the environmental regulatory agencies. The amount actually recorded was based on a global estimate jointly made with the regulatory agency. However, the Prodeco Group did not have a detailed analysis and the corresponding supporting documentation of the accrued amount. Additionally, the Prodeco Group did not have a detailed analysis of the mine closure provision that would be required if any in order to recognise in the financial statements the future expense of undertaking this work; and
- (b) as at 31 December 2007 the Prodeco Group's investment in Fenoco amounted to US\$34.2 million. The audit on the financial statements of Fenoco had the following limitations in its scope: Fenoco had certain accounts receivable and payable both amounting to approximately US\$22 million which were either under negotiation or in process of being reconciled and clarified. In 2006, the International Arbitration Court issued a sentence adverse to Prodeco's interest for an amount of US\$16 million. The Prodeco Group had not recorded any provision in its financial statements as at 31 December 2007 because it considered that the final decision had to be incorporated into the Colombian legal system through a legal procedure before the Constitutional Court Exequatur that might take several years before it was executed.

All amounts included in the following financial information tables are presented in US dollars unless otherwise indicated.

Capitalised terms used in the financial information relating to the Prodeco Group (including the notes to such financial information) presented in this section B have the meanings ascribed to them in this section B. The meanings ascribed to capitalised terms in this section B are not ascribed to capitalised terms used elsewhere in this Circular.

Condensed Combined Statement of Financial Position

	Notes	As at 31 October 2008 (unaudited)	As at 31 December 2007 (audited)
(in US\$)			
Assets			
Non Current Assets			
Property, plant and equipment	9	553,005,768	408,206,917
Intangible assets	10	298,324,220	247,707,707
Investment in associates	11	28,191,639	34,189,251
Long term loans and receivables	12	15,897,678	48,661,281
Deferred tax	13	—	2,838,020
Total Non Current Assets		<u>895,419,305</u>	<u>741,603,176</u>
Current Assets			
Inventories	14	57,288,881	63,694,790
Non-current assets classified as held-for-sale	15	—	3,045,328
Trade and other receivables	16	84,397,736	57,662,132
Prepaid expenses	17	6,747,795	3,509,191
Cash and cash equivalent	18	4,736,500	2,920,119
Total Current Assets		<u>153,170,912</u>	<u>130,831,560</u>
Total Assets		<u>1,048,590,217</u>	<u>872,434,736</u>
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share capital	19	177,396,972	177,396,972
Share premium	19	38,201,125	38,201,125
Retained earnings		144,647,007	103,154,048
Reserves (Restricted)	20	6,188,920	6,188,920
Capital reserves	20	54,845,356	54,845,356
Revaluation surplus	20	35,359,468	35,359,468
Total Shareholders' Equity		<u>456,638,848</u>	<u>415,145,889</u>
Non Current Liabilities			
Provisions	21	9,730,014	12,370,071
Finance lease obligations	22	52,403	174,610
Other financial liabilities	23	446,096,885	178,229,832
Deferred Tax	13	12,465,257	—
Total Non Current Liabilities		<u>468,344,559</u>	<u>190,774,513</u>
Current Liabilities			
Trade and other payables	24	92,269,065	89,369,016
Accrued liabilities	25	24,295,458	5,711,853
Finance lease obligations	22	254,684	5,710,788
Other financial liabilities	23	6,353,226	159,852,348
Current tax liabilities		434,377	5,870,329
Total Current Liabilities		<u>123,606,810</u>	<u>266,514,334</u>
Total Shareholders' Equity and Liabilities		<u>1,048,590,217</u>	<u>872,434,736</u>

Condensed Combined Statement of Comprehensive Income

	<u>Notes</u>	10 month period ended 31 October 2008 (unaudited)	10 month period ended 31 October 2007 (unaudited) (in US\$)
Revenue	26	668,608,668	469,108,762
Cost of sales		(490,026,136)	(393,523,606)
Gross Profit		178,582,532	75,585,156
Operating expenses		(29,425,252)	(9,254,508)
Depreciation and amortisation		(64,550,819)	(24,287,036)
Net operating profit	27	84,606,461	42,043,612
Non-operating income	28	4,117,374	7,473,485
Finance costs	29	(26,425,038)	(8,910,705)
Non-operating expenses	30	1,439,385	11,283,690
Loss from associate	11	(5,997,612)	(4,203,199)
Profit before tax		54,861,800	25,119,503
Taxation	31	(13,368,841)	20,918,146
Profit for the period		41,492,959	46,037,649

Unaudited Condensed Combined Statement of Changes in Equity

	Share Capital	Share Premium	Retained earnings	Reserves (Restricted)	Capital Reserves	Revaluation Surplus	Total
(in US\$)							
Balance at 31 December 2006	176,887,158	38,201,125	57,475,064	6,188,920	54,845,356	36,379,004	369,976,627
Profit for the period	—	—	46,037,649	—	—	—	46,037,649
Balance at 31 October 2007	176,887,158	38,201,125	103,512,713	6,188,920	54,845,356	36,379,004	416,014,276
Decrease in revaluation surplus	—	—	—	—	—	(1,019,536)	(1,019,536)
Total income and expenses recognised directly in equity	—	—	—	—	—	(1,019,536)	(1,019,536)
Capitalisation of Carbones El Tesoro S.A.	509,814	—	—	—	—	—	509,814
Loss for the period	—	—	(358,665)	—	—	—	(358,665)
Balance at 31 December 2007	177,396,972	38,201,125	103,154,048	6,188,920	54,845,356	35,359,468	415,145,889
Profit for the period	—	—	41,492,959	—	—	—	41,492,959
Balance at 31 October 2008	177,396,972	38,201,125	144,647,007	6,188,920	54,845,356	35,359,468	456,638,848
Notes	19	19		20	20	20	

Condensed Combined Statement of Cash Flows

	10 month period ended 31 October 2008 (unaudited)	10 month period ended 31 October 2007 (unaudited)
	(in US\$)	
Profit before tax	54,861,800	25,119,503
Adjusted for:		
Depreciation and amortization	64,550,819	24,287,036
Impairment losses	—	841,515
Profit on disposal of Property, plant and equipment	(325,166)	(25,349)
Interest income	(347,626)	(32,139)
Finance costs	26,425,038	8,910,705
Loss from associates accounted for on the equity method	5,997,612	4,203,199
Provision for losses on associates	—	3,083,824
Prior year adjustments	—	1,344,000
Inventory adjustment	(33,471)	—
Decrease / (Increase) in Prepaid expenses	29,524,999	(34,353,422)
(Decrease) / Increase in provisions	(2,640,057)	2,414,335
Movements in working capital:		
Increase in trade and other receivables	(26,735,604)	(17,066,118)
Decrease in inventories	6,439,380	9,853,933
Increase in trade and other payables	21,483,654	10,044,630
Cash generated from operations		
Income tax paid	(3,501,516)	(13,645,118)
Interest paid	(26,425,038)	(8,910,705)
Interest received	347,626	32,139
Net Cash Generated from Operating Activities	<u>149,622,450</u>	<u>18,851,968</u>
Investing Activities		
Purchase of property, plant and equipment	(182,491,061)	(191,330,827)
Proceeds on disposal of property, plant and equipment	3,092,450	92,251
Purchase of intangible assets	(77,197,078)	—
(Increase) decrease in Investments	—	5,357,336
Net Cash Absorbed in Investing Activities	<u>(256,595,689)</u>	<u>(185,881,240)</u>
Financing Activities		
Increase in other financial liabilities	108,789,620	171,533,557
Increase in share capital	<u>—</u>	<u>509,814</u>
Net Cash Generated from Financing Activities	<u>108,789,620</u>	<u>172,043,371</u>
Net decrease in cash and cash equivalents	1,816,381	5,014,099
Cash and cash equivalents at the beginning of the period	<u>2,920,119</u>	<u>7,445,583</u>
Cash and Cash Equivalent at the End of the Period	<u>4,736,500</u>	<u>12,459,682</u>

Notes to the Condensed Combined Interim Financial Statements

1. General summary

Glencore International AG (Glencore) is the ultimate holding company owning the entire issued share capital of the following entities, together forming the Prodeco group (the Group):

- a.) C.I. Prodeco S.A. (“Prodeco”);
- b.) Carbones de la Jagua S.A. (“CDJ”);
- c.) Consorcio Minero Unido S.A. (“CMU”);
- d.) Carbones El Tesoro S.A. (“CET”); and
- e.) Carbones de la Loma S.A. (“Carboloma”).

Glencore is based in Switzerland whilst the other companies are registered in, and operate from, Colombia.

Prodeco (formerly known as C.I. Prodeco Productos de Colombia S.A.) was formed in 1974 in Bogota, Colombia and was acquired by Glencore in 1995. The interest is held through Glencore’s affiliated companies Glencore Colombia Ltda and Chestfield Coal Resources (through Latin America Coal Marketing). Carboloma is the only affiliate of Prodeco.

CDJ (formerly known as La Jagua Coal Company S.A.) was formed in 2004 in Barranquilla, Colombia and was acquired by Glencore in January 2005. This interest is held through Glencore’s affiliated companies, Tikolan Ltd and Simkana Ltd, which directly own 94.9% and 5.1% respectively in CDJ.

CMU was formed in 1990 in Bogota, Colombia and was acquired by Glencore in August 2006. This interest is held through Glencore’s affiliated companies, Merani Holding Ltd and Witchita Holding Ltd, which directly own 94.9% and 5.1% respectively in CMU.

CET was formed in March 2007 by Glencore as a vehicle to acquire all the mining assets of Carbones de los Andes S.A. Glencore holds this company through the same affiliated companies and in the same proportions as CDJ.

2. Nature of business activities

The group’s principal objective is the exploration, exploitation and marketing of thermal coal of high quality, to be sold on the international market and to be consumed in electricity power plants and industries. The coal is extracted from two projects in the Cesar department of Colombia:

- a.) Calenturitas mine: Operated by Prodeco; and
- b.) La Jagua project, composing of the La Jagua, Yerbabuena and El Tesoro mines: Operated through concessions held by CDJ, CMU and CET.

Marketing activities as well as transport, export and administrative infrastructure are provided by Prodeco. Coal is transported either by road, or by rail through a rail concession operated by Fenoco S.A, an associate of the Group. From the ports at Santa Marta (Puerto Prodeco & Carbosan), both the coal produced and bought (from 3rd parties) is exported to the international market.

3. Principles of combination

In order to fully reflect the activities of the Group for accounting purposes, combined interim financial statements have been prepared to reflect the activities of the Group as if it had operated as one economic entity during 2008. The companies included in the combination are the Colombian domiciled companies listed above (Prodeco, CDJ, CMU, CET and Carboloma).

The results of all the companies and subsidiaries in the Group are included in the combined statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal. All intergroup transactions, balances and unrealised profits have been eliminated on combination.

4. Accounting convention, policies, basis of preparation and the adoption of new and revised standards

The provisions of *IAS34: Interim Financial Reporting* were applied in preparing these Combined Interim Financial Statements for the group in the Interim period of 31 October 2008. The accounting policies adopted in the Combined Interim financial statements are in accordance with all new and revised International Financial Reporting Standards (“IFRS”) issued by the International Accounting Services Board (“IASB”), and all relevant amendments and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Combined Interim Financial statements are prepared using the historical cost convention and are presented in United States dollars, being the functional currency. These accounting policies and bases of preparation are consistent with those applied in the previous period, except as otherwise indicated.

IFRS Standards and Interpretations that took effect in 2008 had no significant effect on amounts reported in the current or previous accounting periods:

- a.) *IFRIC 11: Group and Treasury Share Transactions*, effective 1 March 2007;
- b.) *IFRIC 12: Service Concession Arrangements*, effective 1 January 2008; and
- c.) *IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, effective 1 January 2008.

The directors anticipate that application in future periods of the new Standards and Interpretations which have been issued but which are not yet effective by the date of the Statement of financial position will have no material impact on the financial statements when they are implemented:

- a.) *IFRS 8: Operating segments*, effective 1 January 2009;
- b.) *IFRIC 13: Customer Loyalty Programmes*: effective 1 July 2008;
- c.) *IFRIC 15: Agreements for the Construction of Real Estate*, effective 1 January 2009; and
- d.) *IFRIC 16: Hedges of a Net Investment in a Foreign Operation*, effective 1 October 2008

Of the revisions to IFRS and IFRIC pronouncements to become effective in the 2009, the directors anticipate that the following revisions will have a material effect on future reporting periods:

- a.) *IAS 23: Borrowing Costs*, capitalization of borrowing cost on qualifying assets — the group has material finance arrangements for substantial asset acquisitions, the costs to which will qualify for capitalization.

5. Summary of significant accounting policies

5.1 Business combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control, joint control or significant influence of/in the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under *IFRS 3: Business Combinations* are recognised at their fair values at the date of acquisition, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with *IFRS 5: Non-current assets held-for-sale and discontinued operations*, which are measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The non-controlling interest of minority shareholders in the acquiree is initially measured at their proportionate share of the net fair value of the assets, liabilities and contingent liabilities recognised.

5.2 Property, plant and equipment

Non-mining land held for use in the production or supply of goods or services or for administrative purposes, are stated in the balance sheet at their revalued amounts, less any subsequent accumulated impairment losses. Land is not depreciated. The revalued amount is the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers or persons capable. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Buildings, fixtures, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Certain equipment was revalued on 1 July 1994 to amounts not exceeding those expected to be recouped by future use or sale and such equipment is stated at those revalued amounts less accumulated depreciation and any recognized impairment loss.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of that item of property, plant and equipment. Expenses for repairs and maintenance are generally recognized in profit or loss, but are capitalised if it is substantial and significantly extends the initial useful life of the related asset.

Mine exploration and development costs to maintain production of operating mines are charged to operations as incurred. Mine development expenditures and new mine areas as well as major development expenditures at operating mines that are expected to increase production capacity are capitalised. Borrowing costs allocated to mining assets under development are capitalised. When commercial production is achieved, the capitalised costs are amortised using the unit of production method based on estimated commercially recoverable tons of coal.

Depreciation (for property, plant and equipment other than capitalised mining costs) is charged so as to write off the depreciable amount of assets over their estimated useful lives, using the straight-line method, on the following bases:

Land	Not depreciated
Mining lands and deferred mining costs	Amortised using the unit of production method
Buildings	20 years
Machinery and equipment	10 years
Transportation equipment.	5-10 years
Office furniture and equipment	5-10 years
Rail assets	13 years

The useful lives are estimated by management at the time assets are acquired, based on historical experience of similar assets, market conditions and future anticipated events. The useful lives of assets are reviewed at each financial period-end.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Any revaluation increase arising on the revaluation of land, net of taxes is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in equity is transferred directly to retained earnings. The transfer from revaluation surplus to retained earnings is not made through the income statement.

5.3 Intangible assets

Intangible assets, other than goodwill, are recognised initially at cost when it meets the definition and recognition criteria and when it is identifiable. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided for on a straight-line basis over the estimated useful lives of intangible assets with a definite useful life; or alternatively by using the unit of production method based on estimated commercially recoverable tons of coal where such method is more indicative of the pattern by which the economic benefits from the asset are consumed. Intangible assets with an indefinite useful life are not amortised. The method for amortisation and the assessment of useful life, definite or indefinite, is reviewed at each balance sheet date and each intangible asset is tested for impairment whenever indication of such impairment exists. Changes in useful life are accounted for as a change in estimate in accordance with *IAS 8: Accounting policies, changes in accounting estimates and errors*.

Research costs (mining exploration and feasibility studies) are expensed in the period in which they are incurred. Mine development costs are recognized when commercial feasibility has been established. Internally generated brands and similar assets are not recognised.

Intangible assets acquired in business combinations

Intangible assets acquired in a business combination are identified and recognised separately where it satisfies the definition of an intangible asset. The cost of such an intangible asset is the fair value at the date of acquisition. Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired and recognised in terms of *IAS 38: Intangible Assets*.

Mining rights

Rights to mineral reserves and resources acquired in a business combination involving the acquisition of mining operations are measured at fair value on the date of acquisition. Subsequent measurement is at cost less accumulated amortisation and accumulated impairment losses, with amortisation being provided for using the unit of production method based on estimated commercially recoverable tons of coal.

Access to rail and port infrastructure

Fees and installments paid to rail and port operators for access to the rail and port infrastructure for the transport and export of coal are amortised at a rate to reflect the pattern of economic benefits consumed, principally using the unit of production method based on the contractual tons of coal to be transported or exported.

Exploration and feasibility studies

Exploration activities, feasibility and other studies represent expenditures incurred in connection with the search for mineral resources as well as determining the technical feasibility and commercial viability of extracting those resources. Also included are studies into mining activities of operating mines for improvements to processes or extensions to capacity. When the feasibility and commercial viability become demonstrable, these costs are amortised on using the unit of production method based on estimated commercially recoverable tons of coal.

The Group has elected to continue applying the existing accounting policies in connection with their mining and exploration activities in accordance with *IFRS 6: Exploration for and evaluation of Mineral resources*.

5.4 Investments in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control over these policies.

The results, assets and liabilities of associates are incorporated in these Combined Interim financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the Combined Statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets and liabilities of the associate, less any

impairment in the value of the specific individual investment. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the Group has incurred a legal or constructive obligation, or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair value of the associate's identifiable assets, liabilities and contingent liabilities on the date of acquisition is recognised as goodwill. This goodwill is included in the carrying amount of the investment in the associate and is assessed for impairment as part of the investment. Any excess of the Group's share of the fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate. The results of the associates are included from the effective date of acquisition up to the effective date of disposal.

5.5 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, financial liability or equity instrument in accordance with the substance of the contractual arrangement.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Loans are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade and other receivables are carried at amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are stated at their nominal value which includes the principal amount and any accrued interest at the reporting date.

Bank loans and overdrafts

Interest-bearing bank loans, overdrafts and other borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade and other payables are stated at their nominal value.

5.6 Taxation

The income tax represents the sum of income tax currently payable and deferred tax. Current and deferred taxes are recognized as an income or an expense and are included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Part III
Information on Prodeco

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are charged or credited, in the same or a different period, directly to equity.

Current tax

Income tax currently payable is based on taxable income for each of the tax-paying legal entities as at 31 October 2008. Taxable income differs from profit before taxation in the Combined statement of comprehensive income because it excludes items of income or expense that are taxable in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle the current liability on a net basis.

5.7 Inventory

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Inventory includes stockpiles of coal extracted from the mining process as well as coal acquired from third parties, and spare parts and materials consumed in the mining and exportation operations. The cost of coal inventories comprise the total cost of the mining operations, with overhead, depreciation and royalties absorbed. Stockpiles of coal at the port include rail and transport costs but exclude port and exportation costs.

5.8 Non-current assets classified as held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if the carrying amount will be recovered principally through the sale of such asset rather than through continued use. This condition is regarded as being met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a sale within one year from the date of the classification.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

5.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. If the company reacquires its own equity instruments, those treasury shares are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity and equity instruments issued by the Group are recorded at the proceeds, net of direct issue costs.

5.10 Provisions and Contingent liabilities

Provisions are recognised when:

- a.) the Group has a present obligation (legal or constructive) as a result of a past event;
- b.) it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and
- c.) a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risk and uncertainties surrounding the obligation. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment about the time value of money and the risks specific to the liability.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent assets and contingent liabilities are not recognised.

5.11 Leasing

A lease is classified as a finance lease whenever the terms of the lease transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Finance leases of the lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the income statement. Contingent rentals are recognised as an expense in the periods in which they are incurred. The non-current portion of the capital element of leasing commitments is disclosed under long-term liabilities, while the current portion is disclosed separately under current liabilities.

Operating leases of the lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. Operating lease assets and liabilities are not discounted. Benefits received and receivable as an incentive to enter into an operating lease are recognised initially as a liability and then utilized as a reduction of the rental expense and spread on a straight line basis over the lease term (unless another systematic basis is applied). Contingent rentals arising under operating lease are recognised as an expense in the period in which they are incurred.

5.12 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, value added tax and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed and when the seller has transferred to the buyer all significant risks and rewards of ownership of such goods.

5.13 Net operating profit

Net operating profit is stated before non-operating income and expenses, investment income and finance costs.

5.14 Impairment

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill attributable to a reversal of an impairment loss, is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

5.15 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.16 Employee benefits

The cost of short-term employee benefits is recognised during the period in which the employee renders the related service. Accruals for employee entitlements to wages, salaries, annual and sick leave represent the amount which the company has a present obligation to pay as a result of employees' services provided up to the balance sheet date. The accruals are calculated at undiscounted amounts based on current wage and salary rates.

Defined contribution plans

The Group's policy is to provide retirement benefits for certain of its employees in the form of contributions on behalf of these employees to separately administered compulsory defined contribution schemes. The annual cost equals the contributions that are required under the defined contribution plan in respect of services rendered during the period and is charged against profit or loss as it is incurred.

5.17 Foreign currency translation

The functional currency of each operating business unit is determined based on the currency of the primary economic environment in which it operates. Transactions in currencies other than the business unit's functional currency are recorded, on initial recognition, in the functional currency by applying to the foreign currency amount the spot exchange rate ruling on the date of the transaction.

At each reporting date:

- a.) monetary assets and liabilities denominated in such other currencies are translated at the exchange rates ruling on the reporting date;
- b.) non-monetary assets and liabilities, share capital and reserves that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c.) non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous reporting periods are recognised in profit and loss in the period in which they arise. The functional currency for the Group is the United States dollar. The translation of assets and liabilities denominated in Colombian Peso into the US\$ at the current period end does not imply that the Group can realize or settle in US\$ the translation value of such assets and liabilities.

6. Summary of significant judgements and estimates

The preparation of the annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates and management is to exercise judgement in the process of applying the Group's accounting policies where such application involves uncertainty. These estimates and associated assumptions are based on historical experience, accepted norms, industry comparisons and other relevant factors. The following areas have been identified as involving a high degree of uncertainty and judgement and where assumptions and estimates are made which are significant to the financial statements.

6.1 Useful lives of property, plant and equipment

Each item of property, plant and equipment is depreciated on a straight line basis over its estimated useful life, which is estimated by management at the time the asset is acquired and which estimate is reassessed annually. The estimate is made based on historical experience with similar assets, assumptions on the manner and intensity of use, market conditions and future anticipated events. The actual useful life may differ from this estimate.

6.2 Amortisation of intangible assets

Mining rights acquired and exploration costs incurred in connection with the search for mineral resources are amortised using the unit of production method based on estimated commercially recoverable tons of coal. These estimates are performed by independent geologists and involve an assessment of the geological confidence in the deposit and the economic viability of extraction. Information regarding the characteristics of mineral resources and reserves tends to expand as the development of the mines progress. Expectations of future mineral prices and production costs also vary as a result of changes in economic and technical factors and due to the volatility, these estimates are reassessed annually.

