



Proposed Acquisition of One Third of Cerrejón
Circular and Notice of Extraordinary General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES 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 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 have sold or otherwise transferred all of your Ordinary Shares, please forward this document 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 for onward transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document and the accompanying documents.

Rothschild is acting for Xstrata plc and Xstrata (Schweiz) AG and no one else in relation to the Proposed Acquisition and will not be responsible to anyone other than Xstrata plc or Xstrata (Schweiz) AG for providing the protections afforded to clients of Rothschild nor for providing advice in relation to the Proposed Acquisition and/or any other matter referred to in this document.

Capitalised terms have the meanings ascribed to them in the section of this document headed "Definitions and Glossary of Technical Terms". References to times in this document are to British Summer Time unless otherwise stated.

Xstrata plc

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

Proposed Acquisition of One Third of Cerrejón Circular and Notice of Extraordinary General Meeting

The Proposed Acquisition is 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 11 to 15 of this document, which contains a recommendation by Xstrata's Board of Directors that you approve the Proposed Acquisition by voting in favour of the Resolution to be proposed at the Extraordinary General Meeting. You should read this document in its entirety, not rely solely on summarised information and consider whether to vote in favour of the Resolution in light of the information contained in, and incorporated by reference into, this document.**

Notice of an Extraordinary General Meeting of Xstrata, to be held at Congress Center Metalli, Parkhotel Zug, 6300 Zug, Switzerland at 11.00 a.m. (Central European Summer Time) on Thursday, 20 April 2006 is set out at the end of this document. You may also attend the Extraordinary General Meeting at the registered office of the Company, 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, UK, where a satellite meeting linked by video conference to the Zug meeting will be held concurrently at 10.00 a.m. (British Summer Time).

Shareholders will find enclosed a Form of Proxy for use at 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, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, UK, as soon as possible but in any event by no later than 10.00 a.m. (British Summer Time) on Tuesday, 18 April 2006. 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 document. 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 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.

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

No statement in this document is intended as a profit forecast and no statement in this document 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.

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Presentation of Information

Information on the Enlarged Group

Unless the context otherwise requires, references in this document to the “Enlarged Group” are to Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings as constituted immediately following completion of the Proposed Acquisition and therefore such references include the Xstrata Group as enlarged by the Cerrejón Business. Completion of the Proposed Acquisition is subject to a number of conditions which are described in detail in Part III – “Principal Terms of the Proposed Acquisition”.

Cautionary note regarding forward-looking statements

This document includes 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 document and include statements regarding the intentions, beliefs or current expectations of Xstrata or the Xstrata Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Xstrata Group, the Enlarged Group and the industries in which they operate.

This document 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 certain third party consents) and potential and/or expected synergies and cost savings available to the Enlarged Group.

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 it operates may differ materially from the impression created by the forward-looking statements contained in this document. Further, actual developments in relation to the Proposed Acquisition and the expected completion, and timing of 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 Resolution, the risk that the Xstrata Group will not be able to obtain the required third party consents on a timely basis or at all, the risk that the Xstrata Group may not realise the anticipated benefits, operational and other synergies and/or cost savings from the Proposed Acquisition and the risk that the Xstrata Group may incur and/or experience unanticipated costs and/or delays or difficulties relating to integration of the Cerrejón Business into the Xstrata Group. 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 document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, commodity price volatility, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability, currency fluctuations (including the €/US\$, £/US\$, A\$/US\$, ZAR/US\$, ARS/US\$, CHF/US\$ and the Colombian peso/US\$ exchange rates), the Xstrata Group’s ability to integrate new businesses (including the Cerrejón Business) and recover its reserves or develop new reserves and changes in business strategy or development plans and other risks.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules and the Disclosure Rules), Xstrata does not undertake 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 document is presented in US dollars and has been prepared in accordance with International Financial Reporting Standards, or IFRS. Unless otherwise indicated, financial information for Cerrejón in this document is presented in US dollars and has been prepared in accordance with IFRS.

Presentation of Information

EBITDA represents, when used in relation to the Xstrata Group, operating profit or loss from continuing operations before interest, taxation, depreciation and amortisation or, when used in relation to Cerrejón, earnings before interest, taxation, depreciation and amortisation. Although neither IFRS nor UK GAAP (in accordance with which Xstrata previously presented its financial information) defines the measure EBITDA, it is a measure which is widely used in the natural resources sector to evaluate a company's operating performance. Nevertheless, EBITDA should not be considered in isolation or as a substitute for operating profit, cash flows from operating activities or any other measure for determining Xstrata's operating performance or liquidity that is calculated in accordance with IFRS or UK GAAP or Cerrejón's operating performance or liquidity that is calculated in accordance with IFRS. As EBITDA is not a measure of performance defined by IFRS or UK GAAP, it may not be comparable to similarly titled measures employed by other companies.

Currencies

In this document, references to "ARS" are to the lawful currency of Argentina, "A\$" are to the lawful currency of Australia, references to "Colombian pesos" or "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 "ZAR" are to the lawful currency of South Africa, references to "CHF" are to the lawful currency of Switzerland, references to "£" are to the lawful currency of the United Kingdom and references to "US dollars", "US Dollars", "US\$" or "cents" are to the lawful currency of the United States.

Unless otherwise indicated the financial information contained in this document has been presented in US dollars. In addition, solely for convenience, this document contains translations of relevant currencies to US dollars. These translations should not be construed as representations that the relevant currency could be converted into US dollars at the rate used or at any other rate.

Ore reserve and mineral resource reporting – basis of preparation

Ore reserves and mineral resources information reported in this document in respect of Cerrejón 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 30 June 2005.

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 document, reserves are a subset of resources and are included in resource estimates.

Ore reserve and mineral resource information in this document is based on information compiled by Competent Persons (as defined in and required by the JORC Code).

Relevant definitions from the December 2004 edition of the JORC Code and certain other definitions can be found in the section of this document headed "Definitions and Glossary of Technical Terms".

Presentation of Information

Cost curve

This document contains reference to a “cost curve” in relation to Cerrejón. A cost curve is 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. Generally, a producer’s position on a cost curve is described in terms of the particular percentile or quartile in which the production of a given plant or producer or group of producers appears.