6.3 Impairment of assets

At each balance sheet date, the Group reviews the carrying amount of tangible and intangible assets as well as each cash-generating unit. Future cash flow estimates used to calculate the asset or cash-generating unit's value in use are based on expectations about future operations, primarily production and sales volumes, commodity prices, operating, rehabilitation and restoration costs and capital expenditures. Changes in these estimates and the unpredictability of the factors could impact the recoverable amounts of these assets.

7. Financial risk management

The legal and operational environment in which the Group operates carries with it an inherent business and financial risk. Components of the business could be impacted by various external factors such as an unforeseen global economic downturn which in turn results in significantly lower commodity prices and demand, political interventions, instability and unfavourable actions by governments, natural disasters and operational interruptions. It is the Group's policy to identify, and where appropriate and practical, to actively manage such risks.

Effective, proactive and transparent risk management supports the Group's objective of protecting current and future financial security, and is of primary importance to its success. A number of financial, operational, compliance, and legal risk management functions have been implemented which seek to monitor, manage and mitigate overall risk exposure. The financial instrument risks faced by the group are as follows:

Liquidity risk and capital management

The key liquidity requirements relate to payments to suppliers on standard settlement terms of 30 days, and are managed through working capital. The cash flow risk relating thereto and additional capital investments are funded through bank loans and facilities secured by Glencore.

Credit risk

The Group's credit risk is primarily attributable to cash deposits, cash equivalents and trade debtors. Glencore was appointed by Prodeco to act as its exclusive undisclosed agent for the purposes of providing all marketing and sales agency services relating to the distribution of coal across the globe. In terms of the Agency Agreement proceeds from international coal sales are collected by Glencore on behalf of Prodeco on standard industry settlement terms. Glencore performs creditworthiness analyses, the negotiations of terms and conditions and assumes the responsibility of the collection of funds from third parties. The risk of non-recovery from third parties remains with Prodeco, although management has great confidence in Glencore's specialized debtor management process and have historically not suffered material loss. There is no significant concentration of credit risk as accounts are with several international customers.

The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Proceeds from sales collected by Glencore are paid to the Group as and when needed and limited excess funds are managed by the Group.

Market risk

Interest rate risk and Cash flow risk:

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates (Libor rate, which is the reference interest rate used for all US\$ denominated loans) on its variable interest rate loans. The Group continuously monitors market interest rates in order to identify significant fluctuations timely and caters for potential interest rate increases when budgeting. To date, the interest rates on existing loans are within the normal ranges of the credit market.

Assuming the balance of floating rate liabilities at the balance sheet date was outstanding for the 10 month period ended 31 October 2008 and interest rates were to move as indicated, the effects on pre-tax finance costs are as follows:

Change in Interest rate	Libor basis points	Effect on pre-tax Finance Costs
		US\$
Increase	50	1,886,488
Increase	100	3,772,977

Currency risk

The functional currency of the Group is US dollar. The main currency exposure is to the Colombian Peso which represents approximately 40% of the overall operational costs. The Group does not hedge itself or take forward cover against fluctuations in the value of the Peso for operational costs, but monitors exchange movements closely and retains sufficient liquidity and finance flexibility to counter sharp fluctuations.

Part III
Information on Prodeco

Peso based operational costs for the 10 month period ended 31 October 2008 were translated at an average exchange rate of Col\$ 1,902.15 to the US\$. Assuming the average exchange rate was different by the margins as indicated, pre-tax Operating Profit is estimated to adjust as follows:

Exchange rate	Estimated Effect on pre-tax Operating profit	
	US\$	
1,800.00		(9,801,503)
2,000.00		8,450,018
2,200.00 (Budget rate)		23,383,081

Price risk

The Group has no financial instruments exposed to price risk. Fluctuations in the market price for coal are managed through the Agency Agreement with Glencore in terms of which purchasers for coal are secured and the most favourable prices and terms of sale negotiated, to Prodeco's benefit. The bulk of coal is sold on forward contract basis, eliminating the risk of the spot market.

8. Inherent uncertainties to the going concern assumption

Business and financial risks could either lead to a nominal loss and outflow of resources embodying economic benefit, or the severity (measured in terms of both impact and likelihood of occurrence) could be such that the value of operations is impaired and could place uncertainty on the going concern assumption. Where these risks are quantifiable, the financial impact is tested and estimated in terms of *IAS 37: Provisions, contingent liabilities and contingent assets*.

The following risks have been identified as potentially significant, but management has assessed the probability of realization thereof to be very remote:

- a.) the port concession held by Prodeco to operate the coal port expires on 08 March 2009. Should the concession not be extended or renewed, the Group will not be able to continue to operate through this facility and the Group's export capability will be curtailed. Management has been in ongoing discussions and communications with the Colombian authorities regarding a long term coal port solution and the extension of the existing port concession as part of an integrated solution. Management considers the likelihood of occurrence as very low and the extension is seen as a formality. In addition, management also believes that in the unlikely event that this should occur, that they would be able to have access to other ports in the region for part of the export requirements;
- b.) a government imposed regulation taking effect in July 2010 will require the loading of coal onto ships using the direct loading method only. The current method of barge and crane loading will no longer be allowed. Management has been in ongoing discussions and communications with the Colombian authorities regarding the long term coal port solution for all Cesar coal mines. The authorities are aware of the requirements and time restraints (studies, design, construction etc.). Management considers the likelihood of occurrence as very low that the new regulation will be enforced before the new port has been constructed;
- c.) the CMU mine concession expires in 2013. Should the concession not be renewed, the long-term viability of the La Jagua project will be impaired. Ingeominas (The State mining regulator) have approved the joint mining plan (between CDJ, CMU and CET). The joint mining plan includes the assumption that CMU concession will be extended. Management believes the extension will be a formality, given the fact that the integrated mining plan has already been approved (pending the environmental issue noted below);
- d.) the Integrated mining plan at La Jagua has not yet received environmental approval. The Group has reached compromises with authorities regarding environmental rehabilitation and is confident that a compromise can be reached here also; and
- e.) a river bed runs through the concession on which the Calenturitas mine is situated. Environmental approval has been sought to divert the river so as to extract vast amounts of coal reserve, without which approval the extraction would be illegal. Government rejection of such approval would impair the long term feasibility of the mine, but management believes there is no reason to doubt such approval and that the concession was awarded taking these facts into consideration.

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Information on Prodeco

9. Property, plant and equipment

	Non-mining land	Deferred Mining costs	Buildings	Mining machinery and equipment (in US\$)	Other fixed assets	Construction in progress	Total
Carrying value at 1 January 2007							
Cost	51,445,518	66,750,602	6,264,330	68,167,401	6,735,339	1,521,170	200,884,360
Valuation	7,465,054	70,346,948	9,416,458	103,401,176	9,083,411	1,521,170	201,234,217
Accumulated depreciation	43,980,464	—	(3,596,346)	(3,152,128)	(36,003,143)	(2,348,072)	44,749,832
Additions	—	5,197,405	11,538,320	1,652,166	92,042,397	—	(45,099,689)
Disposals — cost	—	(43,725)	—	(12,015)	(56,186)	—	(111,926)
Disposals — depreciation	—	—	—	14,354	—	—	14,354
Depreciation for the year	—	(1,666,498)	(1,275,596)	(10,882,718)	(752,162)	—	(14,576,974)
Impairment loss	—	—	—	(841,515)	—	—	(841,515)
Revaluations	(1,019,536)	—	—	—	—	—	(1,019,536)
Reclassifications	(8,343,371)	—	7,858	92,460,012	—	(91,967,552)	(7,843,053)
Carrying value at 31 December 2007							
Cost	47,280,016	76,578,699	6,648,758	240,947,916	5,926,991	30,824,537	408,206,917
Valuation	3,299,552	81,841,543	11,076,482	287,891,570	9,027,225	30,824,537	423,960,909
Accumulated depreciation	43,980,464	—	(5,262,844)	(4,427,724)	(47,713,022)	(3,100,234)	44,749,832
Additions	—	7,213,628	11,420	4,076,116	—	171,189,897	(60,503,824)
Disposals — cost	—	(258,707)	—	(1,213,827)	(1,889,160)	—	(3,361,694)
Disposals — depreciation	—	—	(422,152)	846,984	250,742	—	675,574
Depreciation for the period	—	(2,406,025)	(1,738,309)	(33,043,313)	(863,771)	—	(38,051,418)
Reclassifications ⁽¹⁾	3,045,328	—	6,512,215	129,062,782	1,847,363	(137,422,360)	3,045,328
Carrying value at 31 October 2008							
Cost	50,325,344	81,127,595	11,011,932	340,676,658	5,272,165	64,592,074	553,005,768
Valuation	6,344,880	88,796,464	17,600,117	419,816,641	8,985,428	64,592,074	606,135,604
Accumulated depreciation	43,980,464	—	(7,668,869)	(6,588,185)	(79,909,351)	(3,713,263)	44,749,832
	—	—	—	—	—	—	(97,879,668)

Note:

(1): Reclassifications occur when constructions in progress are complete and are brought into use. An amount of US\$ 3,045,328 was reclassified as Non-mining land where it was previously classified as Non-current assets Held-for-Sale due to a change in intention regarding the realization of the land.

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Information on Prodeco

10. Intangible assets

	Mining concession right	Right of use of mining lands	Feasibility studies	Port access fee (in US\$)	Rail access fees	Other intangible assets	Total
Carrying value at 1 January 2007	169,343,464	—	1,049,758	1,419,574	—	—	171,812,796
Cost	175,844,289	—	1,049,758	1,500,000	—	—	178,394,047
Accumulated amortization	(6,500,825)	—	—	(80,426)	—	—	(6,581,251)
Additions	81,721,565	818,729	550,710	1,053,440	—	45,428	84,189,872
Amortization for the year	(15,479,653)	(13,779)	(46,878)	(373,627)	—	—	(15,913,937)
Prior year adjustments	—	(224,077)	—	—	—	—	(224,077)
Reclassifications	—	7,843,053	—	—	—	—	7,843,053
Carrying value at 31 December 2007	235,585,376	8,423,926	1,553,590	2,099,387	—	45,428	247,707,707
Cost	257,565,854	8,661,782	1,600,468	2,553,440	—	45,428	270,426,972
Accumulated depreciation	(21,980,478)	(237,856)	(46,878)	(454,053)	—	—	(22,719,265)
Additions	—	6,895,646	301,432	—	70,000,000	—	77,197,078
Disposals — cost	—	—	(35,736)	—	—	(45,428)	(81,164)
Amortization for the period	(21,112,499)	(489,785)	(121,090)	(402,483)	(4,373,544)	—	(26,499,401)
Carrying value at 31 October 2008	214,472,877	14,829,787	1,698,196	1,696,904	65,626,456	—	298,324,220
Cost	257,565,854	15,557,428	1,866,164	2,553,440	70,000,000	—	347,542,886
Accumulated depreciation	(43,092,977)	(727,641)	(167,968)	(856,536)	(4,373,544)	—	(49,218,666)

11. Investments in associates

	As at 31 October 2008	As at 31 December 2007
	US\$	US\$
Fenoco	28,191,639	34,189,251
Propuerto S.A.	—	—
	28,191,639	34,189,251

Ferrocarriles del Norte de Colombia S.A. (Fenoco)

Place of incorporation:
 Principal activity:

Bogota
 Rail concession operator

	As at 31 October 2008	As at 31 December 2007
	US\$	US\$
Assets	237,856,442	191,585,275
Liabilities	(166,949,861)	(105,594,047)
Net Assets	70,906,581	85,991,228
Loss for the period	(15,084,647)	(5,246,056)
Ownership interest	39.76%	39.76%

Note:

An amount receivable from INCO of US\$ 6,490,000 (group portion: US\$ 2,580,424) is uncertain of full recovery as the procedure for recovery have not been stipulated specifically in Addendum #13 to the concession contract, but refers instead to dispute resolution procedures in the contract. No provision has been made for non-recoverability as the legal rights thereto exist and negotiations are in progress for its recovery.

Fenoco has certain accounts receivable and accounts payable balances amounting to US\$ 13,840,000 (group portion: US\$ 5,502,784) and US\$ 18,940,000 (group portion: US\$ 7,530,544) respectively, which are currently either under negotiation or in a process of being reconciled and verified with the third party.

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Propuerto S.A.

Place of incorporation:
 Principal activity:

Bogota
 Coal port concession operator

	As at 31 October 2008	As at 31 December 2007
	(in US\$)	
Investment in net assets of associate	3,083,824	3,083,824
Less: Provision	<u>(3,083,824)</u>	<u>(3,083,824)</u>
Net investment in associate	<u>—</u>	<u>—</u>
Ownership interest	<u>69.44%</u>	<u>69.44%</u>

12. Long term loans and receivables

	As at 31 October 2008	As at 31 December 2007
	(in US\$)	
Advances on capital investments	15,897,678	23,247,631
Fenoco rail access advance	<u>—</u>	24,331,513
Carbosan access advance	<u>—</u>	1,082,137
	<u>15,897,678</u>	<u>48,661,281</u>

Long term loans and receivables are interest free. Security is in the form of specific performance in terms of a supply contract or facility access contract.

13. Deferred tax

	As at 31 October 2008	As at 31 December 2007
	(in US\$)	
Opening balance	(2,838,020)	24,871,548
Fiscal losses recognized	<u>(40,259,020)</u>	<u>(32,255,057)</u>
Temporary differences for the period	<u>55,562,297</u>	<u>4,545,489</u>
Closing balance	<u>12,465,257</u>	<u>(2,838,020)</u>

The balance comprises:

Taxable temporary differences	82,863,223	27,300,926
Deductible temporary differences	<u>(70,397,966)</u>	<u>(30,138,946)</u>
	<u>12,465,257</u>	<u>(2,838,020)</u>

14. Inventories

	As at 31 October 2008	As at 31 December 2007
	(in US\$)	
Coal	27,150,347	34,774,561
Spare parts, materials and consumables	30,086,409	28,861,917
Cattle	<u>52,125</u>	<u>58,312</u>
	<u>57,288,881</u>	<u>63,694,790</u>

The carrying amount for inventories have been arrived at after taking into account an allowance for estimated non-recoverable amounts of spare parts, materials and consumables of \$1,258,596 (2007: \$1,476,965).

15. Non-current assets classified as held-for-sale

Non-current assets held-for-sale relates to a portion of land in Santa Marta acquired originally to build a port. Pending a decision from government as to where the port will ultimately be built, the decision was taken by management to dispose of the land to Propuerto S.A. Conditions are no longer favorable for the short-term realization of the land through sale and it was reclassified as Property, plant and equipment at the current period end.

16. Trade and other receivables

		As at 31 October 2008	As at 31 December 2007
		(in US\$)	
Trade accounts receivable	(1)	<u>73,295,024</u>	<u>26,474,574</u>
Other receivables:			
Value-added tax		4,919,978	9,823,117
Advance for income tax	(2)	<u>4,258,178</u>	<u>8,611,427</u>
Prepaid municipal taxes		200,440	197,084
Deposits	(3)	—	11,452,645
Advances to suppliers		53,666	390,896
Staff loans		668,306	384,301
Port claims		462,517	422,030
Sundry receivables		1,097,608	501,660
Less: Provision for doubtful debts		<u>(557,981)</u>	<u>(595,602)</u>
Total other receivables		<u>11,102,712</u>	<u>31,187,558</u>
Total trade and other receivables		<u>84,397,736</u>	<u>57,662,132</u>

Notes:

An allowance has been made for estimated irrecoverable amounts of other receivables by providing for specific debtors who have been identified as doubtful. Management considers that the carrying amount of trade receivables approximate their fair value.

1. Trade accounts receivable arise from sale of coal made through Glencore as exclusive undisclosed agent. In terms of the Agency agreement signed in 2007, an average trade credit period of 30 days is specified. Management considers that the recoverable amount approximates the carrying amount.

		As at 31 October 2008	As at 31 December 2007
		(in US\$)	
Income tax advances		4,258,178	6,874,342
Withholding tax advances		—	1,737,085

3. According to government regulations, Colombian based companies were obliged to deposit an amount equal to 11% of external indebtedness (the total value of foreign loans) with the Colombian Central Bank (Banco de la Republica). This policy was abolished during the year.

17. Prepaid expenses

		As at 31 October 2008	As at 31 December 2007
		(in US\$)	
Insurances		794,876	1,670,767
Royalties		4,888,858	1,838,424
Other		<u>1,064,061</u>	—
		<u>6,747,795</u>	<u>3,509,191</u>

18. Cash and cash equivalents

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash on hand, balances with banks and short-term bank deposits with an original maturity of 90 days or less. The closing balances comprise the principal amount plus accrued interest at the balance sheet date; the carrying amount of these assets approximates their fair value.

	As at 31 October 2008	As at 31 December 2007
	(in US\$)	
Short-term cash balances and investments	1,551,642	2,229,009
Unrestricted designated short-term deposit	<u>3,184,858</u>	<u>691,110</u>
	<u>4,736,500</u>	<u>2,920,119</u>

19. Share capital and share premium

The share capital of each of the companies included in the combination consists of the following registered shares, which are fully paid for. Management has no authority to issue unissued share capital.

<u>Company</u>	<u>Number of issued shares</u>	<u>Par value of shares</u>	<u>Share capital in functional currency</u>	<u>Share premium</u>
	(in Col\$)	(in US\$)	(in US\$)	(in US\$)
C.I. Prodeco S.A.	54,083,447,373	1.000	54,053,226	38,161,667
Carbone de la Jagua S.A.	284,211,696	1.000	118,929,468	—
Consorcio Minero Unido S.A.	<u>9,472,228</u>	<u>1.000</u>	<u>3,904,464</u>	<u>39,458</u>
Carrying amount at 1 January 2007	<u>54,377,131,297</u>	<u>—</u>	<u>176,887,158</u>	<u>38,201,125</u>
Movements for the year				
Carbones El Tesoro S.A.	1,000,000	1.000	509,814	—
Carrying amount at 31 December 2007	<u>54,378,131,297</u>	<u>—</u>	<u>177,396,972</u>	<u>38,201,125</u>
Movements for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amount at 31 October 2008	<u>54,378,131,297</u>	<u>—</u>	<u>177,396,972</u>	<u>38,201,125</u>

20. Reserves

Exchange control regulations do not limit the remittance of dividends outside the country.

Restricted reserves

Legal reserve: Colombian company law requires that 10% of the annual profit is accounted for as a reserve until such time as the reserve equals 50% of the issued share capital. This reserve may not be distributed to Shareholders but can be utilized to absorb future profits.

Capital reserves

Fiscal depreciation reserve: The reserve is required to allow a tax deduction for capital assets in excess of book depreciation, being equivalent to 70% of the amount by which the tax deduction exceeds the book depreciation. As the depreciation subsequently exceeds the annual deduction for tax purposes that excess reserve may be distributed to Shareholders.

Revaluation surplus

The revaluation surplus relates to the excess of the fair value of land, accounted for using the revaluation model, over its original cost. When a portion of the land is subsequently disposed of, the portion of this reserve relating to that specific disposal is transferred directly to retained earnings.

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21. Provisions

		As at 31 October 2008	As at 31 December 2007
		US\$	
Provision for land restoration	(1)	6,927,924	7,166,116
Provision for port dismantling and decommissioning	(2)	—	2,068,955
Provision for reforestation of protected forest zone	(3)	2,684,868	3,135,000
Provision for post employment benefits		117,222	—
		<u>9,730,014</u>	<u>12,370,071</u>

Notes:

- (1) Represents management's best estimate of the costs to be incurred for the restoration of disturbed land in accordance with environmental commitments and the mine concession contract. The rehabilitation relates to vegetating steep slopes and waste dumps. Soil and landscape rehabilitation is not required as the mine reverts to the government at close of the concession.
- (2) With the granting of the license for Propuerto, certain stringent obligations were proposed by authorities for the group to dismantle and remove certain structures at its existing port (Puerto Prodeco). The Propuerto project was discontinued in the face of the Puerto Nuevo project, alleviating the onerous dismantling provisions.
- (3) Represents the legal obligation for the restoration of the Los Motilones protected forest zone in terms of Resolution 1465 of 20 August 2008 issued by the Ministry of Environment, Housing and Territorial development.

22. Finance lease obligations

Finance lease arrangements were entered into to finance the acquisition of coal mining equipment, in terms of which the Group has the option to acquire the equipment at the end of the lease term for a nominal amount. The finance lease obligation is secured by the lessor's legal title to the leased assets.

Finance lease denominated in US\$ bear an effective interest rate equivalent to LIBOR plus a premium of between 1% and 3% (2007: 1% and 3.5%).

Finance leases denominated in Col\$ bear an effective interest rate equivalent to DTF plus a premium of 5.6% (2007: between 5.5% and 6%).

	Present value of minimum lease payments as at 31 October 2008	Minimum lease payments as at 31 October 2008	As at 31 December 2007
	US\$		
Leases denominated in US\$	264,762	269,004	5,630,544
Leases denominated in Col\$	42,325	42,325	254,854
	<u>307,087</u>	<u>311,329</u>	<u>5,885,398</u>
Due within one year	254,684	257,938	
Due in two to five years inclusive	52,403	53,391	
	<u>307,087</u>	<u>311,329</u>	
Less: Deferred finance charges		(4,242)	
Present value of lease obligation		<u>307,087</u>	<u>5,885,398</u>
Current portion		254,684	5,710,788
Non-current portion		52,403	174,610
		<u>307,087</u>	<u>5,885,398</u>

23. Other financial liabilities

	As at 31 October 2008	As at 31 December 2007
	US\$	
Bank loans carried at amortized cost		
Loans denominated in US dollar:		
— Barclay's International Plc	446,096,885	333,063,028
— Other	2,353,226	—
Loans denominated in Colombian Peso		
— Bancolombia S.A.	4,000,000	5,019,152
Breakdown per Bank	<u>452,450,111</u>	<u>338,082,180</u>
The balance comprises:		
Current portion	6,353,226	159,852,348
Non-current portion	<u>446,096,885</u>	<u>178,229,832</u>
	<u>452,450,111</u>	<u>338,082,180</u>

Bank loans denominated in US\$ bear interest at rates equivalent to Libor plus a premium of between 0% and 4% (2007: 0.85% and 4%). These loans are secured by promissory notes and are repayable in full on 12 June 2012, as negotiated at commencement of the loan. A portion of the Barclays facility (US\$ 174,322,491 2007: US\$ 102,828,338, classified in the current portion for the prior year) is utilized as roll-over finance, to be repaid and then re-drawn if necessary within the next financial period. This facility ultimately closes on the same date and is expected to be utilized long term.