The cost curve referred to in this document has been obtained by Xstrata from Barlow Jonker, an independent industry analyst with recognised experience in constructing cost curves for coal. To construct cost curves, industry analysts compile information from a variety of sources, including reports made available by producers, site visits, personal contacts and trade publications. Although producers may participate to some extent in the process through which cost curves are constructed, they are typically unwilling to validate cost analyses directly because of commercial sensitivities. Inevitably, assumptions must be made by the analyst with respect to data that such analyst is unable to obtain and judgement must be brought to bear in the case of virtually all data, however obtained. In addition, the time required to produce cost curves means that even the most recent available examples will be unable to take account of recent developments. Costs data for specific producers may be based on costs incurred by the producers over their respective accounting years; while the independent analysts may attempt to adjust cost data to apply to calendar years, discrepancies may result from such adjustments and, to the extent accounting years differ from calendar years, the direct comparability of costs data may be limited. The cost curve referred to in this document reflects direct cash costs of production only, and excludes non-cash or indirect costs such as depreciation, interest and unrelated overhead expenses and costs relating specifically to marketing and export. Delivery costs reflect estimates for each producer to accepted selling points based on actual sales. They include estimates for all costs involved in delivery, including freight, insurance, warehousing and financing costs as well as sales commissions. Moreover, all cost curves embody a number of significant assumptions with respect to exchange rates and other variables. In summary, the manner in which cost curves are constructed means that they have a number of significant inherent limitations.

In certain cases, cost curves produced by more than one reputable industry analyst may exist with regard to a specific commodity. The methodologies employed and conclusions reached by such analysts may differ. Moreover, the reliability of any given cost curve may be difficult to assess, as the accuracy of the data, and the reasonableness of the assumptions on which it has been based, usually cannot be tested directly. Particular producers are, however, in a position to validate the accuracy of the presentation with respect to their own costs, which can provide a useful indication of the reliability of a cost curve overall and, notwithstanding their shortcomings, independently produced cost curves are widely used in the industries in which the Xstrata Group and Cerrejón operate.

Rounding

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

Expected Timetable of Principal Events

Expected latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system	10.00 a.m. (11.00 a.m. Central European Summer Time) on Tuesday, 18 April 2006
Extraordinary General Meeting	10.00 a.m. (11.00 a.m. Central European Summer Time) on Thursday, 20 April 2006
Completion of the Proposed Acquisition	expected to be by Friday, 28 April 2006

References to times in this document are to British Summer Time unless otherwise stated.

Relevant Documentation

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 Proposed Acquisition:

1. Annual Reports and Accounts for the two financial years ended 31 December 2003 and 2004

These contain the audited consolidated financial statements of Xstrata for the financial years ended 31 December 2003 and 31 December 2004 prepared in accordance with UK GAAP and the audit reports in respect of each such year.

2. Interim Report for the six months ended 30 June 2005

This contains the unaudited consolidated financial statements of Xstrata for the six months ended 30 June 2005, and, for comparative purposes, the six months ended 30 June 2004, prepared in accordance with IFRS.

3. Preliminary Results Announcement for the financial year ended 31 December 2005

This contains the unaudited consolidated financial statements of Xstrata for the financial year ended 31 December 2005, and, for comparative purposes, the financial year ended 31 December 2004, prepared in accordance with IFRS.

The following sections of the Annual Reports and Accounts and the Interim Report are incorporated by reference into this Circular so as to provide information in respect of related party transactions between the Xstrata Group and Glencore:

Information incorporated by reference into this Circular	Destination of incorporation	Page number in this Circular
Annual Report and Accounts 2003 (pages 149 to 151 inclusive) – Note 27 (Related Party Transactions) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2003	Paragraph 4 of Part IV – “The Xstrata Group’s Relationship with Glencore – Related party transactions”	53
Annual Report and Accounts 2004 (pages 145 to 148 inclusive) – Note 27 (Related Party Transactions) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2004	Paragraph 4 of Part IV – “The Xstrata Group’s Relationship with Glencore – Related party transactions”	53
Interim Report 2005 (page 90) – Note 24 (Related Parties) to the consolidated financial statements of Xstrata for the six month period ended 30 June 2005	Paragraph 4 of Part IV – “The Xstrata Group’s Relationship with Glencore – Related party transactions”	53

Copies of the above documents are available:

- (a) on the Company’s website (www.xstrata.com). Except to the extent expressly set out above in this section “Relevant Documentation”, 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 part of, this document; and
- (b) as provided in paragraph 6 of Part V – “Additional Information – Documents available for inspection” of this document.

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Part I

Letter from the Senior Independent Director

Xstrata plc

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Directors:

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*
David Issroff*†
Robert MacDonnell*
Sir Steve Robson CB*
Dr Fred Roux*
Ian Strachan*

*Non-Executive Director

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

23 March 2006

To Shareholders and, for information only, to participants in the Xstrata Share Schemes

Dear Shareholder,

Proposed Acquisition of One Third of Cerrejón

1. Introduction and overview

Xstrata announced on 1 March 2006 the proposed acquisition of 33⅓% of the Cerrejón thermal coal operation in Colombia, from Glencore International AG (“Glencore International”), for a consideration of US\$1.7 billion, to be satisfied in cash on completion of the acquisition. The Cerrejón Business being acquired has no external indebtedness.

Cerrejón is a privately-owned, independently-managed joint venture in which each of BHP Billiton, Anglo American and Glencore International owns a one third stake. Cerrejón is one of the largest and lowest-cost export open pit coal mining operations in the world, with a saleable reserve base in excess of 900 Mt.

Since Xstrata’s substantial shareholder, Glencore International, and Glencore International’s wholly-owned subsidiary, Seez Trading, are the vendors of the Cerrejón 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 International will not vote on the Resolution to be proposed at the Extraordinary General Meeting to consider the Proposed Acquisition and each of it and Seez Trading has undertaken to take all reasonable steps to ensure that its respective associates will not vote on the Resolution. Details of the Xstrata Group’s relationship with Glencore are set out in Part IV of this document.

Letter from the Senior Independent Director

I am writing this letter to you in my capacity as Senior Independent Director and Deputy Chairman because Mr. Strothotte, as a director of Glencore International, has not, in accordance with the Listing Rules, taken part in the Board's consideration of the Proposed Acquisition.

In accordance with the terms of Xstrata's independently-managed equity capital management programme (the "ECMP"), Batiss, which holds approximately 4.55% of Xstrata's issued Ordinary Shares under the ECMP, will not exercise the voting rights attaching to the Ordinary Shares held by it at the Extraordinary General Meeting. Xstrata has received from Credit Suisse Securities (Europe) Limited ("CSSEL") an irrevocable undertaking to vote in favour of the Proposed Acquisition. This undertaking is given in respect of 151,560,600 Ordinary Shares representing approximately 23.39% of Xstrata's issued share Ordinary Shares (or approximately 29.29% excluding the Ordinary Shares held by Glencore International and Batiss).

The Proposed Acquisition will be financed through new bank debt facilities.

The purpose of this document is to provide you with details of, the background to and the reasons for, the Proposed Acquisition, to explain why the Board of Directors believes that the Proposed Acquisition is in the best interests of the Company and its Shareholders as a whole and to seek your approval for the Proposed Acquisition. A notice convening an Extraordinary General Meeting of the Company at which the Resolution is to be proposed is set out at the end of this document.

2. Information on Cerrejón

Cerrejón is a privately-owned, independently-managed joint venture, in which each of BHP Billiton, Anglo American and Glencore International has a one third indirect interest.

Cerrejón is one of the largest and lowest-cost export open pit coal mining operations in the world, with a saleable reserve base in excess of 900 Mt. The business is involved in the exploration, production, transportation and shipment of high-grade thermal coal, mined at Cerrejón's deposits, to markets principally in Europe and the Americas. Cerrejón is located in North-Eastern Colombia, ideally positioned to supply the growing US import market from its own dedicated rail and port facilities. Total current infrastructure capacity is estimated to be approximately 29 Mtpa and, in 2005, Cerrejón produced approximately 26 Mt of export thermal coal predominately for the European and United States power generation markets.

Cerrejón is ranked in the lowest cost quartile among major export coal producers worldwide. The high quality thermal coal exported from Cerrejón is attractive to the US power generation market due to its low ash content, low sulphur dioxide emissions profile and high calorific value. Declining production, infrastructure and regulatory constraints facing some domestic US producers offer further opportunities for Cerrejón to grow its share of the fast-growing US import market for thermal coal. The US Energy Information Administration predicts that demand from US coal-fired plants will increase by 110 Mt over the next 10 years. In addition, the low-cost nature of the Cerrejón operations and the freight advantage that Colombia enjoys over South Africa are competitive advantages in the major European market.

In May 2005, a feasibility study was completed for an expansion of the mine's infrastructure capacity from 29 Mtpa to 32 Mtpa at an estimated capital cost of approximately US\$127.5 million. The expansion was approved in July 2005 by the current shareholders of Cerrejón and is underway, with completion scheduled for 2008. Work has commenced on feasibility studies to expand the coal production and export capacity beyond 32 Mtpa. Such expansion would aim to exploit the existing extensive reserve base to take advantage of growing demand for import coal in Europe and the United States and would require further capital expenditure for mining equipment, transport and other infrastructure.

The book value of the gross assets of the entire Cerrejón operation (including each of the three current joint venture parties' stakes) as at 31 December 2004 was US\$1,581.8 million and as at 31 December 2005 was US\$1,814.4 million (giving figures attributable to Glencore's 33⅓% stake in Cerrejón of approximately US\$527.3 million and approximately US\$604.8 million, respectively). In the 12 months ended 31 December 2004, the entire Cerrejón operation recorded combined consolidated EBITDA (before non-operating income/expense) of US\$628.8 million and, in the 12 months ended 31 December 2005, the entire Cerrejón operation recorded combined consolidated EBITDA of US\$726.9 million (giving figures attributable to Glencore's 33⅓% stake in Cerrejón of approximately US\$209.6 million and US\$242.3 million, respectively). The Cerrejón financial information presented above has been extracted without material adjustment from, or is based upon, audited accounts prepared under IFRS as at and for the 12 months ended 31 December 2004 and unaudited management accounts as at and for the 12 months ended 31 December 2005.

Letter from the Senior Independent Director

Following completion of the Proposed Acquisition, Xstrata intends to consolidate its interests in Cerrejón on a proportionate basis.

Further information, including financial information, on Cerrejón is set out in Part II of this document.

3. Background to and benefits of the Proposed Acquisition

The acquisition of Glencore's one third stake in Cerrejón will provide Xstrata with a meaningful interest in one of the world's largest export open pit coal mining operations and one of the lowest-cost producers of export thermal coal supplied to the important Atlantic market.

The Directors believe that the Proposed Acquisition will be immediately earnings and cash flow accretive and will add significant value to the Xstrata Group by providing:

- an outstanding resource base with significant potential to grow the operation's capacity through low-cost, low-risk, incremental brownfield expansions;
- a highly cost competitive operation that is ranked in the lowest quartile among major export producers of coal worldwide and access to its own dedicated rail and port facilities;
- an important new producing region to complement the Xstrata Group's existing thermal coal operations in Australia and South Africa, providing greater geographic diversification and enabling Xstrata's coal business to offer a range of products to customers in the Atlantic and Pacific regions;
- a competitive entry to the high growth United States import market for thermal coal;
- an enhanced competitive position in supplying the important European market, due to Cerrejón's position among the lowest-cost Atlantic producers and the freight advantage that Colombia enjoys over South Africa;
- a significant opportunity to grow market share to supply the United States by exploiting Cerrejón's highly cost competitive position, production capacity and high quality, low sulphur product to take advantage of declining production by, and infrastructure and regulatory constraints facing, some domestic US producers; and
- access to a proven operation with capable management and a strong operational and financial track record of managing this large scale integrated operation.

The total consideration payable by the Purchasers in respect of the Proposed Acquisition is US\$1,712 million, which includes an agreed amount of US\$12 million in respect of the value of the excess net assets of the Cerrejón Business as at the Effective Date over the Purchasers' target net asset value of the Cerrejón Business. The Cerrejón Business has no external indebtedness. Xstrata expects that following the Proposed Acquisition the Enlarged Group will continue to have an investment grade credit rating.

The Cerrejón business is independently managed. If the Proposed Acquisition proceeds, Xstrata will seek active participation in the Shareholders Committee, the Technical and Operations Committee, the Finance Committee and the Geological Committee of Cerrejón and the Management Review Committee of CMC Coal Marketing Company Limited, in addition to taking up its rights to nominate candidates for senior management roles. The Xstrata Group's management of its participation in Cerrejón will be integrated with Xstrata's existing global coal business, headquartered in Sydney, Australia.

Xstrata estimates that, if the Proposed Acquisition had become effective on 1 January 2005, almost half of the Enlarged Group's EBITDA for the year ended 31 December 2005 would have been generated from the Xstrata Group's coal business, approximately one third from the copper business and around one tenth from the alloys business, with the remaining portion derived from a variety of other commodities within the portfolio.

Xstrata also estimates that, if the Proposed Acquisition had become effective on 1 January 2005, just over half of the Enlarged Group's EBITDA for the year ended 31 December 2005 would have been generated from Australasia,

Letter from the Senior Independent Director

approximately a quarter from the Americas and almost one fifth from Africa, with the remaining portion derived from other geographical regions.