Bank loans denominated in Col\$ bear interest at rates equivalent to DTF plus a premium of between 0% and 5.6% (2007: 0% and 6%). These loans take the form of overdrafts and short-term credit facilities.

Loans with Barclays Bank are back to back finance facilities secured by Glencore.

24. Trade and other payables

Trade payables principally comprise amounts outstanding for trade purchases, port concession liabilities and ongoing costs. The average credit period taken for trade purchases is between 30 and 60 days. Management considers that the carrying amount of trade accounts payable approximates its fair value.

In 2007, accounts payable included US\$ 9,931,994 outstanding as partial finance for the acquisition of Prodeco's interest in the associate Fenoco S.A. The amount was secured by promissory note, bore no interest and the final settlement was paid in January 2008.

25. Accrued liabilities

	As at 31 October 2008	As at 31 December 2007
	US\$	
Accrual of bank interest		
Port special contribution	—	375,707
Accrual for operating services and supplies	<u>14,289,428</u>	<u>2,124,934</u>
	<u>24,295,458</u>	<u>5,711,853</u>

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26. Revenue

Revenue relates to the sale of coal sourced from the La Jagua project (CDJ, CMU and CET), the Calenturitas mine and third parties which is sold on both the local and export markets.

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	<i>Tonnes</i>	
Total coal sales	8,957,144	8,861,941
	<i>US\$</i>	
Local sales	876,147	1,015,620
Exports	<u>667,732,521</u>	<u>468,093,142</u>
	<u>668,608,668</u>	<u>469,108,762</u>

27. Net operating profit

Net operating profit has been arrived at after charging (crediting):

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	<i>US\$</i>	

Technical fees:

— Legal and consulting fees	1,080,687	395,653
Auditor's remuneration		
— For Audit services	164,599	164,252

28. Non-operating income

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	<i>US\$</i>	
Carboloma revenues	111,950	78,778
Coal and Spare parts physical inventory adjustment	33,471	1,547,170
Insurance claims received	118,479	401,193
Interest income	347,626	32,139
Other services rendered	25,609	63,669
Rentals received	61,807	61,402
Profit on disposal of property, plant and equipment	325,166	25,349
Profit on foreign exchange differences	2,072,469	—
Recovery of Carboandes costs	—	3,388,459
Other recoveries	504,298	1,642,928
Sundry sales	7,391	147,617
Sundry income	<u>509,108</u>	<u>84,781</u>
	<u>4,117,374</u>	<u>7,473,485</u>

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29. Finance costs

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	US\$	US\$
Interest paid on bank loans.....	26,241,882	8,910,705
Finance leases, creditor accounts etc.	<u>183,156</u>	—
Total finance costs	<u>26,425,038</u>	<u>8,910,705</u>

30. Non-operating expenses

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	US\$	US\$
Carboloma	300,675	144,246
Provision for obsolete spare parts inventory.....	—	3,753,541
Provision: Propuerto S.A. shares (Note 11)	—	3,083,824
Impairment losses for the period.....	—	841,515
Loss on foreign exchange differences	—	918,658
Sundry non-operating expenses.....	<u>1,138,710</u>	<u>2,541,906</u>
	<u>1,439,385</u>	<u>11,283,690</u>

31. Taxation

The total income tax expense comprises the following:

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	US\$	US\$
Income tax		
Domestic income tax liability	434,379	4,511,457
Over-provision 2007/2006	(2,368,815)	(2,346,603)
Deferred tax		
Current period differences	<u>15,303,277</u>	<u>(23,083,000)</u>
	<u>13,368,841</u>	<u>(20,918,146)</u>

The charge for the period and the effective tax rate can be reconciled to the profit per the income statement as follows:

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	US\$	%
	US\$	US\$
Profit before tax	54,861,800	25,119,503
Domestic income tax rate	<u>33%</u>	<u>33%</u>
	<u>18,104,394</u>	<u>8,289,436</u>
Special deduction on investments in Property, plant and equipment (2008: 40%, 2007: 40%)	(22,839,611)	(41.63%) (26,842,276)
Permanent differences, including the effect of currency revaluations on Colombian tax bases	<u>18,104,058</u>	<u>33.00%</u> <u>(2,365,306)</u>
Tax expense for the period	<u>13,368,841</u>	<u>24.37%</u> <u>(20,918,146)</u>

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Domestic income tax is calculated at 33% of estimated taxable profit for the period. Provision has been made for taxation for the period ended 31 October 2008 based on estimated taxable income for the period and the application of presumptive income for non-mining companies.

32. Staff costs and post employment benefits

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	US\$	
Total current short-term employee costs	34,506,709	20,025,783
Number of employees	1,782	1,318

The Group contributes to certain defined contribution pension plans on behalf of employees, included in the figure above.

33. Related party transactions

The following related parties have been identified at period end 31 October 2008:

Ultimate holding company of the Group:	Glencore International AG (Switzerland)
Intermediate shareholding companies of the Group:	Glencore Finance Ltd (Bermuda) Glencore Colombia Ltda Tikolan Ltd (Bermuda) Simkana Ltd (Bermuda) Merani Holding Ltd (Bermuda) Wichita Holding Ltd (Bermuda) Chestfield Coal Resources (British Virgin Islands) Latin America Coal Marketing (Bermuda)
Associates to the Group:	Fenoco S.A. (Colombia) Propuerto S.A. (Colombia)

Trade transactions and outstanding balances with identified related parties for the period were as follows:

	10 month period ended 31 October 2008	10 month period ended 31 October 2007
	US\$	
Statement of financial position		
Glencore International	Trade accounts receivable	73,255,840
Fenoco S.A.	Long-term loans and receivables	14,336,695
Glencore International	Trade accounts payable	—
Statement of comprehensive income		
Glencore International	Sales	309,135,692
Glencore International	Commission on agency sales	29,425,252
Glencore International	Demurrages in loading vessels	(9,549,680)
		245,256,287
		9,254,508
		(1,096,931)

34. Expenditure commitments

The following estimates of capital expenditure were approved by the board for the indicated periods:

	Budget Year 31 December 2009	Budget Year 31 December 2008
	<i>US\$</i>	
Prodeco — Calenturitas mine, port and rail infrastructure	138,194,636	108,659,556
CDJ — La Jagua project	74,023,299	59,729,605
CMU — La Jagua project	—	5,150,068
CET — La Jagua project	—	4,615,174
	<u>212,217,935</u>	<u>178,154,403</u>

Budgeted capital expenditure can be broken down per category or per project as follows:

	Budget Year 31 December 2009	Budget Year 31 December 2008
	<i>US\$</i>	
Access fee to Fenoco for rail access	18,551,000	47,696,000
Calenturitas coal handling facilities	1,531,512	13,551,614
Calenturitas mining equipment	79,706,252	32,821,243
Calenturitas bridge	3,643,903	—
Calenturitas land purchases	4,575,753	—
Calenturitas coal laboratory	1,951,282	—
Calenturitas — other projects	11,719,695	6,191,020
Port infrastructure	20,205,986	2,111,863
Rail bridge	2,033,158	—
Other port and rail infrastructure	2,222,094	27,083,283
La Jagua equipment	53,184,036	44,140,670
La Jagua coal handling system	3,949,500	—
La Jagua bridge	3,580,812	—
La Jagua — other projects	5,362,952	4,558,710
	<u>212,217,935</u>	<u>178,154,403</u>

In addition, the group has entered into the following significant commitments for the medium term supply of goods, services and capital expenditure.

	Term of commitment	Commitment Value
	<i>Years</i>	<i>US\$</i>
Tyres for vehicles and mining machinery	5	86,889,661
Lubricants	3	18,022,928
Mining machinery (capital expenditure)	3	160,605,680
Mining geological services	7 months	130,800
Capital project-related commitments	5 months	15,620,560
Fuel	3 months	7,519,952

35. Contingent liabilities

Fenoco Take-or-pay

The companies Prodeco and CDJ, under a partnership agreement signed between Prodeco, CDJ, CMU, CET and Ferrocarriles del Norte de Colombia S.A. (Fenoco), acquired a take-or-pay commitment to transport 1,400,000 tons of coal in 2007 for US\$ 3,052,000. Government imposed restrictions resulted in Fenoco not being able to guarantee the necessary capacity between Chiriguaná and Santa Marta in 2007. Fenoco enforced the take-or-pay obligation on the other contracting parties in the group, which was legally contested. Legal advisors for the Group have advised that the incurrence of an obligation in this regard has a low probability of assertion.

Part III
Information on Prodeco

Environmental impact contingencies

In the course of its operations, companies in the Group may fall subject to government imposed regulations regarding the environment and rehabilitation of damaged natural areas.

A breach of regulations was identified where the former owners of the CET concession (Carbones de los Andes S.A.) sanctioned the deposit of mining waste onto a sensitive wetland, and the matter has been brought to the attention of environmental authorities. At present, there is no indication of a fine being imposed, but a compromise of some sort with authorities may arise in future.

By the date of the Statement of financial position and in the subsequent period until the signing of this report, management and legal counsel for the group have not identified any changes (other than as disclosed in Note 36) in government regulations or any other breaches of current regulations which impose obligations other than what has been given effect to in environmental rehabilitation provisions raised (Note 21).

Royalties

Following external legal opinion, Prodeco applied what it considers a correct interpretation of the basis of the payment for royalties, compensation and gross income on coal extracted from the Calenturitas mine. The effect of this interpretation was a reduction in royalty payments made in the third and fourth quarters of 2008, totaling US\$ 23,561,318.

A review of this interpretation by a jointly agreed and appointed third party is currently underway, the results of which will determine whether the process goes to arbitration between Prodeco and Ingeominas. Due to the uncertainty resulting from ambiguities in the wording of the concession contract, the outcome of this process is difficult to predict.

36. Events subsequent to the date of the statement of financial position

In January 2009, the Ministry of Environment issued Resolution 2375 approving the integration of mining operations at La Jagua. Assuming management does not appeal the resolution, it will become effective on January 29, 2009. The resolution contains certain requirements relating to mine closure obligations, which are effectively a formalization of the current rehabilitation procedures planned (and financially provided for) by the La Jagua companies (CDJ, CMU and CET). Due to these obligations being essentially the same as current practices, management believes that these obligations will not result in the companies incurring any significant additional costs for mine rehabilitation or mine closure.

Management is not aware of any other matter or circumstance arising since the end of the financial period not otherwise dealt with in the financial statements, which significantly affects the financial position of the company or the results of its operations.

Part III
Information on Prodeco

Audited Financial Statements of Prodeco as at and for the year ended 31 December 2007

Prodeco Combined Pro Forma Balance Sheet at December 31, 2007 and 2006

	<u>Notes</u>	<u>31.12.2007</u>	<u>31.12.2006</u>
		US\$	
Assets			
Current Assets:			
Cash	8	2,229,009	688,199
Investments	8	691,110	6,757,384
Accounts receivable	9	59,500,556	44,011,697
Inventories	10	63,694,790	51,125,157
Prepaid expenses	9	1,670,767	730,779
Non current assets classified as held for sale	13	3,045,328	3,045,328
Total Current Assets		<u>130,831,560</u>	<u>106,358,544</u>
Non-Current Assets:			
Property, plant and equipment — net	11	408,206,917	200,884,360
Investments in associates	14	34,189,251	39,338,037
Intangible assets	12	247,707,707	171,812,796
Long term advances	9	48,661,281	24,374,901
Deferred tax	18	<u>2,838,020</u>	<u>—</u>
Total Non-Current Assets		<u>741,603,176</u>	<u>436,410,094</u>
Total Assets.		<u>872,434,736</u>	<u>542,768,638</u>

The combined pro-forma financial statements and notes set out on pages 60 to 81 were approved on behalf of management on January 30, 2008 by:

President: *Gary Nagle*
 Financial vice-president: *Chris Phillips*

See notes to the combined pro-forma financial statements

Part III
Information on Prodeco

Prodeco Combined Pro Forma Balance Sheet at December 31, 2007 and 2006

	<u>Notes</u>	<u>31.12.2007</u>	<u>31.12.2006</u>
			<i>US\$</i>
Liabilities and Shareholders' Equity			
Current Liabilities:			
Bank loans	15	159,852,348	48,654,589
Finance Leases	17	5,710,788	6,652,975
Accounts payable			
Trade	16	39,367,209	20,856,073
Related parties	27	14,533,355	2,022,693
Other	16	35,468,452	24,796,242
Income tax		3,967,820	13,356,299
Equity tax		1,902,509	—
Accrued liabilities	19	<u>5,711,853</u>	<u>8,915,350</u>
Total Current Liabilities		<u>266,514,334</u>	<u>125,254,221</u>
Non-Current Liabilities:			
Bank loans	15	178,229,832	—
Finance leases	17	174,610	12,734,248
Accrued liabilities	19	12,370,071	3,310,665
Other long term liabilities		—	6,621,329
Deferred taxes	18	—	<u>24,871,548</u>
Total Non-Current Liabilities		<u>190,774,513</u>	<u>47,537,790</u>
Total Liabilities		<u>457,288,847</u>	<u>172,792,011</u>
Shareholders' Equity			
Share capital	20	177,396,972	176,887,158
Share premium		38,201,125	38,201,125
Accumulated earnings		103,154,048	57,475,064
Reserves (restricted)		6,188,920	6,188,920
Capital reserves		54,845,356	54,845,356
Revaluation surplus		<u>35,359,468</u>	<u>36,379,004</u>
Total Shareholders' Equity		<u>415,145,889</u>	<u>369,976,627</u>
Total Liabilities and Shareholders' Equity		<u>872,434,736</u>	<u>542,768,638</u>

See notes to the combined pro-forma financial statements

Part III
Information on Prodeco

**Prodeco Combined Pro Forma Statements of Income
 for the years ended December 31, 2007 and 2006**

	<u>Notes</u>	<u>31.12.2007</u> <i>US\$</i>	<u>31.12.2006</u>
Coal revenue	21	546,321,809	394,026,216
Cost of sales		(468,345,394)	(317,965,941)
Gross profit		77,976,415	76,060,275
Operating expenses	27	(12,103,819)	—
Depreciation and amortization		(30,444,033)	(13,533,533)
Net operating profit		35,428,563	62,526,742
Non-operating income	24	7,718,006	1,529,107
Interest expense		(13,157,256)	(1,720,961)
Non-operating expenses	25	(12,458,806)	(3,386,225)
Non-operating (expenses) — net		(17,898,056)	(3,578,079)
Profit before taxes		17,530,507	58,948,663
Income taxes	26	28,148,477	(5,851,936)
Profit for the year		<u>45,678,984</u>	<u>53,096,727</u>

See notes to the combined pro-forma financial statements

Part III
Information on Prodeco

**Prodeco Combined Pro Forma Statement of Changes in Shareholders, Equity
for the years ended December 31, 2007 and 2006**

	Share Capital	Share Premium	Capital Reserves	Reserves (Restricted) US\$	Accumulated Earnings	Revaluation Surplus	Total
Balance at 31 December 2005	172,982,694	38,161,667	—	588,279	9,978,978	36,379,004	258,090,622
<u>2006 Movement</u>							
CMU Inception	3,904,464	39,458	54,845,356	—	—	—	58,789,278
Reclassifications	—	—	—	5,600,641	(5,600,641)	—	—
Profit for the year	—	—	—	—	53,096,727	—	53,096,727
Balance at 31 December 2006	176,887,158	38,201,125	54,845,356	6,188,920	57,475,064	36,379,004	369,976,627
<u>2007 Movement</u>							
CET Capitalization	509,814	—	—	—	—	—	509,814
Decrease in revaluation surplus	—	—	—	—	—	(1,019,536)	(1,019,536)
Profit for the year	—	—	—	—	45,678,984	—	45,678,984
Balance at 31 December 2007	177,396,972	38,201,125	54,845,356	6,188,920	103,154,048	35,359,468	415,145,889

See notes to the combined pro-forma financial statements

**Prodeco Combined Pro Forma Statements of Cash Flows Income
for the years ended December 31, 2007 and 2006**

	<u>31.12.2007</u> US\$	<u>31.12.2006</u>
Operating activities:		
Profit for the year	45,678,984	53,096,727
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation	30,490,911	13,533,532
Impairment loss	841,515	409,678
Income tax	(28,148,477)	(5,554,376)
Loss from sale/disposal of PPE	(1,380)	(14,406)
Interest income	(147,444)	(39,819)
Interest expense	13,157,257	1,037,326
Investments equity accounting loss	2,064,962	—
Propuerto shares provision	3,083,824	—
Previous years expenses	224,077	—
Prepaid expenses	(939,988)	256,266
Working capital changes:		
(Increase) in accounts receivable	(43,657,207)	(44,599,441)
(Increase) in inventories	(12,569,633)	(17,212,539)
Increase in accounts payable	<u>31,213,148</u>	<u>48,457,959</u>
Cash generated in operating activities	<u>41,290,549</u>	<u>49,370,907</u>
Income taxes paid	(13,645,118)	(4,589,648)
Interest received	147,444	39,819
Interest paid	<u>(9,354,422)</u>	<u>(696,057)</u>
Net cash provided by operating activities	<u>18,438,453</u>	<u>44,125,021</u>
Investing activities:		
Acquisitions of investments in an associate	—	(34,434,121)
Purchases of property, plant and equipment	(231,701,207)	(31,290,594)
Purchases of assets for sale	—	(3,045,328)
Proceeds from sale of property, plant and equipment	98,952	405,577
Purchase of Carbones El Tesoro	(81,721,565)	—
Purchases of intangibles	(2,468,307)	—
Increase in deferred charges	—	(1,290,752)
Net cash used in investing activities	<u>(315,792,127)</u>	<u>(69,655,218)</u>
Financing activities:		
Increase in bank loans	275,925,766	30,833,203
Capital increase	509,814	—
Increase in amount due to related parties	16,392,630	—
Net cash provided by financing activities	<u>292,828,210</u>	<u>30,833,203</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,525,464)</u>	<u>5,303,006</u>
Cash and cash equivalents, beginning of year	<u>7,445,583</u>	<u>2,142,577</u>
Cash and cash equivalents, end of year	<u>2,920,119</u>	<u>7,445,583</u>

See notes to the combined pro-forma financial statements

1. General

Glencore International AG owns the total shares, as ultimate Shareholder, of the entities C.I. Productos de Colombia S.A. (Prodeco), Carbones de la Jagua S.A. (CDJ), Carbones El Tesoro S.A. (CET), Carbones de la Loma S.A. (Carboloma) and Consorcio Minero Unido S.A. (CMU). The operations of these entities are in Colombia.

Glencore International AG has its operations in Switzerland.

C.I. Prodeco Productos de Colombia S.A. was formed in 1974 in Bogota, Colombia and Carbones de la Loma S.A. is its unique affiliate.

Carbones de la Jagua S.A. was formed in 2004 in Barranquilla, Colombia. In January 12, 2005, Glencore International AG, acquired 100 % of the interests of C.I. Carbones del Caribe S.A., Cementos del Caribe S.A., C.I. del Mar Caribe S.A., Colclinker S.A. and Sociedad Portuaria de Ciénaga S.A. in Carbones de La Jagua S.A. (formerly La Jagua Coal Company S.A.).

Glencore's interest in Carbones de la Jagua S.A. is held through its affiliated companies Tikolan Ltd and Simkana Ltd who directly own interests of 94.9% and 5.1%, respectively in Carbones de la Jagua S.A.

Consorcio Minero Unido S.A. was formed in 1990 in Bogota D.C. Colombia. Glencore's interest in Consorcio Minero Unido S.A. is held through its affiliated companies Merani Holding Ltd and Wichita Holding Ltd who directly own interests of 94.9% and 5.1%, respectively in Consorcio Minero Unido S.A.. Glencore's acquisition of CMU took place on August 17, 2006.

Glencore's interest in Carbones el Tesoro S.A., also a Colombia entity, is held through its affiliated companies Simkana Ltd and Tikolan Ltd who directly own interests of 94.9% and 5.1%, respectively in Carbones el Tesoro S.A.

In March 22, 2007, Carbones el Tesoro S.A. acquired the mine assets of Carbones de los Andes S.A. in order to get access to the exploitation of the Tesoro Mine.

The above Colombian entities are collectively referred to as Prodeco ("The Group"), a non legal entity.

2. Nature of business activities

The Group's principal objective is the exploration, exploitation and marketing of thermal coal. The main source of income of the group is derived from the sale of thermal coal to international markets. The exploration and exploitation activities undertaken by CDJ, CMU and CET are performed independently of the marketing activities, which are undertaken by Prodeco. Transactions between CDJ, CMU and CET with Prodeco are independently conducted and priced based upon prevailing market conditions.

The main business activity of the Group during 2007 was the exploitation of the Calenturitas and La Jagua (composed of the Yerbabuena, El Tesoro and La Jagua mines) coal mines and the purchase of coal from different mines. Both the coal produced and bought were put through the Group coal port located in Santa Marta, Colombia and other ports located in the same geographical area.

3. Accounting convention and adoption of new and revised standards

The combined financial statements are presented in United States Dollars, the Group's functional currency and have been prepared under the historical cost convention, as modified for the revaluation of certain land and property, plant and equipment and except where otherwise noted in the financial statements.

The combined financial statements have been prepared in accordance with International Financial Reporting Standards. International Financial Reporting Standards and revisions to standards that took effect in 2007 had no significant effect on amounts reported for the current or previous accounting period.

- a. *Standards and Interpretation effective in the current period* — In the current year, the Company has adopted IFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendments to IAS 1 "Presentation of Financial Statements".

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 "Applying the Restatements Approach under IAS 29, Financial Reporting in Hyperinflationary Economies"; IFRIC 8 "Scope of IFRS 2"; IFRIC 9 "Reassessment of

Embedded Derivatives”; and IFRIC 10 “Interim Financial Reporting and Impairment”. The adoption of IFRS 7 and these four Interpretations have not had a material impact on the Company’s financial statements

- b. *Standards and Interpretations issued not yet effective* — At the date of authorization of these financial statements, the following IFRS and Interpretations were issued but not yet effective:

IFRS 8 — Operating Segments

IFRIC 11 — IFRS 2: Group and Treasury Share Transactions

IFRIC 12 — Service Concession Arrangements

IFRIC 13 — Customer Loyalty Programmes

IFRIC 14 — IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The directors anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements of the Group.

4. Principles of combination

In order to fully reflect the activities of the Group for accounting purposes, combined financial statements have been prepared. The combination reflects the activities of the Group as if it had operated as one economic entity during 2007.

The results of subsidiaries acquired or disposed of during the year are included in the combined income statement from the effective date of acquisition or up to the effective date of disposal.

All intergroup transactions, balances and unrealised profits have been eliminated on combination

The following Colombian domiciled companies are included in the combined financial statements:

C.I. Prodeco Productos de Colombia S.A., Carbones de la Jagua S.A., Carbones El Tesoro S.A., Carbones de la Loma S.A. and Consorcio Minero Unido S.A.