4. Principal terms of the Proposed Acquisition

Pursuant to the Acquisition Agreement the Vendors have conditionally agreed to sell and the Purchasers have agreed to buy Glencore International's 33⅓% indirect interest in Cerrejón for an aggregate consideration of US\$1,712 million, which includes an agreed amount of US\$12 million in respect of the value of the excess net assets of the Cerrejón Business as at the Effective Date over the Purchasers' target net asset value of the Cerrejón Business. The Cerrejón Business has no external indebtedness.

Closing of the Proposed Acquisition is conditional upon the satisfaction or waiver of each of the following conditions: (i) the passing of the Resolution; (ii) certain third party consents and members of the Xstrata Group entering into certain agreements with the other Cerrejón shareholders, in each case, as required under the new shareholders' agreements in respect of Cerrejón; and (iii) the consent of the Bermuda Monetary Authority.

A summary of the principal terms of the Proposed Acquisition and the Acquisition Agreement is set out in Part III – "Principal Terms of the Proposed Acquisition".

5. Irrevocable undertaking

Under the Irrevocable Undertaking Agreement, CSSEL has irrevocably undertaken to vote in favour of the Resolution at the EGM. This undertaking is given in respect of 151,560,600 Ordinary Shares representing approximately 23.39% of Xstrata's issued Ordinary Shares (or approximately 29.29% excluding the Ordinary Shares held by Glencore International, which, in accordance with the Listing Rules, will not exercise the voting rights attaching to the Ordinary Shares held by it at the EGM and excluding the Ordinary Shares held by Batiss, which, in accordance with the ECMP, will not exercise the voting rights attaching to the Ordinary Shares held by it at the EGM).

6. Update on Xstrata's performance, current trading and prospects

Xstrata announced its preliminary results for the year ended 31 December 2005 on 1 March 2006. The detailed Preliminary Results Announcement, providing updated financial and operating performance data and commentary, was issued at that time. Since the issue of the Preliminary Results Announcement, there has been no material change in the current trading and prospects of the Xstrata Group and Xstrata continues to believe that the outlook for 2006 is very encouraging.

For the year ended 31 December 2005, Xstrata's consolidated attributable profit was US\$1,706.4 million on consolidated revenue of US\$8,049.8 million, compared with US\$1,067.1 million and US\$6,462.4 million for the year ended 31 December 2004. As of 31 December 2005, Xstrata's consolidated net assets were US\$8,137.2 million, compared with US\$7,325.2 million at 31 December 2004. The above financial information is presented on an IFRS basis and extracted from the unaudited Preliminary Results Announcement.

7. 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 in general meeting. **A notice convening an extraordinary general meeting of the Company to be held at Congress Center Metalli, Parkhotel Zug, 6300 Zug, Switzerland at 11.00 a.m. (Central European Summer Time) on Thursday, 20 April 2006 is set out at the end of this document.** You may also attend the Extraordinary General Meeting at the registered office of the Company, 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, UK, where a satellite meeting linked by video conference to the Zug meeting will be held concurrently at 10.00 a.m. (British Summer Time). A Form of Proxy to be used in connection with the Extraordinary General Meeting is enclosed with this document. The purpose of the Extraordinary General Meeting is to seek Shareholders' approval of the Resolution set out in the EGM Notice.

The Resolution to approve the Proposed Acquisition will be proposed as an ordinary resolution and, being an ordinary resolution, it will be decided on a show of hands unless a poll is demanded in a manner permitted by the Company's Articles of Association. On a show of hands, each member present in person or by proxy has one vote. The passing of the Resolution requires a majority of the votes cast.

Letter from the Senior Independent Director

As the Proposed Acquisition is a related party transaction for the purposes of the Listing Rules, in accordance with the Listing Rules, Glencore International will not vote on the Resolution and each of it and Seez Trading has undertaken to take all reasonable steps to ensure that its respective associates will not vote on that Resolution. In accordance with the ECMP, Batis will not exercise the voting rights attaching to the Ordinary Shares held by it at the EGM.

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

8. Action to be taken

You will find enclosed a Form of Proxy for use at 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, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, UK as soon as possible but in any event so as to arrive by no later than 10.00 a.m. (British Summer Time) (11.00 a.m. Central European Summer Time) on Tuesday, 18 April 2006.

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.

9. Further information

Your attention is drawn to the further information contained in Parts II to V of this document.

You are advised to read the whole of this document and not to rely solely on the information in this letter.

10. Recommendation

As the Proposed Acquisition is a related party transaction for the purposes of the Listing Rules, Glencore International will not vote on the Resolution at the EGM and it has undertaken to take all reasonable steps to ensure that its associates will not vote on the Resolution at the EGM. 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. Mr. Issroff, as a Glencore International Nominee on the Board, also took no part in the Board's consideration of the Proposed Acquisition, in accordance with the terms of the Relationship Agreement between Xstrata and Golf International.

The Board of Directors, which has been so advised by Rothschild, 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.

The Board of Directors considers that the Proposed Acquisition is in the best interests of the Company and the Shareholders of Xstrata as a whole and, accordingly, recommends Shareholders to vote in favour of the 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 EGM, amounting to 1,120,696 Ordinary Shares in aggregate at the date of this document, representing approximately 0.17% of the total issued ordinary share capital of the Company.

Yours sincerely

David Rough

Senior Independent Director and Deputy Chairman

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Information on Cerrejón

A. Information on the Cerrejón operation

Introduction

The Cerrejón mining operation is a privately-owned, independently-managed joint venture, in which, through wholly-owned subsidiaries, each of BHP Billiton, Anglo American and Glencore International has a one third indirect interest.

Cerrejón is one of the largest and lowest-cost export open pit coal mining operations in the world, with a saleable reserve base in excess of 900 Mt as at 30 June 2005. The business is involved in the exploration, production, transportation and shipment of high-grade thermal coal, mined at Cerrejón's deposits, to markets principally in Europe and the Americas. Located in La Guajira state, in the North-Eastern part of Colombia adjacent to the Venezuelan border, Cerrejón is ideally positioned to supply the import markets of Europe and the Eastern and Gulf Coasts of the United States. Total current infrastructure capacity is estimated to be approximately 29 Mtpa and, in the year ended 31 December 2005, Cerrejón produced approximately 26 Mt of export thermal coal predominately for the European and United States power generation markets.

Cerrejón's coal mining operations are carried on across approximately 69,000 hectares, in which four separate areas are contracted: the North, Central and South Zones, and the Patilla Area. Cerrejón owns an export facility 150 kilometres north-east of the mine on the Caribbean coast at Puerto Bolívar which is connected to the mine by means of a dedicated single-track railway line.

In July 2005, as a result of growing demand in Europe and the Americas, the current joint venture partners approved the progressive expansion of Cerrejón's coal capacity to 32 Mtpa by 2008. The high quality export energy coal is produced from open cut mines utilising traditional truck and shovel methods. Production to meet the approved expansion is intended to be sourced from a number of lease areas, which expire in 2034 with the exception of the Oreganal lease that expires in 2022. The cost of this expansion is forecast to be approximately US\$127.5 million in aggregate (or approximately US\$42.5 million for each of the joint venture members).

Cerrejón's history

North Zone

In December 1976, an Association Contract was signed between Carbones de Colombia S.A. ("Carbocol"), a Colombian state-owned coal company, and International Colombia Resources Corporation ("Intercor"), an ExxonMobil affiliate, for the development of the Cerrejón North Zone. This contract consists of three phases: Exploration (1977-1980), Construction (1981-1986) and Production (1986-2009). In January 1999, an agreement with the Government of Colombia extended the production phase by 25 years to 2034.

In November 2000, the Colombian Government sold Carbocol's 50% participation in the Cerrejón North Zone Association Contract, to Cerrejón Zona Norte S.A., a consortium made up of subsidiary companies of BHP Billiton, Anglo American and Glencore International. In February 2002, this consortium acquired the remaining 50% participation in the Cerrejón North Zone Association Contract by purchasing Intercor from ExxonMobil. This gave the consortium 100% ownership of the Cerrejón North Zone lease area held through Cerrejón Zona Norte S.A. (50%) and Intercor (50%). Intercor subsequently changed its name to Carbones del Cerrejón LLC ("CDC LLC").

Central Zone

This zone has two contracted areas: the Central Deposit and the Oreganal Deposit.

The Central Deposit (Comunidad de El Cerrejón) has been in production since 1981. After successive contracts with different companies (a Domi Prodeco Auxini consortium, C.I. Prodeco S.A. ("Prodeco"), Carbones del Caribe S.A. and others) it was acquired by Glencore in 1995. In 1995 it was assigned to Carbones del Cerrejón S.A. ("CDC SA") and Anglo American joined the business by acquiring 50% of the shares in CDC SA. In 1998, CDC SA merged with Oreganal S.A. This resulted in CDC SA acquiring the Oreganal Lease and the Rio Tinto group acquiring 33⅓% of the shares of CDC SA. In 2000, the Rio Tinto group's one third interest in CDC SA was acquired by Glencore and Anglo American and on sold to BHP Billiton. In June 2002, a merger agreement (the "2002 Merger Agreement") was signed, pursuant to which all the rights and obligations of CDC SA were transferred to CDC LLC on 27 November 2002.

Part II

Information on Cerrejón

Patilla Area

In 2001, through a public tender, the Patilla North lease area was assigned from Carbocol to a consortium made up today of CDC LLC and Cerrejón Zona Norte S.A.

South Zone

A large mining contract for the exploration and exploitation of coal regarding the Cerrejón Sur area was entered into on 10 December 1997 between Ecocarbon and the Colombian branches of Anglo American Coal Corporation Limited, Minorco S.A., Xstrata (Schweiz) AG, Rio Tinto plc, Rio Tinto Limited and Oreganal S.A., save for Oreganal S.A. which executed directly as a Colombian company (the "Cerrejón Sur Consortium"). The interest of Ecocarbon was subsequently assigned to a succession of Colombian government entities including Minercol and subsequently Ingeominas. The interest of the Cerrejón Sur Consortium was subsequently assigned to CDC SA and then to CDC LLC pursuant to the 2002 Merger Agreement. This zone is currently at the exploration stage.

The Cerrejón operations

The mine

Cerrejón is one of the largest and lowest-cost export open pit coal mining operations in the world.

Cerrejón's mining operations start with the removal of surface and top soil layers, which are stored for use in rehabilitation. The overburden is drilled, blasted and loaded out utilising mining shovels and a truck fleet. Coal seams are exposed and prepared for mining, loaded and transported in trucks to stockpiles and crushers. Crushed coal is conveyed into two silos for loading onto trains for transport to Puerto Bolívar.

The equipment and machinery used at the Cerrejón mine are among the largest and most modern in the industry. There are also facilities on site for carrying out maintenance of trucks, tractors and scrapers. Other facilities include reconstruction depots, administrative offices and telecommunications systems between mine, railroad, port and Cerrejón's administrative headquarters and support offices.

The railroad

The rail system of 150 kilometres links the mine with the export ocean terminal at Puerto Bolívar on the Caribbean coast. The coal is transported in trains loaded at the silos, through a continuous miner process system. The complete cycle of loading, transportation, unloading at the port and the return of trains to the mine typically takes approximately 12 hours. On average, seven trains are dispatched every working day. Additionally, there is a service train that transports supplies, materials and spare parts. The railroad system is electronically controlled from a central traffic station located at the mine.

Puerto Bolívar

Puerto Bolívar is one of the largest export coal ocean terminals in Latin America. It is located 150 kilometres north of the Cerrejón mine, on the Caribbean coast and receives vessels of up to 175,000 dead weight tonnes, overall length of 300 metres and beam widths of 45 metres. Its navigable channel is 19 metres in depth, 265 metres in width and four kilometres in length.

The main coal facilities at the port are a train unloading station, three stacker-reclaimers, and a lineal shiploader to put the coal into the vessels, at a rate of 4,800 tons per hour.

The port also has a supply pier to receive ships of up to 30,000 tons that arrive with machinery, spare parts, fuel and other materials required for the mining operation.

Support facilities and services

Cerrejón also uses two airports, one at the mine and a second in Puerto Bolívar. There are also administrative headquarters and support offices in the city of Bogotá.

Products and services

The business is involved in the exploration, production, transportation and shipment of high-grade thermal coal, mined at Cerrejón's deposits, to markets principally in Europe and the Americas.

Information on Cerrejón

Coal produced at Cerrejón benefits from relatively low ash content (approximately 8.2%), a low sulphur dioxide emissions profile and high calorific value, making it ideal for power generation.

Projects and developments

In May 2005, a feasibility study was completed for an expansion of the mine's infrastructure capacity from 29 Mtpa to 32 Mtpa at an estimated capital cost of approximately US\$127.5 million. The expansion was approved in July 2005 by the current shareholders of Cerrejón and is underway, with completion scheduled for 2008. Work has commenced on feasibility studies to expand the coal production and export capacity beyond 32 Mtpa. Such expansion would aim to exploit the existing reserve base to take advantage of growing demand for import coal in Europe and the United States and require further capital expenditure for mining equipment, transport and other infrastructure.