5. Summary of significant accounting policies

5.1 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquirer’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group’s interest in the net fair value of the acquirer’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquire is initially measured at the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

5.2 Revenue recognition

Revenues are recognised when the seller has transferred to the buyer all significant risks and rewards of ownership of the assets sold.

5.3 Foreign currency translation

The functional currency of the Group is US Dollar. Transactions in foreign currencies other than US Dollar are recorded at the rates of exchange prevailing on the dates of the transactions.

Monetary assets and liabilities are translated into US Dollar at the year end rate. Non-monetary assets and liabilities, share capital, share premium and restricted reserves are translated at the rate prevailing on the date of the transaction. Revenue and expenses are translated at the average rate on the date in which the transactions occurred.

Exchange gains and losses on transactions other than in US Dollars, completed during the period, together with exchange differences on monetary items are reflected in the statement of income.

The translation of Colombian Peso denominated assets and liabilities into US Dollars at December 31, 2007 does not imply that the Group could realise or settle in US Dollars the translation value of such assets and liabilities.

5.4 Cash and cash equivalents

Cash and cash equivalents include short-term investments with maturities of 90 days or less at the investment date and are carried at the principal amount plus accrued interest at the balance sheet date.

5.5 Inventories

Inventories comprise both coal exploited at the mines and coal bought from third parties and spare parts and material mainly used for the port operation. These are valued using the weighted average method and are stated at the lower of cost and net realisable value.

The cost of coal inventories is determined using the weighted average method and comprise the total cost of the operation, depreciation and royalties. Coal at the port includes rail transport cost. Port costs are not included in the valuation of inventory.

Net realisable value of coal inventories represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

5.6 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power in the financial and operating policy decisions of the investee but is not control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*.

Effective 2007, the Group accounts for the investment in its associate FENOCO under the equity method. Under this method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investment. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

5.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss except that land and certain equipment was revalued on July 1, 1994 to amounts not exceeding those expected to be recouped by future use or sale. The revaluation amount net of taxes was taken to revaluation surplus. Assets acquired since the last revaluation are accounted for at cost. Depreciation is provided for on a straight-line basis over the estimated useful lives of the individual assets. Land is not depreciated.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date. Any revaluation increase arising on the revaluation is credited in equity to the properties revaluation reserve, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between that sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Expenses for repair and maintenance are generally charged to the income statement. However, they are capitalised if they are substantial and significantly extend the initial useful life of the related asset.

Mine exploration and development costs to maintain production of operating mines are charged to operations as incurred. Mine development expenditures at new mines areas and major development expenditures at operating mines that are expected to benefit future production are capitalised. Interest expenses allocable to mining assets under development are capitalised. When commercial production is achieved, the capitalised costs are amortised using the unit of production method based on the estimated commercial recoverable tons of coal.

Other non current assets include the costs incurred in the acquisition of the port concession which are amortized on a straight line basis over the life of the concession.

5.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lesser is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the income statement.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating lease are recognised as an expense in the period in which they are incurred.

In the event that incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregated benefit of incentives is recognised as a reduction of rental expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5.9 Intangible assets acquired in a business combinations

Intangible assets acquired in a business combination are identified and recognised separately where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets — Mining rights

Represent mineral reserves and resources which can be reliably valued and are recognised in the assessment of fair value on acquisition of mining operations. Mining rights are amortised using the unit of production method based on the estimated commercially recoverable tons of coal.

Intangible assets — Access to rail and port infrastructure

The cost of intangible assets with finite and determinable useful lives are amortised to reflect the pattern of economic benefits consumed, principally using the unit of production method based on the estimated tons of coal to be transported or exported. Amortisation shall begin when the asset is available for use. Intangible assets comprise the installment paid to Fenoco S.A. for the access to the rail infrastructure that will be used for coal transportation and the access fee paid to Carbosan S.A. for the exportation of coal through its port.

Intangible assets — Exploration and feasibility studies and other

Exploration and feasibility studies and other represent expenditures incurred in connection with the search for mineral resources, as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the feasibility and commercial viability of extracting those resources become demonstrable, these costs are amortised using the unit of production method based on the estimated commercially recoverable tons of coal.

5.10 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

5.11 Impairment

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. Given that Prodeco, Carbones de la Jagua S.A. (CDJ), Consorcio Minero Unido (CMU), Carbones del Tesoro (CET) are mainly single site operations, each of the entire operations, except for some specific identified assets, is considered to represent a single generating unit. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre — tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

Impairment losses are recognised as an expense immediately unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Any such reversal is restricted so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets (cash generating unit) in prior years.

5.12 Income taxes

Income tax expense represents the sum of income tax currently payable and deferred tax.

Current tax — Income tax currently payable is based on taxable income for the each of the tax paying legal entities at December 31, 2007. Taxable profit differs from profit as reported in the combined income statement because it

excludes items of income or expense that are taxable or deductible in other years and it further excludes item that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax — is the expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred 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 asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

5.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5.14 Land restoration provision

Provision is made for the expected cost of restoring un-rehabilitated disturbed land.

5.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are dealt within income in the period in which they are incurred.

5.16 Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivable are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

Borrowings

Interest-bearing bank loans, overdrafts and other borrowings are recorded at the proceeds received. Finance costs where appropriate, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

At December 31, 2007 the carrying amounts of cash, accounts receivable, accounts payable and short term debt approximated their fair values due to the short term maturities of these assets and liabilities.

5.17 Retirement benefits

The Group contributes on behalf of certain of its employees to separately administered compulsory defined contribution schemes. The annual costs equal the contributions that are required under the plan and are accounted for as an expense.

6. Summary of significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The areas involving a high degree of judgements or areas where assumptions and estimates are significant to the financial statements are discussed below.

Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight basis over the estimated useful lives of assets. The useful lives are estimated by management at the time assets are acquired and reassessed annually, with estimated useful lives being based on historical experience of similar assets, market conditions and future anticipated events. The actual useful life might be different from the estimated useful life.

Amortization of certain intangible assets

Mining rights and exploration costs incurred in connection with the search for mineral resources are amortized using the unit of production method based on the estimated commercially recoverable tons of coal. These estimates involve and assessments of the geological confidence of the deposit and the economic viability of extraction of the coal. Estimates are determined using external geologist. Information about the characteristics of mineral resources and reserves tends to expand as the development of mines progresses. Expectations of the future mineral prices and production costs also vary as a result of changes in economic and technological factors. Therefore these estimates are reassessed annually by management.

Impairment of assets

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized. The recoverable amount is the greater of net selling price and value in use. Future cash flows estimates used to calculate the asset's value in use are based on expectations about future operations primarily comprising estimates about production and sales volumes, commodity price, operating, rehabilitation and restoration cost and capital expenditures. Changes in such estimates could impact recoverable values of the assets.

7. Financial risk management

Components of the Group's business could be impacted by various external factors namely, an unforeseen major global economic downturn which in turn results in significantly lower commodity prices and demand, political events and unfavorable actions by governments, natural catastrophes and operational disruptions and financial risks. It is the Group's policy and practice to identify, and where appropriate and practical, to actively manage such risks.

The Group believes that effective, proactive and transparent risk management supports its objective of protecting its current and future financial security, and is of primary importance to its success. It operates a number of financial, operational, compliance and legal risk management functions which seek to monitor, manage and mitigate overall risk exposure.

The main financial risks faced by the Group are as follows:

Credit risk

The Group has no significant concentration of debtors. Glencore was appointed by Prodeco to act as its exclusive undisclosed agent for the purpose of providing all marketing and sales agency services relating to the sale of coal in the world. By means of the Agency Agreement proceeds from sales are collected by Glencore on behalf of Prodeco on standard industry settlement terms. At year end 2007 the accounts receivable are related to the sales made in the last month of the year. No receivables were impaired at year end 2007.

Liquidity risk and capital management

Proceeds from sales collected by Glencore are paid to the Group on as needed basis. Therefore no excess funds are managed by the Group. Capital investments are managed through bank loans guaranteed by Glencore.

The key liquidity requirement relates to payments to suppliers, has a standard settlement term of 30 days and is managed through working capital.

Market Risks

Interest rate risk

The Group's interest rate risk is associated to the changes in the Libor rate which is the reference interest rate used in for all US\$ denominated loans.

The Group through the area of Finance carries out continuous monitoring of market interest rates, in order to timely identify significant fluctuations that may be presented. Yet to date the interest rate on the existing loans are within the normal ranges of credit market.

Currency risk

The functional currency of the Group is US Dollars. The Group's main currency exposure is to the Colombian Peso which represents approximately 30% of the overall operational costs while 70% is US Dollar denominated. Since all proceeds from coal sales are US Dollar denominated, all US Dollar denominated costs are naturally hedged.

Other price risks

The Group is exposed to market risk relating to the price of coal. By virtue of the Agency Agreement Glencore undertakes the obligation to use all reasonable efforts to secure from purchasers, for the benefit of Prodeco, the most favorable price and terms of sale.

8. Cash and cash equivalents

Cash and cash equivalents include short-term investments with maturities of 90 days or less at the investment date and are carried at the principal amount plus accrued interests at the balance sheet date. The carrying amount of these assets approximates their fair value. The credit risk on liquid funds is limited as the counterparties are institutions with high-credit ratings.

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9. Accounts receivable and prepayments

Trade receivable and other financial assets comprise the following:

	2007	2006
	US\$	US\$
Trade accounts receivable ⁽¹⁾	<u>26,474,574</u>	<u>30,608,132</u>
Other debtors:		
Value added tax	9,823,117	4,835,812
Deposits ⁽²⁾	11,452,645	3,520
Advances for income tax ⁽³⁾	8,611,427	3,150,349
R royalty prepayments	1,838,424	357,310
Advances to suppliers	390,896	474,643
Employee home loans	384,301	269,739
Prepaid taxes	197,084	451
Port claims	422,030	1,687,802
Other	501,660	2,952,984
Allowance for doubtful accounts ⁽⁴⁾	<u>(595,602)</u>	<u>(329,045)</u>
Total other debtors	<u>33,025,982</u>	<u>13,403,565</u>
Total current accounts receivable	<u>59,500,556</u>	<u>44,011,697</u>
Prepaid expenses:		
Insurances	<u>1,670,767</u>	<u>730,779</u>
Long term advances:		
Advances to suppliers ⁽⁵⁾	23,247,631	11,822,807
Long term advances — Access Fee ⁽⁶⁾	25,413,650	12,552,094
Total long term advances	<u>48,661,281</u>	<u>24,374,901</u>

1. Current trade accounts receivable comprise accounts receivable from the sale of coal. Most of coal sales are made to Glencore International AG. In accordance with an agency agreement signed in 2007 (see Note 7). The average credit period on sales of goods is 30 days. Based on a review of individual accounts, a provision is made for any amounts considered irrecoverable. Management considers that the carrying amount of trade accounts receivable approximates their fair value.
2. For the year 2007 comprises mandatory deposits kept at Colombian Central Bank (Banco de la Republica). According to legal regulations, the company is obligated to maintain a deposit equivalent to 11% of the value of the loans received from foreign banks which constitute external indebtedness.
3. Comprises mainly income tax advances amounting to US\$6,874,342 (2006: US\$ 2,790,558) and withholding taxes of US\$1,737,085 (2006: US\$ 359,791).
4. Based on a review of individual accounts, a provision for other debtors is made for any amounts considered irrecoverable. Management considers that the carrying amount of the accounts approximates their fair value.
5. Comprises mainly advances for the acquisition of capital expenditures
6. Includes Access Fee advances made to Fenoco amounting to US\$24,331,513 (2006: US\$11,132,520) and Carbosan US\$1,082,137 (2006: US\$1,419,574).

	2007	2006
	US\$	US\$
The movement of the allowance for doubtful debts is the following:		
Balance at beginning of the year	329,045	126,080
Impairment losses recognised on other debtors	266,557	202,965
Amounts written off as uncollectible	—	—
Impairment losses reversed	—	—
Balance at end of the year	<u>595,602</u>	<u>329,045</u>

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10. Inventories

Inventories comprise the following:

Coal	34,774,561	39,701,578
Cattle	58,312	54,533
Spare parts — net	28,861,917	11,369,046
Total	63,694,790	51,125,157

11. Property, plant and equipment

Property, plant and equipment comprise the following:

US\$	Land	Buildings	Machinery & equipment	Other fixed Assets ⁽¹⁾	Deferred mining Costs ⁽²⁾	Masering Penalty	Provision for reforestation of forest reserve	Other Long term assets ⁽³⁾	Total
Cost/evaluation									
1/1/2007	51,445,518	9,416,458	104,170,544	10,604,581	69,407,032	—	—	939,916	245,984,049
Additions	5,197,405	1,652,166	84,966,517	121,270,919	4,874,423	7,075,880	3,135,000	3,528,897	231,701,207
Desvalorization	(1,019,536)	—	—	—	—	—	—	—	(1,019,536)
Retirements and Disposal	—	—	(12,015)	(56,186)	(43,725)	—	—	—	(111,926)
Reclassification	(8,343,371)	7,858	92,460,012	(91,967,552)	—	—	—	—	(7,843,053)
31/12/2007	47,280,016	11,076,482	281,585,058	39,851,762	74,237,730	7,075,880	3,135,000	4,468,813	468,710,741
Comprising:									
At cost	3,299,552	11,076,482	280,815,689	39,851,762	74,237,730	7,075,880	3,135,000	4,468,813	423,960,909
At valuation	43,980,464	—	769,368	—	—	—	—	—	44,749,832
	47,280,016	11,076,482	281,585,057	39,851,762	74,237,730	7,075,880	3,135,000	4,468,813	468,710,741
Acc. Depreciation and impairment loss									
1/1/2007	—	(3,152,128)	(36,003,143)	(2,348,072)	(3,596,346)	—	—	—	(45,099,689)
Depreciation for year	—	(1,275,596)	(10,882,718)	(752,162)	(1,666,498)	—	—	—	(14,576,974)
Retirements	—	—	14,354	—	—	—	—	—	14,354
Impairment loss	—	—	(841,515)	—	—	—	—	—	(841,515)
31/12/2007	—	(4,427,724)	(47,713,022)	(3,100,234)	(5,262,844)	—	—	—	(60,503,824)
NBV 31/12/2006	51,445,518	6,264,330	68,167,401	8,256,509	65,810,686	—	—	939,916	200,884,360
NBV 31/12/2007	47,280,016	6,648,758	233,872,036	36,751,528	68,974,886	7,075,880	3,135,000	4,468,813	408,206,917

Land and certain equipment were revalued on 1 July 1994 by professional valuers on an open market existing use basis. A review of land took place in 2007 resulting in a decrease of US\$1,019,536 in the market value.

The impairment loss recognized in 2004, 2006 and 2007 is related to certain mining equipments which in Calenturitas and CMU, under the current mining plans of the Group, will not be used in the exploitation of the mine.

The following depreciation periods based on the estimated useful lives of the respective assets are applied by the Group:

Land	no depreciation
Buildings	Up to 20 years
Machinery and equipment	Up to 10 years
Transportation equipment	Up to 5-10 years
Office furniture and equipment	5-10 years
Rail Equipment	13 years

(1) Other fixed assets include a dismantling cost provision of US\$1,889,160; constructions in progress and assets in transit of US\$26,878,809 including the construction of coal transportation facilities in the Calenturitas Coal Mine, the purchase and assembly of coal cars and the

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purchase of a rotary drill; and other assets of US\$11,083,793 which include aqueducts, plants, energy distribution lines and roads of the mines and Puerto Prodeco.

- (2) Comprises overburden, mine exploration and development expenses as well as capitalized interest and administrative expenses in relation to the development and maintenance of the mines. The deferred assets are amortized based on the tonnage produced when mining operations commenced.
- (3) Other non-current assets mainly comprise the costs incurred in coal handling facilities studies in Calenturitas (US\$2,868,565), Concession Pantanos investment (US\$1,230,029) and Deviation of Calenturitas River studies (US\$83,334).

12. Intangible assets

Intangible assets comprise the following:

US\$	Mining Rights	Mining lands	Other Intangibles	Access Fee Carboasan	Feasibility Studies	Total
Cost						
1/1/2007	175,844,289	—	—	1,500,000	1,049,758	178,394,047
Additions	81,721,565	818,729	45,428	1,053,440	550,710	84,189,872
Retirements and Disposal	—	—	—	—	—	—
Reclassification	—	7,843,053	—	—	—	7,843,053
31/12/2007	<u>257,565,854</u>	<u>8,661,782</u>	<u>45,428</u>	<u>2,553,440</u>	<u>1,600,468</u>	<u>270,426,972</u>
Amortization						
1/1/2007	(6,500,825)	—	—	(80,426)	—	(6,581,251)
Depreciation for year	(15,479,653)	(13,779)	—	(373,627)	(46,878)	(15,913,937)
Previous years adjustment	—	(224,077)	—	—	—	(224,077)
31/12/2007	<u>(21,980,478)</u>	<u>(237,856)</u>	—	<u>(454,053)</u>	<u>(46,878)</u>	<u>(22,719,265)</u>
NBV 31/12/2006	<u>169,343,464</u>	—	—	<u>1,419,574</u>	<u>1,049,758</u>	<u>171,812,796</u>
NBV 31/12/2007	<u>235,585,376</u>	<u>8,423,926</u>	<u>45,428</u>	<u>2,099,387</u>	<u>1,553,590</u>	<u>247,707,707</u>

13. Assets for sale

The Group intends to dispose a portion of land originally acquired for building a port in Santa Marta. The assets will be sold to Propuerto as a result of a decision taken by the Directors. The sale is expected to take place within the next twelve months. The proceeds from the sale are expected to exceed the net carrying amount of the assets which was revalued in 2007.

This asset has not been sold yet because it is expected that in 2008 the government will finally indicate where the new port will be built.

14. Investments in associates

Details of the Group associates are as follows:

Name of associate	Principal Activity	Place of incorporation and operation	Ownership interest		US\$	
			2007	2006	2007	2006
Fenoco S.A.	Rail Transportation	Bogota	39.76%	39.76%	34,189,251	36,254,213
Propuerto S.A.	Port Operation	Bogota	69.44%	69.44%	3,083,824	3,083,824
Subtotal					37,273,075	39,338,037
Provision — Propuerto S.A. Shares					(3,083,824)	—
Total					<u>34,189,251</u>	<u>39,338,037</u>

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Summarized financial information in respect of the Group's associate Fenoco is set out below.

	2007 US\$	2006 US\$
Assets	191,585,275	122,235,570
Liabilities	<u>105,594,047</u>	<u>74,582,043</u>
Net assets	<u>85,991,228</u>	<u>47,653,527</u>
Profit (loss) for the period	<u>(5,246,056)</u>	<u>293,912</u>

15. Bank loans

Bank loans comprise the following:

	2007 US\$	2006 US\$
<u>At amortized cost</u>		
Loans denominated in US Dollars	333,063,028	45,805,147
Loans denominated in Colombian Pesos	<u>5,019,152</u>	<u>2,849,442</u>
Total	338,082,180	48,654,589
Short term bank loans	<u>(159,852,348)</u>	<u>(48,654,589)</u>
Long term bank loans	<u>178,229,832</u>	<u>—</u>

Bank loans denominated in US Dollars carry interest at rates equivalent to Libor plus a premium between 0.85% and 4% (2006 0.15% and 1%). The fair value of these bank loans approximates their carrying amount. These loans are secured by promissory notes.

Bank loans denominated in Colombian Pesos carry interest at rates based on DTF plus a premium between 0% and 6%. The fair value of these bank loans approximates their carrying amount and their renewal date is December 2008.

Bank loans with the Barclays Bank are back to back loans secured by Glencore International A.G.

The directors consider that the carrying amount of the bank loans with Barclays Bank approximates their fair value.

16. Trade and other accounts payable

Trade and other payables principally comprise amounts outstanding for trade purchases, port concession liabilities and ongoing costs. The average credit period taken for trade purchases is between 30 and 60 days.

For 2007 and 2006 the other accounts payable additionally include US\$ 9,931,994 and US\$13,242,658 required for the acquisition of the interest in Fenoco S.A. that was partially financed with accounts payable bearing no interest and payable 50% in January 2007 and 50% in January 2008. These accounts payable are guaranteed by promissory notes.

The directors consider that the carrying amount of trade accounts payable and other accounts payable approximates their fair value.

The balances age of accounts payable to trade on December 31, 2007 is as follows:

	US\$
0 - 30 days	38,059,483
31 - 60 days	378,649
61 - 90 days	153,582
More than 90 days	775,495
Total	<u>39,367,209</u>

17. Obligation under financial leases

Finance leases relate to coal equipment with lease terms between 2 and 5 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease period. The Group obligations under finance leases are secured by the lessors's title to the leased assets.

Finance leases comprise the following:

	2007	2006
	US\$	US\$
Loans denominated in US Dollars	5,630,544	18,959,852
Loans denominated in Colombian Pesos	<u>254,854</u>	<u>427,371</u>
Total	5,885,398	19,387,223
Short term loans	<u>(5,710,788)</u>	<u>(6,652,975)</u>
Long term loans	<u>174,610</u>	<u>12,734,248</u>

Financial leases denominated in US Dollars carry interest at rates equivalent to Libor plus a premium between 1% and 3.5% (2006: between 3% and 3.50%).

Financial leases denominated in Colombian Pesos carry interest at rates equivalent to DTF plus a premium between 5.5 % and 6% (2006: between 1.5% and 6%).

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

18. Deferred taxes

Deferred taxes comprise the following:

	2007	2006
	US\$	US\$
Deferred tax liabilities	27,300,926	27,440,224
Deferred tax assets	<u>(30,138,946)</u>	<u>(2,568,676)</u>
Total	<u>(2,838,020)</u>	<u>24,871,548</u>

At December 31, 2007 and 2006 the deferred tax assets and deferred tax liabilities relate mainly to the net effect of differences between the book carrying amount and the tax basis of P.P.E, intangible assets and land restoration provision. For year 2007 the main effect is related to the recognition of fiscal losses related tax assets.

The movement for the year in the Group's net deferred tax position was as follows:

Opening Balance	24,871,548	579,225
Inception CMU (Business Combination)	<u>—</u>	31,119,928
Credit to income for the year	<u>(27,709,568)</u>	<u>(6,827,605)</u>
Closing balance	<u>(2,838,020)</u>	<u>24,871,548</u>

19. Accrued liabilities

Land restoration provision ⁽¹⁾	7,166,116	5,115,362
Provision for port dismantling	2,068,955	751,591
Bank interests	3,211,212	2,849,442
Port special contribution	375,707	751,414
Provisions for services and supplies ⁽²⁾	2,124,934	2,758,206
Provision for reforestation of protected forest zone "Los Motilones" ⁽³⁾	<u>3,135,000</u>	<u>—</u>
Total	18,081,924	12,226,015
Short term accrued liabilities	<u>(5,711,853)</u>	<u>(8,915,350)</u>
Long term accrued liabilities	<u>12,370,071</u>	<u>3,310,665</u>

1. This provision represents management best estimate of costs to be incurred for the restoration of disturbed land in accordance with environmental commitments included in the concession contract.