Cost curve

A cost curve provided by Barlow Jonker for 2004/2005 ranks Cerrejón's coal operations, on a weighted average basis, in the first quartile among major export producers of coal worldwide. See the section of this document headed "Presentation of Information – Cost curve".

Competition

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

Cerrejón is one of the largest export thermal coal mines in the world. Significant Atlantic and global export thermal coal competitors, beside its joint venture partners Anglo American and BHP Billiton, are currently Xstrata, Rio Tinto, Drummond (a privately-owned coal producer with operations in Colombia) and coal producers operating in China, Indonesia and Russia.

Details of key individuals important to Cerrejón

The following persons are key individuals important to Cerrejón (and therefore to the Cerrejón Business):

Leon Teicher – President-Elect of Cerrejón

Mr. Teicher, who has an industrial economics degree from Universidad de los Andes of Bogotá and an MBA from Stanford University, will take up the position of President of Cerrejón with effect from 1 May 2006. Mr. Teicher is currently President and Chief Executive Officer of Xeon Technology Corporation, a company that he founded in 1998. Between 1992 and 1997 and between 1985 and 1987, Mr. Teicher worked for Unisys Colombia in Bogotá, ultimately as President and General Manager, having worked between 1988 and 1992 for Unisys Argentina and Uruguay in Buenos Aires and between 1987 and 1988 for Unisys Latin America and Caribbean Group in Boca Raton, Florida. From 1981 to 1987, Mr. Teicher worked for Carbocol in Bogotá, as a member of Carbocol's board of directors between 1986 and 1987 and as Vice President of Marketing and Sales between 1981 and 1985. From 1979 to 1981, Mr. Teicher worked and taught at the Universidad de los Andes university, having previously worked for Ampex Corporation in Redwood City, California.

Alberto Calderón – Former President of Cerrejón

Mr. Calderón, who has a doctorate in economics from Yale University, was the President of Cerrejón between July 2002 and 16 March 2006. Prior to joining Cerrejón, Mr Calderón held various executive, governmental and advisory positions, including: President of Ecopetrol, the Colombian state oil company, from 1999 to 2002; General Director of Public Credit in 1999; Executive Vice President of Investment Banking for Corporación Financiera de Valle from 1997 to 1999; President of the Colombian Natural Gas Association in 1997; Alternate Executive Director of the International Monetary Fund from 1994 to 1997; President of Empresa de Energía de Bogotá from 1992 to 1993; Vice-Minister of Economic Development, Colombia in 1992; Vice-Minister of Education, Colombia in 1991; advisor to the Colombian Minister of Finance, from 1990 to 1991; and Assistant to the Colombian Monetary Board from 1983 to 1986. BHP Billiton, one of the Cerrejón joint venture partners, announced in November 2005 the appointment of Mr. Calderón as President of its Diamonds and Specialty Products division based in London and Mr. Calderón left Cerrejón with effect from 16 March 2006.

Richard Cohen – Finance and Administration Vice President of Cerrejón

Mr. Cohen, who has a degree in business science from the University of Cape Town and is a chartered accountant in South Africa, has been the Finance and Administration Vice President of Cerrejón since January 2001. Mr. Cohen is responsible

Part II

Information on Cerrejón

for the financial function, procurement and information technology requirements of Cerrejón. Prior to joining Cerrejón, Mr. Cohen held various executive and accountancy positions, including: Financial Manager of Truworths Limited in South Africa from 1998 to 2000; Group Financial Manager of Glass South Africa, from 1995 to 1998; Senior Accountant of Compañía Minera Cerro Colorado in Chile from 1993 to 1994; and Senior Auditor of Price Waterhouse in Chile from 1992 to 1993.

Luis-German Meneses – Operations Vice President of Cerrejón

Mr. Meneses, who has a degree in Computer Sciences from the Universidad Industrial de Santander in Colombia and an MBA from Fairleigh Dickinson University in the United States, has been with Cerrejón for 27 years. Mr. Meneses joined Cerrejón as a systems analyst in 1979 and has worked in the finance, information systems, production, coal handling and human resources areas before being appointed as Operations Vice President in 2001. Mr. Meneses is currently Acting President of Cerrejón following the departure of Mr. Calderón with effect from 16 March 2006 and pending Mr. Teicher becoming President with effect from 1 May 2006.

Howard Gatiss – Chief Executive Officer of CMC Coal Marketing Company Limited

Mr. Gatiss, who has a degree in economics from Cambridge University, joined CMC Coal Marketing Company Limited, which markets coal from Cerrejón, in January 2003. Prior to joining CMC Coal Marketing Company Limited, Mr. Gatiss worked in various businesses, including: as Chief Executive Officer from 2000 to 2003 of Pirelli Power Cables China; as founder in 1997 of BICC, a British cable manufacturer based in China which was acquired by Pirelli in 2000 and integrated with Pirelli Power Cables China; as Chief Executive Officer in Vietnam of Shell's "downstream" businesses, including lubricants, bitumen and chemicals operations; as Marketing Manager in Bogotá and Business Development Manager based in Cartagena with Shell in Colombia; and as an oil trader in London with Shell International.

Litigation and indemnities

As far as Xstrata is aware, except as set out below, Cerrejón is not engaged in any litigation which may have a significant effect on Cerrejón and/or on Cerrejón's financial position or profitability:

- *Unpaid royalties.* There are three separate class actions alleging that two of the Cerrejón Operating Companies have not paid due and proper royalties on the coal they have produced. The combined amount of damages sought is approximately US\$107 million (Glencore's share being approximately US\$35.7 million);
- *Unpaid 2002 income tax.* The Colombian national tax authority is alleging that one of the Cerrejón Operating Companies owes it an additional US\$13.7 million in respect of its 2002 income tax assessment (Glencore's share being approximately US\$4.6 million); and
- *Privatisation of Cerrejón Zona Norte.* A number of claims have been made and threatened against Cerrejón Zona Norte and others relating to the sale of the Colombian State's interest in Cerrejón Zona Norte. In three of the claims, the amount of damages sought is estimated to be US\$67.7 million (Glencore's share being approximately US\$22.6 million); however, the claimant has also requested an alternative declaration of damages of US\$1.3 billion (Glencore's share being approximately US\$433 million) and a declaration that the privatisation is null and void. In another claim, which is yet to be served on the CB Operating Companies, the amount of damages sought is approximately US\$3.4 billion (Glencore's share being approximately US\$1.13 billion) and one of the claimants in that claim is seeking an alternative declaration that the privatisation is null and void. In another claim, the amount of damages sought from Cerrejón Zona Norte is approximately US\$11 million (Glencore's share being approximately US\$3.7 million).