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2. These provisions represent supplies and services received but not invoiced by the suppliers as of year — end.
3. This provision covers environmental obligations acquired under the provisions of Resolution No. 0208 of February 9, 2007 issued by the Ministry of Environment, Housing and Territorial Development.

20. Share capital and share premium

The share capital of each of the companies included in the combination consists of the following registered shares, which were all fully paid in:

<u>Company</u>	<u>Number of shares fully paid</u>	<u>Value per share Col\$</u>	<u>Share capital USD\$000'S</u>	<u>Share capital premium USD\$000'S</u>
C.I. Prodeco S.A.	54,083,447,373	1	54,053	38,162
Carbones de la Jagua S.A.	284,211,696	1.000	118,929	—
Consorcio Minero Unido S.A.	<u>9,472,228</u>	<u>1.000</u>	<u>3,905</u>	<u>39</u>
At 12/31/2006.....	54,377,131,297		176,887	38,201
Carbones El Tesoro S.A.	<u>1,000,000</u>	<u>1.000</u>	<u>510</u>	<u>—</u>
At 12/31/2007.....	<u>54,378,131,297</u>	<u>—</u>	<u>177,397</u>	<u>38,201</u>

Share Premium

Comprise a higher value paid by the shareholders above the nominal value of the share.

Legal reserve

Colombian law requires that 10% of the annual net profit is accounted for as reserve until the reserve is equal to 50% of the share capital. This reserve may not be distributed to shareholders but can be utilised to absorb future losses.

Fiscal depreciation reserve

This reserve is required to obtain tax deductions for tax depreciation in excess of book depreciation. The reserve is equivalent to 70% of the tax depreciation in excess over book depreciation. According to laws, as depreciation subsequently accounted exceeds that requested annually for tax purpose, this reserve may be distributed to the shareholders.

Other Reserves

The other reserves differently than the legal reserves, appropriate directly from retained earnings, may be regarded as reserves of free availability by the shareholder's meeting.

Revaluation Surplus

Corresponds to land revaluation. Where revaluated land is sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realized, is transferred directly to retained profits.

Exchange control

According to the legal regulations about exchange control, the remittance of dividends outside of the country has no limit.

21. Coal revenue

Sales relate to 10,138,727 tons (2006: 7,468,854 tons) of CMU, CDJ, CET, third parties and Calenturitas coal exported for a total amount of US\$545,250,200 (2006: US\$386,820,148), and local sales for a total amount of US\$1,071,609 (2006: US\$7,206,068).

22. Staff cost and retirement benefits

The Groups is party to certain defined contributions pension plans. The Group has 1467 employees at December 31, 2007 (2006: 1141 employees). Personnel costs, which include salaries, wages, social benefits and other personnel costs amounted to US\$30,516,440 (2006: US\$17,645,248).

23. Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2007 US\$	2006 US\$
Short term benefits	1,813,268	1,580,025

24. Non-operating income

Non-operating income comprises the following:

Spare parts physical inventory adjustments ⁽¹⁾	1,547,170	—
Insurance claims	410,091	29,838
Interest income	147,444	50,681
Services	104,885	142,516
Rentals	81,875	9,856
Gain on disposal of fixed assets	1,380	14,406
Reversal of provisions and other non-operating income ⁽²⁾	5,233,091	1,232,751
Other Sales	<u>192,070</u>	<u>49,059</u>
Total	<u>7,718,006</u>	<u>1,529,107</u>

(1) Corresponds to adjustments resulting from the spare parts physical inventory and the reconciliation of the differences between subsidiary ledger and general ledger.

(2) Corresponds to Carboandes recovery cost 2007: US\$3,388,459 (2006: US\$0), and the recovery of other cost and expenses 2007: US\$1,844,632 (2006: US\$1,232,751).

25. Non-operating expense

Non-operating expense comprises the following:

	2007 US\$	2006 US\$
Spare parts obsolete inventory ⁽¹⁾	3,753,541	—
Provision Propuerto S.A. Shares (Note 14)	3,083,824	—
Equity Method Fenoco (Note 14)	2,064,962	—
Impairment loss	841,515	409,678
Foreign exchange gains/ losses	(36,794)	1,613,014
Other non-operating expenses	<u>2,751,758</u>	<u>1,363,533</u>
Total	<u>12,458,806</u>	<u>3,386,225</u>

(1) Corresponds to adjustments resulting from the obsolescence analysis of spare parts inventory .

26. Income tax

Total income tax expense comprises the following:

Domestic tax expense	3,967,820	12,679,541
Excess income tax 2006	(4,406,728)	—
Deferred income tax for fiscal losses	(32,255,057)	—
Deferred income (expense) tax from reversal of temporary differences	<u>4,545,488</u>	<u>(6,827,605)</u>
Total	<u>(28,148,477)</u>	<u>5,851,936</u>

Part III
Information on Prodeco

The deferred tax asset of US\$ 2,838,020 (2006: US\$ 24,871,548 deferred tax liability) relates mainly to the net effect of differences between the book carrying amount and the tax basis of P.P&E, deferred assets and liabilities and deferred income tax generated by the fiscal losses incurred in 2007.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2007 US\$	2006 US\$
Profit before taxes.....	17,530,507	58,948,663
Percentage rate of tax	34%	38.5%
Income tax at nominal tax rate.....	5,960,372	22,695,235
Special deductions on fixed assets investments (2007:40% 2006:30%).....	(29,329,027)	(5,950,751)
Inflation adjustment on equity	—	(4,466,501)
Permanent differences, including the effect of Colombian pesos revaluation on Colombian tax bases	(4,779,822)	(6,426,047)
Tax expense for the year	<u>(28,148,477)</u>	<u>5,851,936</u>

27. Related party transactions

Related party transactions comprise the following balances and transactions:

Balance Sheet

Trade accounts receivables — Glencore International AG	26,426,756	30,308,725
Long term advances — Fenoco access fee.....	24,331,513	11,132,520
Trade accounts payable — Glencore International AG	14,533,355	2,022,693

Income Statement

Sales to Glencore International AG	303,096,579	351,173,582
Expenses — Commissions to Glencore International	12,103,819	—
Expenses — Demurrages in loading vessels.....	1,138,919	4,869,968

28. Expenditure commitments

Estimated capital expenditures approved by the board are the following.

	2007 US\$	2006 US\$
Calenturitas, Port and Rail	108,659,556	104,545,860
La Jagua — CET	4,615,174	—
La Jagua — CMU	5,150,068	5,350,320
La Jagua — CDJ	<u>59,729,605</u>	<u>24,327,560</u>
Total expenditure commitments	<u>178,154,403</u>	<u>134,223,740</u>

Commitments for capital expenditures mainly consist of the access fee to be paid to Fenoco S.A. for the rail infrastructure expansion 2007: US\$47,696,000 (2006:US\$66,462,000), Calenturitas coal handling facilities 2007: US\$13,551,614 (2006:US\$0), Calenturitas mining equipment 2007: US\$32,821,243 (2006:US\$0), Calenturitas other Projects 2007: US\$6,191,020 (2006: US\$6,591,140), Port 2007: US\$ 2,111,863 (2006: US\$2,200,180), Rail 2007: US\$27,083,283 (2006: US\$56,256,420), La Jagua equipment US\$44,140,670 (2006: US\$0) and others projects La Jagua 2007: US\$ 4,558,710 (2006:US\$ 2,714,000).

29. Environmental impact — contingencies

In the course of its operations, the Company is subject to various regulations inherent in the legal environment. The administration the Group and its legal counsel have not identified situations which may indicate possible breaches with those rules that may have an important impact on the financial statements other than those recognized by estimated provisions.

30. Legal issues

At December 31, 2007 the companies C.I. Prodeco S.A. and Carbones de la Jagua SA, under the partnership contract signed between C.I. Prodeco S.A., Carbones de la Jagua, Consorcio Minero Unido and Carbones El Tesoro with Ferrocarriles del Norte de Colombia S.A. (Fenoco), acquired a take or pay commitment to transport 1,400,000 tons of coal in 2007 for \$6.2 million. Management of the Group did not recognize these liabilities in the financial statements insofar as Fenoco could not guarantee access to the rail road between Chiriguaná — Santa Marta in 2007.

31. Subsequent events

There are no material subsequent events that require disclosure in these combined financial statements.

Part IV

Principal Terms of the Proposed Acquisition

Acquisition Agreement

Pursuant to the Acquisition Agreement:

- (a) Glencore has conditionally agreed to sell, and the Xstrata Group has conditionally agreed to buy, all of the shares in each of the Prodeco Target Companies with effect from the Effective Date. The Prodeco Target Companies collectively hold directly and indirectly all of the issued shares of each of the Prodeco Operating Companies; and
- (b) Glencore and Xstrata Coal South America have agreed the legally binding principles of an offtake arrangement in relation to the sale of coal produced by the Prodeco Operating Companies with effect from the Effective Date.

Consideration

The aggregate consideration payable by Xstrata Coal South America to Glencore under the Acquisition Agreement is US\$2 billion (subject to certain adjustments which are set out below). Xstrata Coal South America will also pay to Glencore interest on the purchase price from the Effective Date to Prodeco Closing at LIBOR plus 1.50%.

The economic effect of the transaction is a sale and purchase of the Prodeco Business as of the Effective Date. Accordingly, the profits and losses of the Prodeco Business from the Effective Date to Prodeco Closing are for the account of Xstrata Coal South America. For this reason and as is customary for a transaction of this nature, any leakage of value from the Prodeco Target Companies or the Prodeco Operating Companies to Glencore (for example, any dividend paid by a Prodeco Target Company to Glencore) between the Effective Date and Prodeco Closing, or any repayment of debt of the Prodeco Target Companies (that was outstanding at the Effective Date) after Prodeco Closing, is for the account of Glencore on a US dollar for US dollar basis. Conversely, any capital injection by Glencore into the Prodeco Target Companies or the Prodeco Operating Companies (for example, any capital expenditure by Glencore or the Prodeco Operating Companies) between the Effective Date and Prodeco Closing is for the account of Xstrata Coal South America on a US dollar for US dollar basis.

Conditions

Closing of the Acquisition Agreement is conditional upon the satisfaction of each of the following conditions:

- (i) the passing of the Proposed Acquisition Resolution;
- (ii) all or any applicable waiting periods under the HSR Act having expired, lapsed or been terminated as appropriate;
- (iii) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission and Swiss Admission (in each case, nil paid) and the condition relating to the Acquisition Agreement, and not having been terminated prior to Prodeco Closing;
- (iv) the consent of the Bermuda Monetary Authority having been obtained in writing by Xstrata Coal South America in respect of the transfer to Xstrata Coal South America of the shares in Tikolan Limited, Simkana Limited, Merani Holding Limited and Wichita Holding Limited; and
- (v) all applicable mandatory regulatory approvals having been obtained in writing by Glencore.

In addition, the Acquisition Agreement may be terminated prior to the satisfaction of the conditions referred to above if any fact, matter or event comes to the notice of Xstrata Coal South America at any time prior to Prodeco Closing which: (i) constitutes a material breach by Glencore of the Acquisition Agreement, which, if capable of rectification, has not been rectified within 7 days following notification or by Prodeco Closing (whichever occurs first); (ii) would constitute a breach of any warranty if the warranties were repeated on or at any time prior to Prodeco Closing by reference to the facts and circumstances then existing and which may constitute or constitutes a material adverse change to the Prodeco Business; (iii) constitutes a material adverse change to the Prodeco Business; (iv) involves any of the financial institutions which have the benefit of pledges over any of Glencore's Xstrata Ordinary Shares enforcing any of their rights in respect of such pledges by taking beneficial ownership of such Ordinary Shares; or (v) would cause any of the conditions to the Acquisition Agreement to be incapable of fulfilment.

Part IV
Principal Terms of the Proposed Acquisition

Undertakings of Glencore in relation to conduct of Prodeco Business up to Prodeco Closing

The Acquisition Agreement contains undertakings given by Glencore to Xstrata Coal South America in relation to the conduct of the Prodeco Business until Prodeco Closing. These undertakings require Glencore, amongst other things, to: (i) operate the Prodeco Business in the ordinary and usual course; and (ii) take all reasonable steps to preserve and protect assets of the Prodeco Business, in each case unless Xstrata Coal South America otherwise consents.

Warranties and tax covenant

Under the Acquisition Agreement, Glencore has given certain warranties to Xstrata Coal South America concerning the ownership, and constitutional details, accounts, financial matters, mining interests and contracts, of the Prodeco Target Companies and the Prodeco Operating Companies.

Glencore has no liability for a breach of most of the warranties or any claim under the tax covenant (as described below) unless any individual claim exceeds US\$0.5 million and unless all claims, in aggregate, exceed US\$5 million. For certain other warranties, relating to the disclosure of information, the thresholds are US\$1 million and US\$10 million respectively.

As is customary for a transaction of this nature, Glencore has agreed in a tax covenant to indemnify Xstrata Coal South America in respect of certain taxation liabilities of the Prodeco Target Companies and the Prodeco Operating Companies, which in each case are attributable to the period up to the Effective Date.

The maximum liability of Glencore for all claims under the Acquisition Agreement and the tax covenant is the purchase price payable pursuant to the Acquisition Agreement.

Offtake arrangements

The Acquisition Agreement includes the legally binding principles of an offtake arrangement between Glencore and a member of the Xstrata Group. These principles will be reflected in a legally binding definitive agreement which the parties propose to enter into at or prior to Prodeco Closing.

The offtake arrangements will apply to all ex-mine coal produced by the Prodeco Operating Companies and take effect from the Effective Date to the first anniversary of the Prodeco Closing Date (in respect of sales contracts where the bill of lading date falls before the date on which the Call Option Agreement is due to expire).

The Prodeco Operating Companies will not be obliged to deliver a specified volume of coal to Glencore but they will be obliged to provide monthly updates of forecast tonnage. The price payable by Glencore for the coal will be US\$75.00 per tonne based on a BTU of 11,300, net of any charges or costs associated with the sale of the coal (and the price will be adjusted pro rata to the extent that the BTU is more or less than 11,300).

Call Option Agreement

Pursuant to the Call Option Agreement, Xstrata (Schweiz) AG has conditionally agreed to grant Glencore an option to repurchase the Prodeco Business on any Business Day in the period from Prodeco Closing to the Business Day immediately following the first anniversary of the Prodeco Closing Date.

Consideration

The aggregate consideration payable by Glencore under the Call Option Agreement upon exercise of the Call Option is an amount equal to the purchase price payable by Xstrata Coal South America under the Acquisition Agreement, as adjusted in accordance with the terms of that agreement, plus US\$250 million, plus all profits of the Prodeco Business accrued and not distributed to the Xstrata Group and any cash paid into the Prodeco Business by the Xstrata Group, less any amounts distributed by the Prodeco Target Companies to the Xstrata Group, in each case in the period from the Effective Date to the date on which the sale of the Prodeco Business pursuant to the exercise of the Call Option is completed. The Xstrata Group will retain the economic benefit of profits generated by the Prodeco Business in this period, whether or not the Call Option is exercised.

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Principal Terms of the Proposed Acquisition

Exercise

The Call Option may be exercised on any Business Day in the period from the Prodeco Closing Date to the Business Day immediately following the first anniversary of Prodeco Closing. Should the Call Option be exercised, the Prodeco Business will at all times have been accounted for as a financial asset and its earnings will never have been consolidated into the Enlarged Group's earnings, although Glencore will have paid a repurchase price that adequately compensates Xstrata's Shareholders by providing a robust return on the original consideration paid by Xstrata.

Conditions

The exercise of the Call Option is conditional upon the satisfaction of each of the following conditions:

- (i) completion of the Acquisition Agreement in accordance with its terms;
- (ii) all or any applicable waiting periods under the HSR Act having expired, lapsed or been terminated as appropriate;
- (iii) the consent of the Bermuda Monetary Authority having been obtained in writing by Glencore in respect of the transfer to Glencore of the shares in Tikolan Limited, Simkana Limited, Merani Holding Limited and Wichita Holding Limited; and
- (iv) all applicable mandatory regulatory approvals having been obtained in writing by Glencore.

Undertakings of Xstrata (Schweiz) AG relating to conduct of the Prodeco Business

The Call Option Agreement contains undertakings given by Xstrata (Schweiz) AG to Glencore that, from the date of Prodeco Closing until the completion of the sale of the Prodeco Business pursuant to the exercise of the Call Option, it will ensure that, amongst other things: (i) the affairs of the Prodeco Target Companies are conducted only in the ordinary and usual course; (ii) all transactions between the Prodeco Target Companies and the Xstrata Group are on an arm's length basis; and (iii) all reasonable steps are taken to preserve and protect the assets of each of the Prodeco Target Companies and to retain the goodwill of the Prodeco Business, unless, in each case Glencore otherwise consents in writing.

Glencore undertakes not unreasonably to withhold or delay such consent and shall give such consent unless the proposed course of action will cause material prejudice to the value of the entities for which no alternative compensation has been offered.

Warranties

Xstrata (Schweiz) AG has given limited warranties to Glencore, including as to the Xstrata Group's ownership at the relevant time of the relevant shares in the Prodeco Target Companies and Xstrata (Schweiz) AG's authority to enter into and perform the Call Option Agreement.

Part V

The Xstrata Group's Relationship with Glencore

1. 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 for sale 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 some 50 field offices in over 40 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 Group), following which Xstrata AG built a portfolio of businesses operating in the natural resources sector.

Members of Glencore and the Xstrata Group have entered into the Acquisition Agreement and the Call Option Agreement. Glencore has also irrevocably undertaken to vote in favour of the Rights Issue Resolutions and to take up its full entitlements under the Rights Issue. In addition, it has agreed to a lock up which, subject to certain exceptions, will expire six months after the latest time for acceptance and payment in full of entitlements to subscribe for the New Shares. A total of 336,801,333 Ordinary Shares are subject to Glencore's irrevocable undertakings. See Part IV — "Principal Terms of the Proposed Acquisition" for a summary of the terms of the Acquisition Agreement and the Call Option Agreement and paragraph 5 of this Part V below for a summary of the terms of the Glencore Undertaking.

So far as Xstrata is aware, Glencore International, through its wholly-owned subsidiary, Finges Investment BV ("Finges"), beneficially owns 336,801,333 Ordinary Shares, representing approximately 34.45% of the current issued ordinary share capital of Xstrata. On 8 January 2007, Glencore International notified Xstrata that these Ordinary Shares are registered in the name of HSBC Bank plc ("HSBC"). Xstrata understands that a substantial portion of this holding is subject to collateral or similar arrangements related to the provision of finance to Glencore, which may be documented as loans, derivative transactions (including repurchase agreements or forward sales contracts) or otherwise. One of the exceptions to the lock-up contained in the Glencore Undertaking permits Glencore to dispose of interests in Ordinary Shares in the event of any default under Glencore's financing arrangements. See paragraph 5 of this Part V below for a summary of the exceptions to the lock-up contained in the Glencore Undertaking. As a result, a substantial portion of its interest in Xstrata may become subject to sale, transfer or other disposal and any such sale, transfer or other disposal occurring whether before or after the ex-rights date could reduce the number of Existing Shares which Glencore is interested in to below 30% or to below 34.45% but above 30%. The Takeover Panel has granted a dispensation from any obligation on Glencore to make a mandatory offer for Xstrata pursuant to Rule 9 of the City Code, as a result of Glencore's interest being reduced as a result such sales, transfers or other disposals and subsequently being increased again through 30% or, if above 30%, by more than 1% as a result of Glencore subscribing for New Shares pursuant to the irrevocable undertakings it has given to the Company. Glencore's right to acquire shares pursuant to Note 11 on Rule 9.1 of the City Code is not affected by this dispensation nor by these arrangements generally. Prior to Admission, the Joint Underwriters may terminate their obligations in circumstances where either Glencore or Finges breach their obligations under the Glencore Undertaking or dispose of Existing Shares in which Glencore is interested.

2. Commercial relationship

General

The Group believes that it benefits from the various arm's length advisory and marketing arrangements in place with Glencore. The Group further believes that Glencore benefits from these arrangements with the Group.

A number of the Group's operating subsidiaries have entered into long-term agency agreements with Glencore, under which Glencore provides marketing services in exchange for agency fees. These fees are negotiated on arm's length terms and range from 3.5% to 5% of the FOB sales revenue. In a number of instances, Glencore acts as collecting agent and also assumes 60% of the non-payment risk of the Chrome Business's ferrochrome trade receivables and 100% of the non-payment risk of the Chrome Business's vanadium trade receivables.

Part V
The Xstrata Group's Relationship with Glencore

The nickel agency agreement is a performance arrangement under which the performance floor for Xstrata Nickel is an average of past period performance, with upside achievement in premiums being shared.

Xstrata Copper

On 1 January 2007 Xstrata Copper entered into a service agreement (the “Xstrata Copper Service Agreement”) with Glencore for a period of four years under the terms of which Glencore provides advice and assistance with respect to pricing and structural issues regarding hedging and the optimisation of internal flows of raw materials. Xstrata Copper is required to pay US\$2.4 million per annum in fees under this agreement.

In 2004 Xstrata Copper North Queensland entered into sales agreements with Glencore in respect of the total available export allocation of copper cathode and surplus North Queensland copper concentrate not processed through its Mount Isa copper smelter. The sales terms for the copper cathode were the LME price plus a range of premiums that is based on Codelco North Asian CIF Liner Terms, less freight discounts by destination. The sales terms for the copper concentrate were based on market prices less agreed metal content deductions, treatment and refining charges. The treatment and refining charges comprised both an annual benchmark and a spot component. Xstrata Copper North Queensland and Glencore agreed to terminate these sales agreements with effect from 1 January 2008. From 1 January 2008, the volumes previously sold under these agreements are instead sold by Xstrata Commodities Middle East on the same terms and conditions, as detailed below. Xstrata Copper North Queensland, on occasion, sells by-products to Glencore and purchases concentrate from Glencore at prevailing spot market prices.

In 2008 Xstrata Copper Minera Alumbra entered into a frame contract with Glencore for the sale of copper concentrate. The frame contract is for an initial five year period and is “evergreen” thereafter, unless terminated by either party on twelve months notice. The sales terms for the copper concentrate are negotiated annually on arm’s length terms and conditions. Xstrata Copper Minera Alumbra on occasions sells copper concentrate to Glencore at prevailing spot market prices. Xstrata Copper Minera Alumbra on occasions also sells copper concentrate to Glencore under swap arrangements at prevailing spot market prices.

Xstrata Copper Canada entered into copper concentrate purchase and sale agreements with Glencore for the period between 1 January 2008 and 31 December 2008. These purchase and sale agreements have been renewed for the 2009 calendar year. Purchases and sales under these agreements are at prevailing spot market prices. Xstrata Copper Canada also entered into copper cathode sales agreements with Glencore for the period 1 January 2008 to 31 December 2008. Again, these sales agreements have been renewed for the 2009 calendar year. Sales under these agreements are based on either spot or benchmark terms in accordance with prevailing market conditions.

Xstrata Copper North Chile also entered into copper cathode sales agreements with Glencore for the period from 1 January 2008 to 31 December 2008. These sales agreements have been renewed for the 2009 calendar year. Sales under these agreements are based on either spot or benchmark terms in accordance with prevailing market conditions. Xstrata Copper North Chile, on occasion, sells and purchases by-products to and from Glencore on commercial arm’s length terms.

Xstrata Commodities Middle East has entered into copper cathode sales agreements with Glencore for the period between 1 January 2008 and 31 December 2008. These sales agreements have been renewed for the 2009 calendar year. Xstrata Commodities Middle East has also entered into copper concentrate sales agreements with Glencore on the basis of a three-year frame contract commencing 1 January 2008. All sales are based on either spot or benchmark terms in accordance with prevailing market conditions.

All sales transactions with Glencore are on arm’s length terms and conditions.

Xstrata Coal

Xstrata Coal Marketing and Xstrata (Schweiz) AG entered into a Market Advisory Agreement with Glencore International on 2 March 2002 (the “Market Advisory Agreement”). Pursuant to the Market Advisory Agreement, Glencore International, for a fee of US\$0.50 per tonne of attributable sales of coal exported by the Group from Australia or South Africa, acts as the Group’s market adviser with respect to its export production of coal (other than Xstrata Coal’s share of production from the Cerrejón mine — see further below.) Glencore International advises the Group regarding the placement of its Australian and South African export coal in the world market, the future planning for that placement and market opportunities available for the future sale of export coal. Glencore

Part V
The Xstrata Group's Relationship with Glencore

International also provides the 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 Group. See paragraph 3 of this Part V below — "Relationship with Glencore — Relationship with major Shareholder".

The Market Advisory Agreement remains in full force and effect for a period of 20 years, with a review of the fee at the end of each fifth year of its term. The Market Advisory Agreement may be terminated by Xstrata Coal Marketing 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 of its obligations under the Market Advisory Agreement.

On 5 January 1995, Cumnock entered into a sales and marketing agreement with Glencore under which Glencore provides sales and marketing services to Cumnock and Cumnock appoints Glencore as its agent to market coal for a commission of US\$0.75 per tonne for all coal sold by Cumnock. Glencore and Cumnock agreed to terminate this agreement with effect from 7 November 2008, with the consequence that future export tonnes will be subject to the Market Advisory Agreement.

From time to time, the Group enters into market standard forward commodity price contracts with Glencore International as counterparty. In 2008 the Group entered into market standard forward commodity price derivatives for 1,965,000 tonnes (compared to 60,000 tonnes in 2007) with Glencore as counterparty. During the year ended 31 December 2008, 105,000 tonnes at an average FOB price of US\$64.59 per tonne were delivered (compared to nil in 2007). At 31 December 2008, 2,340,000 tonnes (compared to 60,000 tonnes in 2007) were contracted with Glencore for delivery in 2009. These derivatives are on arm's length terms and conditions.

During the year ended 31 December 2008, 142,414 tonnes were borrowed from Glencore and 342,620 tonnes were transferred back to Glencore, with nil tonnes owed to Glencore at 30 June 2008 (as at 31 December 2007, 200,206 tonnes were owed to Glencore), in each case on arm's length terms and conditions.

All other coal purchases and sales with Glencore International are on arm's length terms and conditions.

In 2006 the Group entered into a three year fuel supply agreement with Glencore to supply diesel fuels to the Group's coal mines in New South Wales and Queensland. Under this supply agreement, US\$116.3 million worth of fuel was delivered during the year ended 31 December 2008 (US\$69 million worth of fuel was delivered during the year ended 31 December 2007). The supply agreement is on arm's length terms and prices change monthly according to the world market price per barrel.

In 2005, Cerrejón entered into a four year fuel supply agreement with Glencore to supply diesel fuels. The Group's fuel purchases under this agreement for the year ended 31 December 2008 were US\$92.5 million (the Group's fuel purchases under this agreement for the year ended 31 December 2007 were US\$48 million). The supply agreement is on arm's length terms and prices change for each shipment according to the world market price per barrel.

Xstrata Nickel

In March 2007, Xstrata Nickel entered into sole distributorship agreements with Glencore for its nickel, cobalt and ferronickel production. These agreements continue until 31 December 2012 and are automatically renewed for successive three-year periods, unless terminated by either party on not less than 12 months' notice prior to the end of the original term or any renewed term, or unless Xstrata Nickel permanently ceases production of these metals. Xstrata Nickel, at its sole discretion, may cease, suspend or reduce production at any time. Glencore is obliged to distribute the products with all due care and diligence and to cultivate and maintain good relations with purchasers and potential purchasers in accordance with sound commercial principles and taking into account Xstrata Nickel's business principles. All sales terms and conditions are on an arm's length basis. For nickel and cobalt sales, the price basis is the month following the month of delivery to Glencore with reference to, in the case of nickel, the monthly average LME cash "sellers" settlement price and, in the case of cobalt, metal bulletin low grade. For ferronickel, the

Part V
The Xstrata Group's Relationship with Glencore

price basis is with reference to the price quoted on 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 at the time of sale. During the year ended 31 December 2008, Xstrata Nickel sold to Glencore 89,567 tonnes of nickel, 3,137 tonnes of cobalt, and 19,845 tonnes of nickel in ferronickel compared with 71,150 tonnes of nickel, 2,708 tonnes of cobalt, and 24,212 tonnes of nickel in ferronickel for the period from the commencement of these agreements to 31 December 2007. In addition, Glencore pre-pays to Xstrata Nickel in two equal instalments each month 100% of the value of that month's planned production. The pre-payment balance as at 30 June 2008 amounted to US\$54 million.

Xstrata Nickel has two agreements with Glencore for the treatment of approximately 2,000 tonnes per annum of white alloy raw material feeds to its Nikkelverk refinery in Norway and the Sudbury smelter in Canada. The contracts include both a metal purchase component and a metal return component. The term of the contracts is to the end of 2009, continuing indefinitely thereafter unless terminated by either party on six months' notice given not earlier than 1 July 2009. Treatment and refining charges to Glencore are subject to price participation adjustments based on prevailing market prices.

Xstrata Zinc

On 1 January 2007, Xstrata Zinc renewed a service agreement with Glencore (the "Xstrata Zinc Service Agreement") for a period of four years. Under the terms of this service agreement, Glencore provides advice and assistance with respect to pricing and structural issues regarding hedging and the optimisation of internal flows of raw materials. The fees payable by Xstrata Zinc to Glencore under the Xstrata Zinc Service Agreement are US\$2.4 million per annum.

In 2004, Xstrata Zinc entered into an agreement with Glencore for the purchase of 380,000 dmt per annum of zinc concentrate. This agreement was on an 'evergreen' basis, but was terminated by agreement during 2008. Treatment charges in respect of purchases under this agreement were negotiated annually on an arm's length basis.

Xstrata Zinc (San Juan de Nieva and Nordenham) has entered into a sale agreement with Glencore in respect of SHG zinc slabs or CGG ingots. During the financial year ended 31 December 2008 210,000 tonnes were supplied. This compares with 217,500 tonnes supplied during the year ended 31 December 2007. Sales under this agreement are based on market FOB/CPT prices, plus the respective market premium.

Xstrata Zinc (McArthur River) has entered into an agreement with Glencore to sell to Glencore 281,600 wmt of zinc concentrate per annum. The initial term of this agreement runs until 31 December 2009, after which it will become 'evergreen' in nature, unless terminated by the parties. Treatment charges under this agreement are negotiated annually on an arm's length basis.

Xstrata Zinc (Mount Isa) has entered into three agreements with Glencore to supply zinc concentrate to Glencore. Two of these agreements had an initial term until 31 December 2008, after which they became 'evergreen' in nature. The first agreement is to supply 90,000 wmt per annum. The second agreement is to supply from 80,000 up to 100,000 wmt per annum, for the purpose of swapping Mount Isa concentrate in exchange for the same volume to be delivered to Xstrata's European smelters at equivalent terms. Treatment charges are negotiated annually on an arm's length basis. The third agreement was for the supply of 30,000 wmt during the 2008 calendar year only, for the purpose of swapping Mount Isa concentrate for the same volume to be delivered to Xstrata's European smelters at equivalent terms. In addition to these contracted sales, during the financial year ended 31 December 2008 an additional 64,000 wmt of zinc concentrate was sold to Glencore at prevailing spot market prices.

Xstrata Zinc Canada has entered into sales agreements with Glencore to supply it with 12,510 tonnes per annum of SHG zinc slabs and 14,000 tonnes per annum of SHG zinc slabs and "jumbo" size zinc ingots. Sales under these agreements are based on market delivery duty paid plus the respective market premium. Since 1 January 2008 Xstrata Zinc Canada has also sold additional SHG and HG zinc slabs, and "jumbo" size zinc ingots at prevailing spot market prices.

Xstrata Zinc Canada has entered into a frame contract with Glencore for the sale of surplus Brunswick lead concentrate. During the financial year ended 31 December 2008, Xstrata Zinc Canada sold to Glencore 14,000 wmt of lead concentrate and 220,000 wmt of zinc concentrate at prevailing spot market prices.

All purchase and sales transactions with Glencore are on arm's length terms and conditions.

Xstrata Alloys

Chrome operations

Xstrata South Africa and Merafe have a ferrochrome marketing agreement with Glencore International under which Glencore acts as the exclusive world-wide marketing agent for the sale of the PSV's entire production of ferrochrome, other than ferrochrome sold into the United States, Canada and certain Asian countries.

The agreement continues for the duration of the PSV. Glencore International is obliged to use its best endeavours to arrange sales of ferrochrome to customers at prevailing market rates, subject to initial agreement and approval by Xstrata South Africa. Glencore International is entitled to receive an agency fee of 3.5% on FOB sales revenues and an additional fee of 0.75% on FOB sales revenues for assuming the risk of non-payment by customers. Glencore International assumes 60% of the risk of non-payment by customers in relation to ferrochrome sales. The PSV also pays to Glencore International a monthly market analysis and administration fee of US\$50,000.

If at any time Glencore International notifies the PSV that it is unable to find purchasers for the PSV's full production of ferrochrome for any period or has difficulty in assessing any market, the PSV is entitled to seek purchasers of that quantity of ferrochrome or to sell ferrochrome into the market concerned, provided that a price floor is met. Glencore International is nevertheless entitled to an agency fee of 3.5% of FOB sales revenue in respect of such sales.

Ferrochrome sold into the United States and Canada is distributed by Glencore under two distribution agreements. These agreements continue indefinitely, with either party having the right to terminate the agreement on 12 months' notice. The percentage of distribution fees payable by the Group in respect of ferrochrome sold under the distribution agreement is substantially the same as the percentage of commission payable under the ferrochrome marketing agreement.

Mitsui & Co. Limited ("Mitsui & Co.") is the appointed distribution agent of the Xstrata Group for ferrochrome sales into China, Japan and South Korea up to a maximum of 105,000 tonnes per annum. A change in distribution agent for sales into these countries must be done with the consent of Glencore International. Mitsui & Co. is entitled to receive 2.5% sales commission on sales revenue FOB value for tonnages above 30,000 and up to 75,000 and 3.5% of the sales revenue FOB value for tonnages exceeding 75,000 but not exceeding 105,000 per annum. The distribution agreement with Mitsui & Co. is co-terminous with the operating agreement between Xstrata South Africa and Mitsui Minerals Development South Africa ("MMDSA") in relation to the Xstrata's Lydenburg ferrochrome plant situated in South Africa. MMDSA owns a 12.5% undivided share in the fixed assets of the Xstrata Lydenburg plant, of which Xstrata South Africa acts as independent contractor. This ownership entitles MMDSA to 12.5% of the rated capacity (capped at 240,000 tonnes) of ferrochrome produced at an amount equal to FOB cost per tonne plus 3.5% of the FOB export price for the products taken. Upon termination of the operating agreement and the distribution agreement, Xstrata South Africa will be obliged to purchase the 12.5% undivided share of the fixed assets of the plant from MMDSA at the prevailing market price.

Vanadium operations

In 2005, Xstrata South Africa entered into a 13-year marketing agreement with Glencore International in respect of Xstrata South Africa's entire production of vanadium, other than vanadium sold into the United States and Canada.

Glencore International is obliged to use its best endeavours to arrange sales of vanadium pentoxide, ferrovanadium, ammonium meta-vanadate and vanadium trioxide to customers at prevailing market rates, subject to initial agreement and approval by Xstrata South Africa. Xstrata South Africa is obliged to pay to Glencore International an agency fee of 3.5% on FOB sales revenues and an additional fee of 1.5% on FOB sales revenues for assuming the risk of non-payment by customers on this material. Glencore assumes 100% of the risk of non-payment by customers in relation to vanadium sales.

If at any time Xstrata South Africa notifies Glencore International that it is able to find purchasers for its production at prices higher than those generally obtainable by Glencore International, Xstrata South Africa may, unless Glencore International is able to obtain similar prices, sell its own products in the market. Glencore International is nevertheless entitled to the 3.5% agency fees described above in respect of such sales.

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Vanadium pentoxide and ferrovanadium sold by the Group into the United States and Canada are distributed by Glencore under two distribution agreements. The distribution agreements have the same term as the marketing agreement.

The direct costs incurred by Glencore and a distribution fee of 2.5% on FOB sales revenue are deducted from the final price payable by Glencore to Xstrata South Africa for the vanadium pentoxide or ferrovanadium.

3. Relationship with major Shareholder

On 20 March 2002, Glencore International and Xstrata entered into an agreement (the "Relationship Agreement") which regulates the ongoing relationship between them. The principal purpose of the Relationship Agreement is to ensure that Xstrata is capable of carrying on the Group's business independently of Glencore International and that transactions and relationships between Glencore and the Group are at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as the Ordinary Shares are listed on the Official List and traded on the London Stock Exchange and Glencore International is Xstrata's controlling shareholder (as such term is defined in the Relationship Agreement). Currently, a controlling shareholder is a person who holds either 30% or more of the votes exercisable at general meetings of Xstrata or has the right to control the appointment of the majority of the directors of Xstrata. As stated above in paragraph 1 of this Part V — "Relationship with Glencore — Overview", so far as Xstrata is aware, Glencore International, through its wholly-owned subsidiary, Finges, beneficially owns 336,801,333 Ordinary Shares, representing approximately 34.45% of the current issued ordinary share capital of Xstrata. On 8 January 2007, Glencore International notified Xstrata that these Ordinary Shares are registered in the name of HSBC.

Under the Relationship Agreement:

- Xstrata and Glencore International agree that transactions and relationships between the Group and Glencore will be conducted at arm's length and on a normal commercial basis;
- Xstrata and Glencore International agree to ensure that Xstrata is capable, at all times, of carrying on its business independently of any member of Glencore;
- Glencore International is only permitted to nominate a maximum of three directors of Xstrata or (if lower or higher) such number of directors of Xstrata nominated by Glencore International as is equal to one less than the number of independent directors. 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 20 May 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 are not permitted, unless the independent directors agree otherwise, to vote on any resolutions of Xstrata's board of directors to approve any aspect of the Group's involvement in or enforcement of any arrangements, agreements or transactions with any member of the Glencore Group; and
- Glencore International undertakes to procure that Glencore shall not exercise its voting rights to procure amendment to the constitutional documents of Xstrata which would be inconsistent with, or undermine, the Relationship Agreement.

The Group believes that the terms of the Relationship Agreement as described above enable it to carry on its business independently from Glencore.

4. Related party transactions

Descriptions of the material provisions of agreements and other arrangements between the Xstrata Group and Glencore are contained in the following:

- (a) the Acquisition Agreement and the Call Option Agreement described in Part IV — "Principal Terms of the Proposed Acquisition" of this Circular;
- (b) the Cerrejón Acquisition Agreement described in Part III — "Principal Terms of the Proposed Acquisition" of the Cerrejón Circular (which description is incorporated by reference into this Circular as described in the section of this Circular headed "Relevant Documentation and Incorporation by Reference");

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- (c) the transactions and arrangements described in this Part V above; and
- (d) the related party transactions and arrangements described in the following parts of the following documents, which have been incorporated by reference into this Circular as described in the section of this Circular headed "Relevant Documentation and Incorporation by Reference":
 - (i) page 90 — Note 14 (Related Parties) of the Xstrata plc Half-Yearly Report 2008 for the six months ended 30 June 2008;
 - (ii) pages 233 to 240 (inclusive) — Note 35 (Related Parties) of the Annual Report and Accounts for the financial year ended 31 December 2007;
 - (iii) pages 236 to 240 (inclusive) — Note 36 (Related Party Transactions) of the Annual Report and Accounts for the financial year ended 31 December 2006; and
 - (iv) pages 104 to 108 (inclusive) — Note 38 (Related Parties) of the Annual Report and Accounts for the financial year ended 31 December 2005.

5. Glencore Undertaking

The Glencore Undertaking dated 29 January 2009 is between Glencore International, Finges and the Company. Pursuant to the Glencore Undertaking, Finges, a wholly-owned subsidiary of Glencore International, irrevocably undertakes to take up in full its entitlements to subscribe for New Shares under the Rights Issue. The consideration paid by Xstrata in connection with the Proposed Acquisition will be used by Glencore to take up its entitlements under the Rights Issue. This undertaking will cease to have effect if the following conditions are not fulfilled by 30 April 2009: (i) the publication of the Prospectus; (ii) Prodeco Closing; and (iii) Admission of the New Shares, nil paid.

Finges has also undertaken in the Glencore Undertaking to exercise or procure the exercise of all voting rights in respect of its Ordinary Shares in favour of each of the Rights Issue Resolutions. Since the Proposed Acquisition Resolution is in respect of a related party transaction for the purposes of the Listing Rules, each of Glencore International and Finges has further irrevocably undertaken that: (a) it shall not exercise or procure the exercise of any voting rights in respect of any Ordinary Shares on the Proposed Acquisition Resolution; and (b) it will take all reasonable steps to ensure that its associates will not exercise or procure the exercise of any voting rights in respect of the Proposed Acquisition Resolution.

The Glencore Undertaking also contains a lock-up in relation to Glencore International's and Finges's interests in Xstrata that will expire six months after the latest time and date for acceptance and payment in full of entitlements to subscribe for New Shares pursuant to the Rights Issue. The lock-up arrangements do not prevent a disposal by Glencore International or Finges of an interest in Xstrata: (i) pursuant to certain merger or take over transactions in respect of Xstrata and its Ordinary Shares; (ii) which is the subject of a distribution or dividend; (iii) necessary for Glencore International or Finges to be in compliance with or not in breach of any applicable law or regulation or any ruling or pronouncement of any court, tribunal or regulatory authority; (iv) to any other member of Glencore which enters into similar undertakings with Xstrata; (v) to any financial institution in connection with any financing arrangement (provided that such disposal does not prevent full compliance with Glencore's undertakings to vote in favour of the Rights Issue Resolutions or to take up its entitlements to subscribe for New Shares, except where any such disposal is as a result of the perfection of a security interest) or to any financial institution to hold as custodian, nominee or agent; (vi) in connection with the acceptance of a general offer made to all holders of issued and allotted Ordinary Shares for the time being (other than Ordinary Shares held or contracted to be acquired by the offeror or its associates within the meaning of section 979 of the Companies Act) made in accordance with the City Code on terms which treat all such holders alike; or (vii) in connection with the execution and delivery by Glencore International and/or Finges of an irrevocable commitment or undertaking to accept a general offer (without any further agreement to transfer or dispose of any Ordinary Shares or any interest therein) as is referred to in (vi) above. Xstrata understands that a substantial portion of Glencore International and Finges's holding is subject to collateral or similar arrangements related to the provision of finance to Glencore. The Glencore Undertaking does not prevent disposal of any interest in Ordinary Shares as a result of the perfection of a security interest.

Glencore has irrevocably and unconditionally guaranteed to the Company the due and punctual performance by Finges of all its obligations under or pursuant to the Glencore Undertaking.

Part VI

Unaudited Preliminary Results for the Xstrata Group for the Financial Year Ended 31 December 2008

The unaudited Preliminary Results for the Xstrata Group for the year ended 31 December 2008, which are set out in Part III — “Unaudited Preliminary Results for the Xstrata Group for the Year Ended 31 December 2008” of the Prospectus, are incorporated by reference into this Circular, as described in the section of this Circular headed “Relevant Documentation and Incorporation by Reference”.

Part VII

Unaudited Pro Forma Financial Information

Unaudited pro forma financial information on the Xstrata Group for the six-month period ended 30 June 2008 and as at 30 June 2008, including the basis of preparation and the reporting accountant's report thereon, which provides information on the expected impact of the Rights Issue, the Proposed Acquisition and the Lonmin Stake Acquisition on assets, liabilities and earnings of the Xstrata Group and is set out in Part IV — “Unaudited Pro Forma Financial Information” of the Prospectus, is incorporated by reference into this Circular, as described in the section of this Circular headed “Relevant Documentation and Incorporation by Reference”.

Part VIII

Additional Information

1. Interests of Glencore and other major shareholders

As at 30 January 2009 (being the latest practicable date prior to the publication of this Circular), notifications had been received of the following interests in 3% or more of Xstrata's issued ordinary share capital:

<u>Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued ordinary share capital</u>
Finges Investment BV ⁽¹⁾	336,801,333	34.45%
Capital Research and Management.....	51,492,225	5.27%
AXA S.A.	41,225,636	4.22%
Legal & General Group plc	29,999,246	3.07%

Note:

(1) The voting rights comprised in this interest are directly controlled by Finges Investment BV, a wholly-owned subsidiary of Glencore International. Xstrata understands that a substantial portion of this holding is subject to collateral or similar arrangements related to the provision of finance to Glencore.