Based on its external legal advice, Cerrejón considers that it is not likely that any liability will result from the above claims and the above claims are being and will be vigorously defended by Cerrejón.

Under the Acquisition Agreement, the Vendors have agreed to indemnify the Purchasers in respect of losses arising out of the claims referred to above. See the section headed "Principal Terms of the Proposed Acquisition – Warranties and Indemnities" in Part III for further details.

The Colombian national tax authority is alleging that Carbones del Cerrejón LLC owes it an aggregate amount of US\$42 million in respect of Carbones del Cerrejón LLC's 1996 and 1997 income tax assessments. Carbones del Cerrejón LLC and its shareholders are indemnified in respect of this claim by Exxon Mobil Corporation.

Part II

Information on Cerrejón

Reserves and resource summary

The table below sets out Cerrejón's total mine reserves and resource summary as at 30 June 2005:

Cerrejón – Reserves and Resources (total mine basis), June 2005

	ROM Reserves		Saleable Reserves ⁽¹⁾		Resources ⁽²⁾		
	Proved	Probable	Proved	Probable	Measured	Indicated	Inferred
Mt	668	222	677	224	692	230	15

Notes:

⁽¹⁾ Saleable Reserves: As sold basis are reserves adjusted for yield losses in the preparation plant (if applicable) and converted to a saleable moisture basis.

⁽²⁾ Resources are Total Tons in Situ Resources (TTIS). The resources within a defined optimised pit shell which conform to specific quality and thickness criteria and which have been discounted for geological losses.

Additional resources outside the 32 Mtpa pit shell are not included. Resources in the 32 Mtpa mine plan exclude coal resources underlying the Ranchería River. The above information was compiled from version 7 of the Cerrejón geological model which was created in 2004 using MINEX software.

Competent Persons:

Reserves: Ian Douglas, Xstrata Coal (AusIMM)

Resources: Kerry Whitby, Managing Director, McElroy Bryan Geological Services Pty Ltd, Consulting Geologists (AusIMM)

Part II

Information on Cerrejón

B. Financial information on Cerrejón

The financial information relating to Cerrejón presented in this section B has been extracted without material amendment from the audited "pro-forma" combined balance sheet of Cerrejón (for the purposes of this section B of this Part II, the "Cerrejón Group") as of 31 December 2004 and the related "pro-forma" combined statements of income, changes in equity and cash flows for the year then ended. The financial information was prepared in accordance with IFRS and, although the Cerrejón Group is not a legal entity, reflects 100% of the legal entities of the Cerrejón Group.

The combination reflects the activities of the Cerrejón Group as if they had operated as one economic entity during 2004. All significant intercompany transactions and balances between Cerrejón Group enterprises have been eliminated on combination. The following companies are included in the financial statements: Cerrejón Zona Norte SA, Carbones del Cerrejón LLC, CMC Coal Marketing Company Ltd, Transportes de Carbon SA (liquidated in 2004) and Puerto Cerrejón SA (liquidated in 2004).

The management of the Cerrejón Group described the financial information presented below as "pro forma" combined financial statements. The phrase "pro forma" was used as the results of the Cerrejón Group entities were combined (as described above) in the preparation of the financial information as the entities have no common holding company, which would have enabled the preparation of consolidated group financial statements. This financial information does not, therefore, represent pro forma financial information provided to illustrate how a significant gross change arising from a transaction might have affected the assets and liabilities and earnings of any company undertaking a transaction (for the purposes of paragraph 20.2 of Annex I and Annex II of Commission Regulation (EC) No. 809/2004).

Glencore, through three 100%-owned subsidiaries, Tironimus AG, Glencore Cerrejón Limited and Pery Limited, held a 33⅓% interest in each of the entities of the Cerrejón Group represented in the financial statements at 31 December 2004.

It is the intention of Xstrata, following completion of the Proposed Acquisition, to proportionally consolidate the interests in the Cerrejón Group currently held by Glencore.

Deloitte & Touche issued audit reports on the financial statements of the Cerrejón Group for the three years ended 31 December 2002, 31 December 2003 and 31 December 2004. Each such audit report was unqualified. Deloitte & Touche has not authorised or caused the issue of this document and takes no responsibility for any part of this document.

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

Cerrejón

Pro-forma combined balance sheet as at 31 December 2004

	Notes	2004 US\$000's	2003 US\$000's
Assets			
Current assets			
Cash and cash equivalents	5	27,846	17,491
Inventories	6	82,760	98,302
Trade accounts receivable	5	106,882	56,321
Related parties	14,23	19	13,200
Other debtors and prepayments	5	23,857	19,223
Total current assets		241,364	204,537
Non-current assets			
Property, plant and equipment	8	968,973	936,738
Intangible assets	9	358,505	372,304
Other debtors	5	12,910	11,719
Total non-current assets		1,340,388	1,320,761
Total assets		1,581,752	1,525,298

Part II
Information on Cerrejón

Cerrejón

Pro-forma combined balance sheet as at 31 December 2004

	Notes	2004 US\$000's	2003 US\$000's
Liabilities and equity			
Current liabilities			
Trade accounts payable	10	53,643	44,772
Income Tax		136,688	12,534
Related parties	23	2,056	57
Other accruals and provisions	11	14,266	9,000
Total current liabilities		206,653	66,363
Non-current liabilities			
Bank loans – due after one year	12	–	121,673
Deferred tax	13	220,307	236,596
Related party loans	14	–	76,423
Land restoration provision	15	21,848	20,252
Total non-current liabilities		242,155	454,944
Total liabilities		448,808	521,307
Capital and reserves			
Share capital	16	238,281	238,709
Share premium	16	7,149	7,149
Members' interest	17	613,183	629,669
Capital contribution	18	1,065	1,065
Retained earnings		273,266	127,399
Total capital and reserves		1,132,944	1,003,991
Total liabilities and equity		1,581,752	1,525,298

Part II
Information on Cerrejón

Cerrejón

Pro-forma combined statement of income for the year ended 31 December 2004

	Notes	2004 US\$000's	2003 US\$000's
Sales		1,099,695	657,863
Cost of sales		(465,925)	(359,160)
Gross profit		633,770	298,703
Selling and administrative expenses		(4,967)	(4,720)
Depreciation and amortisation	8,9	(92,997)	(92,046)
Net operating profit		535,806	201,937
Non-operating income	20	4,591	5,456
Non-operating expenses	21	(11,152)	(22,755)
Non-operating expenses – net		(6,561)	(17,299)
Profit before tax		529,245	184,638
Income tax expense	22	(141,021)	(29,756)
Net profit for year		388,224	154,882