Insofar as is known to Xstrata, immediately following the New Shares Issue, the interests of those persons set out above and the amount of such persons' interests, including as a percentage of the Enlarged Share Capital (assuming full take up by such persons of their entitlements under the Rights Issue and no options granted under the Xstrata Share Schemes or conversion rights under the 2017 Convertible Bonds are exercised between 30 January 2009 (being the latest practicable date prior to the publication of this Circular) and such issue) will be:

<u>Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Enlarged Share Capital</u>
Finges Investment BV ⁽¹⁾	1,010,403,999	34.45%
Capital Research and Management.....	154,476,675	5.27%
AXA S.A.	123,676,908	4.22%
Legal & General Group plc	89,997,738	3.07%

Note:

(1) The voting rights comprised in this interest are directly controlled by Finges Investment BV, a wholly-owned subsidiary of Glencore International. Xstrata understands that a substantial portion of this holding is subject to collateral or similar arrangements related to the provision of finance to Glencore.

Save as disclosed above, the Xstrata Directors are not aware of any person who as at 30 January 2009 (being the latest practicable date prior to the publication of this Circular), directly or indirectly, has a holding which exceeds the threshold of 3% or more of the total voting rights attaching to the issued ordinary share capital of the Company. The figures above do not take account of interests in the voting rights of the Company of any existing Shareholders or third party (other than Glencore) who buys Existing Shares before the Record Date and who, as a result, acquires an interest in the total voting rights attaching to 3% or more of the issued ordinary share capital of the Company. Save as disclosed above, as at 30 January 2009 (being the latest practicable date prior to the publication of this Circular), the Company was not aware of any person or persons who directly, indirectly, jointly or severally, exercise or could exercise control over the Company nor is it aware of any arrangements the operation of which may, at a subsequent date, result in a change in control of the Company.

None of the Company's major Shareholders has, or will have, different voting rights attached to the Ordinary Shares they hold.

Mr. Strothotte and Mr. Glasenberg are Directors nominated by Glencore International. Therefore, potential conflicts of interest may arise between the duties owed by such Directors to the Company and their duties to Glencore. The Relationship Agreement between the Company and Glencore regulates the ongoing relationship between the Company and Glencore. In particular, under the Relationship Agreement directors of Xstrata nominated by Glencore International are not permitted, unless the independent directors agree otherwise, to vote on any resolutions of the Company'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.

Directors and Senior Executives have notified the Board of all their directorships and other interests. It is not considered that any of these, other than as disclosed above, could result in a conflict of their duties to the Company. To the best of the knowledge of the Company, there are no other potential conflicts of interests between any duties to the Company of the Company's Directors and senior management and their private interests and/or other duties.

2. Significant changes

Macroeconomic environment

The interruption of robust demand for commodities and stable economic conditions by the sudden and severe impact of the global financial crisis in the fourth quarter of 2008 on the availability of liquidity and expectations for global economic growth, and the consequent impact on commodities prices (offset in part by favourable changes in foreign exchange rates), as described in Part I — “Letter from the Senior Independent Director — Information on Xstrata — Current trading and prospects”, resulted in lower revenue and EBITDA in the second half of 2008 compared to the corresponding period in 2007.

Acquisition of 24.9% stake in Lonmin

On 6 August 2008, the Xstrata Group purchased for cash in the market an aggregate of 16,706,481 Lonmin ordinary shares, representing approximately 10.7% of the then issued ordinary share capital of Lonmin, at a price of £33.00 per Lonmin ordinary share, or approximately £551 million (US\$1,084 million) in aggregate.

On 1 October 2008, the Xstrata Group purchased for cash in the market an aggregate of 22,232,940 further Lonmin ordinary shares, representing approximately 14.2% of the then issued ordinary share capital of Lonmin, at an average price of approximately £19.79 per Lonmin ordinary share, or approximately £440 million (approximately US\$794 million) in aggregate.

The 38,939,421 Lonmin ordinary shares acquired by the Xstrata Group between August and October 2008 represented approximately 24.9% of Lonmin’s then-issued ordinary share capital (and represented approximately 24.7% in accordance with Lonmin’s total voting rights announcement of 5 January 2009) and were acquired for a total cash consideration of approximately £991 million (approximately US\$1,878 million). The Xstrata Group’s Lonmin ordinary shares are held by Xstrata Zinc BV and the acquisitions were funded entirely through the Xstrata Group’s debt facilities.

Impairment charges

Following its early actions to close or suspend marginal operations in the light of the low commodity price environment, the Xstrata Group identified, as part of its annual impairment assessment at an asset or cash-generating unit level, unaudited impairment charges of US\$974 million for the year ended 31 December 2008, relating principally to the decision to place the Falcondo operation under care and maintenance, a re-evaluation of closure and rehabilitation costs at the Kidd operations in Canada and the weaker demand for sulphuric acid and medium-term environmental capital expenditure requirements on future cash flows in respect of the Group’s copper operations in north Chile.

Club Facility

In October 2008, the Xstrata Group entered into the US\$5 billion Club Facility, allowing it to refinance its indebtedness and restructure its debt maturity profile, such that no significant refinancing will be required until 2011.

Other than as outlined in this paragraph 2 above, there has been no significant change in the financial or trading position of the Xstrata Group since 30 June 2008, the date to which the latest published interim financial information of the Xstrata Group was prepared.

3. Summary of the terms of the Underwriting Agreement

Pursuant to the Underwriting Agreement, Deutsche Bank and JPMorgan Cazenove have agreed, save in respect of rights which are taken up pursuant to the Glencore Undertaking¹, as agent for the Company to procure subscribers for some or all of the New Shares not taken up under the Rights Issue at a price not less than the total of the Issue Price (plus expenses), failing which, Deutsche Bank and J.P. Morgan Securities Ltd. have agreed to subscribe themselves for any such New Shares.

The Company has agreed to pay Deutsche Bank and JPMorgan Cazenove (a) a commission of 3% of the aggregate value at the Issue Price of 1,955,341,080 New Shares less the maximum number of New Shares that are subject to the Glencore Undertaking (being 673,602,666 New Shares) taken up by Glencore pursuant to the Glencore Undertaking); and (b) a further commission of 0.125% of the aggregate value at the Issue Price of 1,955,341,080 New Shares less the maximum number of New Shares that are subject to the Glencore Undertaking with respect to each additional period of seven full days or part thereof following the initial period of 30 days from and including the date of the Underwriting Agreement up to and including the second Business Day after the Closing Date (or such later date as determined pursuant to the terms of the Underwriting Agreement), or, if earlier, the date on which the obligations of the Banks under the Underwriting Agreement are terminated or lapse or the Underwriting Agreement ceases to be capable of becoming unconditional, provided that any commission so payable shall be reduced on a pro rata basis in respect of any period of less than seven full days.

The Company will generally pay all other costs, charges and expenses of, or incidental to, the Rights Issue including the Banks' reasonable legal and other out-of-pocket expenses and all related value added tax, if applicable.

The Underwriting Agreement is conditional on, amongst other things: all of the conditions to the Acquisition Agreement (save for the allotment and issue of the New Shares to be allotted and issued to Glencore under the Rights Issue and any condition which will be satisfied on Admission) having been fulfilled (or if capable of waiver, waived) by Admission; on this Prospectus being approved by and filed with the FSA in accordance with the Prospectus Rules and the FSMA and filed with the SIX in accordance with the Swiss Listing Rules and being made available to the public by not later than 6 February 2009 (or such later time or date as the Banks may agree); none of the representations, warranties or undertakings given by Xstrata in the Underwriting Agreement being breached, untrue, inaccurate or misleading in any respect when made; the Glencore Undertaking becoming unconditional, subject only to Admission; Admission and Swiss Admission occurring at or before 8.00 a.m. (London time) on 9 March 2009 (or such later time or date as the Company and the Banks may agree); and the Underwriting Agreement otherwise having become unconditional in all respects and not having terminated in accordance with its terms prior to Admission.

The Underwriting Agreement confers on the Banks the right to terminate their obligations, prior to Admission for amongst other things any material inaccuracy or omission from documents relating to the Rights Issue, including

¹ As at 30 January 2009 (being the latest practicable date prior to the publication of this Circular) US\$374,900,000 of the 2017 Convertible Bonds remain outstanding. At the current exchange price of £15.27, the 2017 Convertible Bonds are convertible into 13,571,812 Ordinary Shares. If all of the 2017 Convertible Bonds converted before the ex-rights date it would result in an additional 27,143,624 New Shares being offered pursuant to the Rights Issue. Given that the current exchange price of £15.27 is substantially higher than the existing market price of the Ordinary Shares, Xstrata does not believe that any of the 2017 Convertible Bonds will be converted before the ex-rights date and has, therefore, not sought to underwrite any of the additional New Shares that could theoretically be offered pursuant to the Rights Issue following any such conversion. The Xstrata Employee Share Ownership Trust and Xstrata Employee and Directors' Share Ownership Trust currently hold in aggregate 5,074,064 Ordinary Shares to satisfy the exercise or vesting of awards granted pursuant to the Xstrata Share Schemes. In addition to the 2017 Convertible Bonds, if all options and awards in respect of Ordinary Shares granted under the Xstrata Share Schemes prior to 30 January 2009 (being the latest practicable date prior to the publication of this Circular) and capable of being exercised prior to the ex-rights date were to be exercised prior to the ex-rights date, the Directors would be required to issue a further 11,824 Ordinary Shares. This would result in an additional 23,648 New Shares being offered pursuant to the Rights Issue. Given the exercise prices of these options are, in most cases, substantially higher than the existing market price of the Ordinary Shares, Xstrata has assumed that none of these options will be exercised before the ex-rights date and has, therefore, not sought to underwrite any of the additional New Shares that could theoretically be offered pursuant to the Rights Issue following any such exercise. As the additional New Shares that could theoretically be offered pursuant to the Rights Issue following any such conversion or exercise are not underwritten, if they are not subscribed for (whether by Qualifying Shareholders or otherwise) then they will not be allotted and issued. Even if all the New Shares the subject of the Rights Issue are not subscribed for (whether by Qualifying Shareholders, the Joint Underwriters or otherwise), those New Shares which have been taken up will be allotted to persons who have validly subscribed for New Shares if the Rights Issue becomes unconditional.

the Prospectus; material breach of any of the representations, warranties or undertakings provided by the Company pursuant to the Underwriting Agreement or of any other provision of the Underwriting Agreement; any breach by Glencore or Finges of their obligations under the Glencore Undertaking or a “Disposal” (as that term is defined in the Glencore Undertaking) of an interest in any Ordinary Shares or any rights in respect of Ordinary Shares (i) on an event of default or perfection or enforcement of security under any arrangement with any bank or financial institution(s) (or any subsidiary(ies) or affiliate(s) of any such bank or financial institution(s)) in connection with any arrangement entered into by either Glencore or Finges (or any other subsidiary(ies) or affiliate(s) of Glencore), *inter alia*, in connection with the provision of finance to the Glencore group of companies or any affiliate of any such member of the Glencore group of companies, whether such arrangement is documented by way of one or more (or a combination of) loans, derivatives transactions (including repurchase agreements and forward sale contracts), or (ii) which is necessary in order for it to be in compliance with or not in breach of any applicable law or regulation or any ruling or pronouncement of any court, tribunal or regulatory authority with competent jurisdiction; a change in national or international financial, economic or political conditions, as would be likely to materially prejudice the success of the Rights Issue and the distribution of the New Shares or dealings in the New Shares in the secondary market.

Pursuant to the Underwriting Agreement, the Company and the Banks have agreed that if a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Rights Issue (or such later date as may be agreed by the Company and the Banks), such date shall be deemed to be the date which is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

The Underwriting Agreement also contains: (i) certain customary warranties by the Company as to the accuracy of the information contained in the Prospectus and in relation to other matters relating to the Enlarged Group and its businesses; (ii) indemnities from the Company in favour of each of the Banks; and (iii) certain undertakings from the Company relating, amongst other things, to consultation with, and the provision of information to, the Banks.

Glencore has irrevocably undertaken in the Glencore Undertaking described in paragraph 5 of Part V — “The Xstrata Group’s Relationship with Glencore — The Glencore Undertaking” to take up in full its entitlements under the Rights Issue.

4. Material contracts

The following contracts are the only contracts (not being contracts entered into in the ordinary course of business) that (i) in the opinion of the Company may be relevant to Shareholders in making a properly informed assessment of how to vote on the Proposed Acquisition Resolution; and (ii) (a) have been entered into by Xstrata or any member of the Xstrata Group within the two years immediately preceding the date of this Circular which are or may be material to the Xstrata Group; or (b) have been entered into by Xstrata or any member of the Xstrata Group at any other time and which contain provisions under which Xstrata or any member of the Xstrata Group has an obligation or entitlement that is material to the Xstrata Group as at the date of this Circular:

- (a) the Acquisition Agreement and the Call Option Agreement, details of each of which are provided in Part IV — “Principal Terms of the Proposed Acquisition”;
- (b) the Relationship Agreement, details of which are provided in paragraph 3 of Part V — “The Xstrata Group’s Relationship with Glencore — Relationship with major Shareholder”;
- (c) the Glencore Undertaking, details of which are provided in paragraph 5 of Part V — “The Xstrata Group’s Relationship with Glencore — Glencore Undertaking”;
- (d) the Underwriting Agreement, details of which are set out in paragraph 3 of this Part VIII above; and
- (e) the other contracts of which details are set out in paragraph 21 of Part IX — “Additional Information — Material Contracts” of the Prospectus, which has been incorporated by reference into this Circular as set out in the section of this Circular headed “Relevant Documentation and Incorporation by Reference”.

5. Share capital

The authorised, issued and fully paid share capital of Xstrata as at 30 January 2009 (being the latest practicable date prior to the publication of this Circular) is as follows:

	<i>Authorised (number)</i>	<i>Authorised</i>	<i>Issued (number)</i>	<i>Issued</i>
Ordinary Shares of US\$0.50 each	1,500,000,000	US\$750,000,000	977,670,540	US\$488,835,270
Non-Voting Deferred Shares of				
£1 each	50,000	£50,000	50,000	£50,000
Special Voting Share of US\$0.50	1	US\$0.50	1	US\$0.50

Immediately following the issue of the New Shares pursuant to the Rights Issue, the authorised, issued and fully paid share capital of Xstrata (assuming no options granted under the Xstrata Share Schemes or conversion rights under the 2017 Convertible Bonds are exercised between 30 January 2009 (being the latest practicable date prior to the publication of this Circular) and such issue) would be as follows:

	<i>Authorised (number)</i>	<i>Authorised</i>	<i>Issued (number)</i>	<i>Issued</i>
Ordinary Shares of US\$0.50				
each	4,500,000,000	US\$2,250,000,000	2,933,011,620	US\$1,466,505,810
Non-Voting Deferred Shares of				
£1 each	50,000	£50,000	50,000	£50,000
Special Voting Share of				
US\$0.50	1	US\$0.50	1	US\$0.50

There are no treasury shares held by the Company as at the date of this Circular.

As at 30 January 2009 (being the latest practicable date prior to the publication of this Circular) Kleinwort Benson (Channel Islands) Nominees Limited holds 5,074,064 Ordinary Shares on behalf of the Xstrata Share Schemes, representing approximately 0.52% of Xstrata's current issued ordinary share capital as at that date.

As at 30 January 2009 (being the latest practicable date prior to the publication of this Circular) Batiss Investments Limited holds 16,230,000 Ordinary Shares pursuant to the Xstrata Group's ECMP representing approximately 1.66% of Xstrata's current issued ordinary share capital as at that date.

The Existing Shares are listed on the Official List, admitted to trading on the London Stock Exchange's main market for listed securities and admitted to listing on the SIX.

Application will be made to the Financial Services Authority for the New Shares to be listed on the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities and will be made to the Admission Board of the SIX for the New Shares to be admitted to listing on the SIX. The New Shares will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends or other distributions declared. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. The New Shares will be capable of being held in uncertificated form and credited to a CREST account or evidenced by a share certificate.

6. Consent

- 6.1 Deutsche Bank has given and not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which they appear.
- 6.2 JPMorgan Cazenove has given and not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which they appear.
- 6.3 Rothschild has given and not withdrawn its written consent to the inclusion herein of statements attributed to it and the references to its name in the form and context in which they appear.

7. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), from the date of this Circular up to and including the date of

Part VIII
Additional Information

conclusion of the Extraordinary General Meeting at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS, UK:

- (a) the memorandum and articles of association of the Company;
- (b) the Annual Reports and Accounts of Xstrata, including the audited consolidated accounts and the independent auditors' reports for each of the years ended 31 December 2005, 31 December 2006 and 31 December 2007;
- (c) the Xstrata plc Half-Yearly Report 2008, including unaudited consolidated accounts and the independent review report for the six months ended 30 June 2008;
- (d) the Preliminary Results of Xstrata for the year ended 31 December 2008;
- (e) the consent letters referred to in paragraph 6 of this Part VIII;
- (f) a copy of the Acquisition Agreement;
- (g) a draft of the form of the Provisional Allotment Letter;
- (h) a copy of this Circular;
- (i) a copy of the Prospectus; and
- (j) a copy of the documents incorporated by reference into this Circular as described in the section of this Circular headed "Relevant Documentation and Incorporation by Reference".

The above documents will also be available at Theater-Casino Zug, Artherstrasse 2-4, CH-6300 Zug, Switzerland from at least 15 minutes prior to the Extraordinary General Meeting until the conclusion of that meeting.

Part IX

Definitions and Glossary of Technical Terms

Definitions

“2017 Convertible Bonds”	the US\$375,000,000 4.00% Guaranteed Convertible Bonds due 2017 issued by Xstrata Capital
“Acquisition Agreement”	the sale and purchase agreement dated 29 January 2009 between Glencore International, Xstrata (Schweiz) AG and Xstrata Coal South America in relation to the Proposed Acquisition, pursuant to which Glencore has conditionally agreed to sell and the Xstrata Group has conditionally agreed to purchase the entire issued share capital of the Prodeco Target Companies, which is described in Part IV — “Principal Terms of the Proposed Acquisition — Acquisition Agreement”
“Admission”	admission of the New Shares, nil paid and fully paid, to (i) listing on the Official List, and (ii) trading on the London Stock Exchange’s main market for listed securities
“Alloys Business”	the business of the Xstrata Group comprising its chrome, vanadium and platinum operations as further described in Part II — “Information on the Xstrata Group — Xstrata Alloys Summary” of the Prospectus
“Annual Reports and Accounts”	the annual reports and accounts prepared by Xstrata for the financial years ended 31 December 2005, 31 December 2006 and 31 December 2007
“Argentine pesos” or “ARS”	the lawful currency of Argentina
“Articles”	the articles of association of Xstrata which are described in paragraph 9 of Part IX — “Additional Information — Summary of the memorandum and articles of association of Xstrata and mandatory takeover bids, squeeze-out and sell-out rules” of the Prospectus
“associated undertaking”	has the meaning given in paragraph 20(1) of Schedule 4A to the Companies Act 1985
“Australia”	the Commonwealth of Australia
“Australian dollars” or “A\$”	the lawful currency of Australia
“Banks”	Deutsche Bank, JPMorgan Cazenove and J.P. Morgan Securities Ltd.
“Batiss”	Batiss Investments Limited
“BHP Billiton”	BHP Billiton plc and/or BHP Billiton Limited as the context may require
“Board” or “Board of Directors” or “Directors” or “Xstrata Directors”	the Executive Directors and Non-Executive Directors of Xstrata as at the date of this Circular
“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
“Call Option”	the proposed option for Glencore to repurchase the Prodeco Business from the Xstrata Group subject to, and in accordance with, the Call Option Agreement
“Call Option Agreement”	the option agreement between Glencore International and Xstrata (Schweiz) AG dated 29 January 2009 pursuant to which Xstrata (Schweiz) AG grants an option to Glencore to repurchase the Prodeco Target Companies, which is described in Part IV — “Principal Terms of the Proposed Acquisition — Acquisition Agreement”
“Canada”	Canada, her territories and her possessions

Part IX
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“Canadian dollars” or “C\$” or “Cdn\$” or “CAD”	the lawful currency of Canada
“Canadian GAAP”	accounting principles generally accepted in Canada
“Cerrejón”	the Cerrejón coal mining operation in Colombia carried on by Anglo American plc, BHP Billiton and Xstrata
“Cerrejón Acquisition”	the acquisition, which completed on 12 May 2006, by the Xstrata Group from Glencore of its one-third interest in Cerrejón
“Cerrejón Acquisition Agreement”	the sale and purchase agreement dated 1 March 2006 (as amended on 15 March 2006) between Glencore International and Xstrata (Schweiz) AG, which became effective on 15 March 2006, in relation to the Cerrejón Acquisition
“Cerrejón Circular”	the circular dated 23 March 2006 and issued by the Company in respect of the Cerrejón Acquisition
“certificated” or “in certificated form”	an Ordinary Share or other security (as appropriate) not in uncertificated form
“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 as further described to Part II — “Information on the Xstrata Group — Xstrata Alloys Summary — Chrome and vanadium operations” of the Prospectus
“Circular” or “this document”	this circular issued by the Company and dated 2 February 2009
“City Code”	the City Code on Takeovers and Mergers
“Closing Date”	the last date for acceptance and payment in full in respect of the Nil Paid Rights
“Closing Price”	the closing middle-market price of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange
“Club Facility”	the facility under the Club Facility Agreement
“Club Facility Agreement”	the facility agreement, details of which are set out in paragraph 21.13.2 of Part IX of the Prospectus — “Additional Information — Material contracts — Debt Facilities Agreement — Club Facility”
“Coal Business”	the business of the Xstrata Group, comprising the Coal Operations in Australia, South Africa and Columbia as further described in Part II — “Information on the Xstrata Group — Xstrata Coal summary” of the Prospectus
“Colombian pesos”	the lawful currency of Colombia
“Companies Act”	the Companies Act 2006, as amended, in so far as in force
“Companies Act 1985”	the Companies Act 1985, as amended
“Company” or “Xstrata”	Xstrata plc, a public limited company incorporated in England and Wales
“Computershare” or “Registrar”	Computershare Investor Services PLC
“Copper Business”	the business of the Xstrata Group comprising the Falconbridge copper operations in Australia, Argentina, Canada, Chile and Peru as further

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Definitions and Glossary of Technical Terms

“CREST”	described in Part II — “Information on the Xstrata Group — Xstrata Copper summary” of the Prospectus
“CREST Manual”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations)
“CREST member”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
“CREST Regulations”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“CREST Shareholders”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“CREST sponsor”	Shareholders holding Ordinary Shares in uncertificated form
“Deutsche Bank”	a CREST participant admitted to CREST as a CREST sponsor
“Directors” or “Xstrata Directors” or “Board” or “Board of Directors”	Deutsche Bank AG, London Branch
“Disclosure and Transparency Rules”	the Executive Directors and Non-Executive Directors of Xstrata as at the date of this Circular
“Duiker”	the Disclosure Rules and Transparency Rules of the Financial Services Authority
“EBIT”	Duiker Mining (Proprietary) Limited, a company incorporated in South Africa with limited liability
“EBITDA”	earnings before interest and taxation
“ECMP”	unless otherwise indicated, when used in relation to the Xstrata Group, net profit or loss from continuing operations before interest, tax, depreciation and amortisation, and when used in relation to Prodeco, earnings before interest, taxation, depreciation and amortisation
“Effective Date”	Xstrata’s independently managed equity capital management programme, under which up to 10% of the issued share capital of Xstrata can be purchased in the market by Batiss, a Guernsey-registered entity owned by a charitable trust, which is independent of the Xstrata Group
“EGM Notice”	1 January 2009
“Enex”	the notice of the Extraordinary General Meeting set out at the end of this Circular
“Enlarged Group”	Enex Resources Limited (now known as Xstrata Coal Investments Australia Pty Limited), a company incorporated in Australia with limited liability
“Enlarged Share Capital”	the Xstrata Group as enlarged by, if the Proposed Acquisition completes, the Prodeco Business
	the issued ordinary share capital of the Company as it will be immediately following the New Shares Issue assuming the maximum number of New Shares are issued under the Rights Issue

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“EU”	the European Union
“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
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“ex-rights date”	the date that Existing Shares will be marked “ex-rights” by the London Stock Exchange, expected to be 3 March 2009
“Executive Directors”	the executive Directors of Xstrata
“Existing Shares”	the existing issued Ordinary Shares
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for Monday, 2 March 2009 (including any adjournment thereof), notice of which is set out at the end of this Circular
“Falconbridge”	Xstrata Canada Corporation (which changed its name from Falconbridge Limited with effect from 22 October 2007), a corporation amalgamated under the laws of the Province of Ontario, Canada with limited liability
“Fenoco”	Ferrocarriles del Norte de Colombia S.A.
“Financial Services Authority” or “FSA”	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 listing on the Official List otherwise than in accordance with Part VI of the FSMA
“Finges”	Finges Investment BV, a wholly-owned subsidiary of Glencore International
“Form of Proxy”	the form of proxy accompanying this Circular for use by Shareholders in respect of the EGM
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Fully Paid Rights”	rights to subscribe for New Shares, fully paid
“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 with limited liability
“Glencore International Nominees”	the Xstrata Directors nominated by Glencore, currently being Messrs. Strothotte and Glasenberg
“Glencore Undertaking”	the deed of irrevocable undertakings dated 29 January 2009 between Glencore International, Finges and the Company under which, amongst other things, Finges has irrevocably undertaken to vote its Ordinary Shares in favour of the Rights Issue Resolutions and to take up its entitlements under the Rights Issue, details of which are set out in paragraph 5 of Part V — “Relationship with Glencore — Glencore Undertaking”
“Group” or “Xstrata Group”	Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
“HSBC”	HSBC Bank plc
“HSR Act”	Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder

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“IFRS”	International Financial Reporting Standards as adopted by the Council of the EU
“Issue Price”	the price of 210 pence per New Share at which each New Share will be offered pursuant to the Rights Issue
“Joint Underwriters”	Deutsche Bank and J.P. Morgan Securities Ltd.
“JPMorgan Cazenove”	JPMorgan Cazenove Limited
“JPMorgan Chase”	JPMorgan Chase Bank, National Association
“J.P. Morgan Securities Ltd.”	J.P. Morgan Securities Ltd. acting as underwriter on behalf of its affiliate JPMorgan Cazenove
“£” or “Sterling” or “GBP” or “pence”	the lawful currency of the United Kingdom
“LIBOR”	London Inter Bank Offering Rate
“Listing Rules”	the Listing Rules of the Financial Services Authority
“London Stock Exchange”	London Stock Exchange plc
“Lonmin”	Lonmin plc, a public limited company incorporated in England and Wales
“Lonmin Stake Acquisition”	the acquisition by the Xstrata Group of its interest in the ordinary share capital of Lonmin
“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 Part V — “The Xstrata Group’s Relationship with Glencore”
“Merafe”	Merafe Resources Limited, a company incorporated in South Africa with limited liability
“New Shares”	new Ordinary Shares issued in connection with the Rights Issue
“New Shares Issue”	the issue of the New Shares in connection with the Rights Issue
“Nickel Business”	the business of the Xstrata Group comprising its nickel operations as further described in Part II — “Information on the Xstrata Group — Xstrata nickel summary” of the Prospectus
“Nil Paid Rights”	rights to subscribe for New Shares, nil paid, which are expected to be provisionally allotted to all Qualifying Shareholders on the register on the Record Date pursuant to the Rights Issue
“Non-Executive Directors”	the non-executive Directors of Xstrata
“OECD”	the Organisation for Economic Co-operation and Development
“Official List”	the Official List of the Financial Services Authority
“Ordinary Shares”	ordinary shares of US\$0.50 each in the capital of Xstrata
“Peruvian Sol”	the lawful currency of Peru
“Preliminary Results”	the unaudited preliminary results for the Xstrata Group for the year ended 31 December 2008 set out in Part III — “Unaudited Preliminary Results for the Xstrata Group for the Year Ended 31 December 2008” of the Prospectus
“Prodeco”	the Prodeco coal mining operation (and associated infrastructure) in Colombia carried on by the Prodeco Operating Companies and Fenoco

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“Prodeco Business”	Glencore’s interests in Prodeco held through the Prodeco Target Companies which, subject to the terms and conditions of the Acquisition Agreement, will be acquired by the Xstrata Group
“Prodeco Closing”	the completion of the sale and purchase of the shares in the Prodeco Target Companies in accordance with the provisions of the Acquisition Agreement
“Prodeco Closing Date”	the date on which Prodeco Closing occurs
“Prodeco Operating Companies”	C.I. Prodeco S.A., Carbones de La Jagua S.A., Carbones el Tesoro S.A., Consorcio Minero Unido S.A. and Carbones de la Loma S.A.
“Prodeco Target Companies”	Chestfield Coal Resources Limited, Tikolan Limited, Simkana Limited, Merani Holding Limited and Wichita Holding Limited
“Proposed Acquisition”	the proposed acquisition by the Xstrata Group of the Prodeco Business pursuant to the Acquisition Agreement and the proposed option for Glencore to repurchase the Prodeco Business from the Xstrata Group pursuant to the Call Option Agreement
“Proposed Acquisition Resolution”	the Resolution numbered 1 in the EGM Notice, relating to the Proposed Acquisition
“Prospectus”	the prospectus dated 2 February 2009 and issued by Xstrata in respect of the Rights Issue (together with any supplements or amendments thereto)
“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 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Provisional Allotment Letter” or “PAL”	the provisional allotment letter representing Nil Paid Rights or Fully Paid Rights expected to be issued to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States, Australia, Canada, Japan or South Africa)
“PSV”	the pooling and sharing venture between Xstrata South Africa and Merafe
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in uncertificated form
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in certificated form
“Qualifying Shareholders”	Shareholders on the register of members of Xstrata on the Record Date
“Rand” or “ZAR”	the lawful currency of South Africa
“Record Date”	5.00 p.m. London time (6.00 p.m. Central European time) on 27 February 2009
“Regulatory Information Service”	one of the regulatory information services authorised by the Financial Services Authority to receive, process and disseminate regulatory information from listed companies
“Relationship Agreement”	the agreement dated 20 March 2002 between the Company and Glencore International, details of which are provided in paragraph 3 of Part V — “The Xstrata Group’s Relationship with Glencore — Relationship with major Shareholder”
“Resolutions”	the resolutions set out in the EGM Notice

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‘Rights Issue’	the offer by way of rights to Qualifying Shareholders to subscribe for New Shares, on the terms and subject to the conditions set out or referred to in Part VII — “Use of Proceeds and Terms and Conditions of the Rights Issue” of the Prospectus and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter
“Rights Issue Resolutions”	the Resolutions excluding the Proposed Acquisition Resolution
“Rothschild”	N M Rothschild & Sons Limited
“Securities Act”	the US Securities Act of 1933, as amended
“Shareholders”	holders of Ordinary Shares
“SIX”	SIX Swiss Exchange Ltd
“SIX SIS”	SIX SIS Ltd
“SIX SIS System”	the system and/or facilities of SIX SIS for the settlement of transactions in securities
“South Africa”	the Republic of South Africa
“Swiss Admission”	the commencement of dealings in New Shares on the SIX
“Syndicated Facility”	the facility under the Syndicated Facility Agreement
“Syndicated Facility Agreement”	the facility agreement, details of which are set out in paragraph 21.13.1 of Part IX — “Additional Information — Material contracts — Debt Facilities Agreements — Syndicated Facility” of the Prospectus
“uncertificated” or “in uncertificated form”	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“Underwriting Agreement”	the underwriting agreement dated 29 January 2009 between Xstrata and the Banks described in paragraph 3 of Part VIII — “Additional Information — Summary of the terms of the Underwriting Agreement”
“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
“Xstrata” or the “Company”	Xstrata plc, a public limited company incorporated in England and Wales
“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 Share Schemes”	the Xstrata AG Management and Employee Share Incentive Scheme (renamed the Xstrata Group Management Share Incentive Scheme following the Xstrata Merger), the Xstrata AG Directors’ Option Scheme and the Xstrata AG Directors’ Incentive Scheme (renamed the Xstrata Directors’ Incentive Scheme following the Xstrata Merger)
“Xstrata Alloys”	the Alloys Business
“Xstrata AVP”	the Xstrata Added Value Incentive Plan

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“Xstrata Canada”	Xstrata Canada Corporation (which changed its name from Falconbridge Limited with effect from 22 October 2007), a corporation amalgamated 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”	the Coal Business
“Xstrata Coal Marketing”	Xstrata Coal Marketing AG, a company incorporated in Switzerland with limited liability
“Xstrata Coal South America”	Xstrata Coal South America Ltd., a company incorporated in Bermuda with limited liability
“Xstrata Copper”	the Copper Business
“Xstrata Group” or “Group”	Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
“Xstrata LTIP” or “LTIP”	the Xstrata Long Term Incentive Plan
“Xstrata Merger”	the merger of Xstrata AG and the Company on 25 March 2002 pursuant to which the Company became the ultimate holding company of the Xstrata Group
“Xstrata Nickel”	the Nickel Business
“Xstrata plc Half-Yearly Report 2008”	the unaudited interim report of Xstrata for the six month period ended 30 June 2008
“Xstrata (Schweiz) AG”	Xstrata (Schweiz) AG, a company incorporated in Switzerland with limited liability
“Xstrata Share Schemes”	the Xstrata LTIP, the Xstrata AVP, the Xstrata AG Share Schemes, the option granted to Mr Davis in September 2001 and the option granted to Mr Reid in January 2002
“Xstrata South Africa”	Xstrata South Africa (Proprietary) Ltd, a company incorporated in South Africa with limited liability
“Xstrata Zinc”	the Zinc Business
“Zinc Business”	the business of the Xstrata Group comprising the Falconbridge zinc mining, smelting and concentrate operations as further described in Part II — “Information on the Xstrata Group — Xstrata Zinc summary” of the Prospectus

Glossary of Technical Terms

“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
“bituminous”	a measure of coal rank. It is a measure of the degree of metamorphosis or change from the original plant or vegetative state
“brownfield”	brownfield development projects are expansions to existing operations with proximity to existing infrastructure and known geological composition
“BTU”	British Thermal Unit
“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
“CGG”	continuous galvanising grade, zinc ingot
“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
“concentrate”	material that has been processed to increase the content of contained material or mineral relative to the contained waste
“cost curve”	a graphic representation in which the total production volume of a given commodity across the relevant industry is arranged on the basis of average unit costs of production from lowest to highest to permit comparisons of the relative cost positions of particular production sites, individual producers or groups of producers across the world or within a given country or region
“CPT”	carriage paid to
“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 tonnes
“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
“FOB”	free on board
“grade”	the quality of an ore, alloy or metal, usually expressed as a percentage of the primary element

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“greenfield”	greenfield development projects are expansions to areas where the Enlarged Group does not currently operate
“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 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
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
“kg”	kilogramme
“LME”	London Metal Exchange
“longwall”	mining method in which a coal face is mined using a shearer mounted on an armoured 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
“matte”	a mixture of metal sulphides 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 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
“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
“MRMR”	mineral resource and mineral reserve

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“Mt”	million tonnes
“Mtpa”	million tonnes per annum
“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
“ore”	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction commercially profitable
“PGM” or “platinum group metals”	platinum, palladium, rhodium and related metals present in some nickel/copper ores
“plant”	fixed or moveable equipment required in the process of winning or processing the ore
“pound”	Imperial pound, equivalent to 0.4536 kilograms
“project”	a 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 mine
“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
“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
“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
“SHG”	special high grade, zinc ingot of 99% purity
“slag”	the waste material left after metal has been smelted
“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
“thermal coal”	coal used in generating steam for electricity production
“t” or “tonne”	metric tonne, 1,000 kilograms, equivalent to 2,204.62 pounds
“tonnage”	number of tonnes

Part IX
Definitions and Glossary of Technical Terms

“waste” rock lacking sufficient grade and/or other characteristics or ore to be economic

“wmt” wet metric tonnes

“zinc concentrate” product of flotation process typically ranging in zinc content between 45% and 60%

Note:

(1) NI 43-101 definitions

Notice of Extraordinary General Meeting

Xstrata plc

(incorporated in England and Wales under the Companies Act 1985, with registered number 4345939)

Notice of Extraordinary General Meeting

NOTICE is hereby given that an Extraordinary General Meeting of Xstrata plc (the “Company”) will be held at Theater-Casino Zug, Artherstrasse 2-4, CH-6300 Zug, Switzerland on Monday, 2 March 2009 at 10.30 a.m. (Central European time) to consider and, if thought fit, pass the following resolutions:

Resolutions 1 to 3 to be proposed as ordinary resolutions

1. THAT, subject to Resolutions 2, 3 and 4 being passed, the following transaction (which is a related party transaction for the purposes of the Listing Rules of the Financial Services Authority) be and is hereby approved:

- (a) the proposed acquisition by the Xstrata Group (as defined in the circular from the Company to its shareholders dated 2 February 2009 (the “Circular”)) of the Prodeco Business (as defined in the Circular) on the terms and subject to the conditions of the Acquisition Agreement (as defined in the Circular), a copy of which is produced to the meeting and, for identification purposes, initialled by the chairman of the meeting; and
- (b) the granting by Xstrata (Schweiz) AG of the Call Option (as defined in the Circular) to Glencore (as defined in the Circular) to repurchase the Prodeco Business and the disposal by the Xstrata Group of the Prodeco Business to Glencore if and when the Call Option is exercised, in each case on the terms and subject to the conditions of the Call Option Agreement (as defined in the Circular), a copy of which is produced to the meeting and, for identification purposes, initialled by the chairman of the meeting; and

THAT the board of directors of the Company (or any duly constituted committee of the board of directors of the Company) be and is hereby authorised to take all such steps as it considers necessary, expedient or desirable to implement and effect the transaction described in this Resolution above and any matter incidental to such transaction and to waive, amend, vary, revise or extend any of such terms and conditions as it may consider to be appropriate, provided always that the authority of the board of directors of the Company (or any duly constituted committee of the board) to implement and effect such transaction and any matter incidental to such transaction or to waive, amend, vary, revise or extend any of such terms and conditions, in each case other than in accordance with the Acquisition Agreement and the Call Option Agreement, shall be limited to waivers, amendments, variations, revisions or extensions that are not material in the context of the transaction as a whole.

2. THAT, subject to Resolutions 1, 3 and 4 being passed, the authorised share capital of the Company be and is hereby increased from US\$750,000,000.50 and £50,000 to US\$2,250,000,000.50 and £50,000 by the creation of an additional 3,000,000,000 ordinary shares of US\$0.50 each in the capital of the Company having the rights and privileges and being subject to the restrictions contained in the Articles of Association of the Company (the “Articles”) and ranking *pari passu* in all respects with the existing ordinary shares of US\$0.50 each in the capital of the Company.

3. THAT, subject to Resolutions 1, 2 and 4 being passed, the authority conferred on the directors of the Company by Article 14 of the Articles to allot relevant securities be and is hereby renewed for a period expiring (unless previously renewed, varied or revoked) at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed and for that period the section 80 amount shall be (i) US\$991,254,176 (equivalent to 1,982,508,352 ordinary shares of US\$0.50 each in the capital of the Company) in connection with one or more issues of relevant securities under the Rights Issue (as defined in the Circular), and (ii) in addition, US\$493,363,149 (equivalent to 986,726,298 ordinary shares of US\$0.50 each in the capital of the Company).

Resolution 4 to be proposed as a special resolution

4. THAT, subject to Resolutions 1, 2 and 3 being passed, in place of all existing powers, the power conferred on the directors of the Company by Article 15 of the Articles to allot equity securities, as if section 89(1) of the Companies Act 1985 did not apply, be and is hereby renewed for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed and for that period the section 89 amount is US\$74,004,472 (equivalent to 148,008,944 ordinary shares of US\$0.50 each in the capital of the Company).

By order of the Board

Richard Elliston
Secretary
Registered Office:
4th Floor, Panton House,
25/27 Haymarket,
London SW1Y 4EN,
United Kingdom

2 February 2009

Notice of Extraordinary General Meeting

Note 1

A member entitled to attend and vote at the Extraordinary General Meeting (the “EGM”) is entitled to appoint one or more proxies to exercise all or any of his/her rights to attend, speak and vote instead of him/her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. The proxy need not also be a member of the Company. A proxy may be appointed by inserting the proxy’s name on the Form of Proxy in the space provided. If a Form of Proxy is returned without an indication as to how the proxy shall vote on any Resolution, the proxy will exercise his/her discretion as to whether, and if so how, he/she votes on that Resolution. A Form of Proxy which may be used to make such an appointment and give proxy instructions accompanies this document.

Note 2

To be valid, a Form of Proxy and, if applicable, any authority under which it is signed, or a copy of such authority certified in accordance with the Company’s Articles of Association, must be lodged at the offices of Computershare Investor Services PLC, The Pavilions, Bristol, BS99 6ZY UK, not later than (i) 9.30 a.m. (London time) on Saturday, 28 February 2009; or (ii) not less than 48 hours before the time of any adjourned meeting; or (iii) where a poll is taken more than 48 hours after it is demanded, after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll. Where a poll is not taken forthwith but is taken not more than 48 hours after it was demanded, a Form of Proxy may be valid if it is delivered at the meeting at which the poll was demanded to the Chairman of the meeting or to the Company Secretary.

Proxies may also be appointed by going to www-uk.computershare.com/Investor/Proxy/ and following the instructions provided there. CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in Note 12.

The lodging of a Form of Proxy (or the electronic appointment of a proxy) will not preclude Shareholders from attending and voting in person at the EGM, should they so wish.

Note 3

To be valid, a Form of Proxy must be signed by the holder or any person duly authorised by the holder or, if the holder is a corporation, executed by a duly authorised person or under its common seal or in any other manner authorised by its constitution.

Note 4

In the case of joint holders, the signature of any one holder is sufficient. If more than one holder lodges a Form of Proxy only that of the holder first named on the Company’s Register of Members will be regarded as valid.

Note 5

Any alteration made to a Form of Proxy should be initialled.

Note 6

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the Register of Members of the Company as at 6.00 p.m. (London time) on Saturday, 28 February 2009 (or, in the event that the EGM is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting(s)) shall be entitled to attend or vote at the EGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. (London time) on Saturday, 28 February 2009 (or, in the event that the EGM is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting(s)) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Note 7

Resolutions 1 to 3, being ordinary resolutions, will be decided by a show of hands unless a poll is demanded in a manner permitted by the Company’s Articles of Association.

Notice of Extraordinary General Meeting

Resolution 4, being a special resolution, must be taken on a poll as required by the Company's Articles of Association.

Note 8

On a show of hands, each member present in person or by proxy has one vote. If a person holds more than one proxy to vote in different ways, then that person may vote For and Against on a show of hands, although this will only count as one vote in each sense, without regard to the number of shares in respect of which the proxy has been appointed.

Note 9

As permitted by the Company's Articles of Association, the Chairman of the meeting (or at least five members present in person or by proxy having the right to vote at the EGM or any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the EGM) may demand a poll. On a poll, each member present in person or by proxy has one vote for each fully paid Ordinary Share of which he/she is a holder.

Note 10

As permitted by the Company's Articles of Association, a proxy appointment will (a) include the right: (i) to demand, or join in demanding, a poll; (ii) to speak at a meeting; and (iii) to vote on any amendment of a Resolution as the proxy thinks fit; and (b) (unless it provides to the contrary) be valid for any adjournment of a meeting.

Note 11

A proxy appointment which is not delivered or received in accordance with these notes and the Company's Articles of Association shall be invalid. When two or more valid proxy appointments are delivered or received in respect of the same share for use at the EGM, the one which was executed last shall be treated as replacing and revoking the others as regards that share; if the Company is unable to determine which was executed last, none of them shall be treated as valid in respect of that share.

Note 12

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the EGM to be held on Monday, 2 March 2009 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID 3RA50) by (i) 9.30 a.m. (London time) on Saturday, 28 February 2009; or (ii) not less than 48 hours before the time of any adjourned meeting; or (iii) where a poll is taken more than 48 hours after it is demanded, after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After such time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the

Notice of Extraordinary General Meeting

CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in accordance with the provisions of the Uncertificated Securities Regulations 2001.

Note 13

As at 30 January 2009 (being the latest practicable date prior to the publication of this EGM Notice) the Company's issued share capital consists of 977,670,540 Ordinary Shares, carrying one vote each, 50,000 non-voting deferred shares carrying no votes and one special voting share which carries the right to vote in certain circumstances. Therefore, the total voting rights in the Company as at 30 January 2009 were 977,670,540. The Articles of Association of the Company have been drafted so that certain rights that are inalienable under Swiss law and which holders of Xstrata AG shares enjoyed prior to the initial public offering of Ordinary Shares in Xstrata plc are preserved in the Company subject to the following arrangements. Under English law the Articles of Association of the Company can always be amended by a special resolution (requiring a 75% majority of those present and voting, in person or by proxy). Consequently, the special voting share was created which carries weighted voting rights sufficient to defeat any resolution which would amend certain of the Articles of the Company ("Entrenched Rights Actions"). The holder of the special voting share, The Law Debenture Trust Corporation p.l.c., has agreed under a voting agreement with the Company, to exercise its votes to vote against (and so defeat) any resolution to amend or remove an Entrenched Rights Action except in limited circumstances. This structure has the effect of entrenching certain rights into the Articles of Association of the Company.

Note 14

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman of the meeting and the Chairman of the meeting will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (<http://www.icsa.org.uk/>) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman of the meeting is being appointed as described in (a) above.

Note 15

Unless the context otherwise requires, terms used in this EGM Notice have the meanings ascribed to them in Part IX — "Definitions and Glossary of Technical Terms" of the Circular issued by the Company on 2 February 2009.

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