Part II
Information on Cerrejón

Cerrejón

Pro-forma combined statement of changes in equity for the year ended 31 December 2004

	Share Capital US\$000's	Share premium US\$000's	Members' interest US\$000's	Capital contribution US\$000's	Retained earnings US\$000's	Total US\$000's
Balance at January 1, 2003	238,709	7,149	713,175	–	42,105	1,001,138
Coal Marketing Company Ltd.	–	–	–	1,065	–	1,065
Profit for year	–	–	49,788	–	105,094	154,882
Members' interest returned to Shareholders	–	–	(133,294)	–	–	(133,294)
Dividends paid	–	–	–	–	(19,800)	(19,800)
Balance at January 1, 2004	238,709	7,149	629,669	1,065	127,399	1,003,991
Profit for year	–	–	157,574	–	230,650	388,224
Members' interest returned to Shareholders	–	–	(174,060)	–	–	(174,060)
Puerto Cerrejón & Transcarbon liquidation	(428)	–	–	–	428	–
Dividends paid	–	–	–	–	(85,211)	(85,211)
Balance at December 31, 2004	238,281	7,149	613,183	1,065	273,266	1,132,944
Notes	16	16	17	18		

Part II
Information on Cerrejón

Cerrejón

Pro-forma combined cash flow statement for the year ended 31 December 2004

	Notes	2004 US\$000's	2003 US\$000's
Profit before tax		529,245	184,638
Adjustments for:			
Depreciation and amortisation	8,9	92,997	92,046
Interest expense	21	4,168	11,441
Loss on disposal of property, plant & equipment		3,702	8,306
Increase in land restoration provision	15	1,596	1,545
Operating cash flows before taxes and interest paid and movements in working capital		631,708	297,976
Taxes (paid)/recovered		(32,068)	1,222
Working capital changes:			
(Increase)/decrease in current assets, except inventories		(42,014)	1,387
Increase in current liabilities		15,048	1,161
Decrease in inventories		15,542	9,082
Total operating cash flows		588,216	310,828
Investment cash flows			
Purchases of property, plant and equipment & intangibles	8,9	(116,286)	(37,009)
Proceeds on disposal of property, plant and equipment		1,151	1,197
Increase in other long term assets		(1,191)	(196)
Decrease in other long term liabilities		(80)	(242)
Total investment cash flows		(116,406)	(36,250)

Part II
Information on Cerrejón

Cerrejón

Pro-forma combined cash flow statement for the year ended 31 December 2004

	2004 US\$000's	2003 US\$000's
Financing cash flows:		
Repayment of finance lease obligations and interest thereon	–	(14,051)
Repayment of loans and interest thereon	(202,184)	(100,182)
Members' interest returned to Shareholders	(174,060)	(133,294)
Dividends paid	(85,211)	(19,800)
Capital contribution	–	1,065
Total financing cash flows	(461,455)	(266,262)
Net increase in cash and cash equivalents	10,355	8,316
Cash and cash equivalents at beginning of period	17,491	9,175
Cash and cash equivalents at end of period	27,846	17,491

Part II

Information on Cerrejón

Cerrejón

Notes to the pro-forma combined financial statements for the year ended 31 December 2004

(All figures are in US\$000's, unless otherwise stated)

1. General

Anglo American Plc. ("AA Plc"), BHP Billiton Plc. ("BHP Billiton") and Glencore International AG, ("Glencore") own in equal shares, as ultimate Shareholders (the "Shareholders"), the entities Cerrejón Zona Norte S.A. ("CZN"), Carbones del Cerrejón LLC ("CDC"), Transportes de Carbón S.A. (liquidated during 2004), and Puerto Cerrejón S.A. (liquidated during 2004). The operations of these entities are in Colombia.

Anglo Coal CMC, Billiton Marketing Holdings BV and Tironimus AG own in equal shares CMC Coal Marketing Company Ltd. ("CMC"), which has its operations in Ireland. The ultimate shareholders of CMC are AA Plc, BHP Billiton and Glencore.

The above Colombian and Irish entities are collectively referred to as Cerrejón (the "Cerrejón Group"), a non legal entity.

2. Nature of business activities

The Cerrejón Group's principal objective is the exploration, exploitation and marketing of thermal coal. The main source of income of the Cerrejón Group is derived from the sale of thermal coal to international markets. The exploration and exploitation activities undertaken by CDC and CZN are carried out independently of the marketing activities, which are undertaken by CMC. Transactions between CDC and CZN with CMC are independently conducted and priced based upon prevailing market conditions.

3. Basis of presentation of pro-forma combined financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, on the historical cost basis and are presented in United States Dollars since that is the currency in which the majority of the Cerrejón Group's transactions are denominated.

The combination reflects the activities of the Cerrejón Group as if they had operated as one economic entity during 2004. All significant intercompany transactions and balances between Cerrejón Group enterprises have been eliminated on combination.

The following companies are included in the financial statements:

Cerrejón Zona Norte S.A., Carbones del Cerrejón LLC, CMC-Coal Marketing Company Ltd., Transportes de Carbón S.A. (liquidated in 2004) and Puerto Cerrejón S.A. (liquidated in 2004).

4. Summary of significant accounting policies

Revenue recognition

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

Foreign currencies

The functional currency of the Cerrejón Group is US Dollars. Transactions in foreign currencies other than US Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit for the period.

The translation of Colombian Peso and Euro denominated assets and liabilities into US Dollars at December 31, 2004 does not imply that the Cerrejón Group could realise or settle in US Dollars the translation value of such assets and liabilities.

In order to hedge its exposure to certain foreign exchange risks, the Cerrejón Group enters into forward contracts. See below for details of the Cerrejón Group's accounting policies in respect of such derivative financial instruments.

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Inventories

Coal inventories are stated at the lower of cost and net realisable value. The cost of coal inventories is determined using the weighted average method and comprises the total cost of the operation, depreciation and royalties. Coal at the port includes rail transport costs. 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.

Spares and consumables are valued using the weighted average method at the lower of cost and net realisable value.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss and are depreciated over their useful lives (note 8).

Mine development expenditure at new pits and dumps and major development expenditures at operating pits which are expected to benefit future production, 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 from the mining area. Mine exploration and development costs to maintain production of operating pits are charged to operations as incurred.

Expenses for repairs 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 equipment.

Intangible assets – Mining rights

Mining rights represent mineral reserves and resources which can be reliably valued and are recognised in the assessment of fair values 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 – Goodwill

Goodwill represents the excess of the cost of the acquisition of mining operations over the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is amortised on a straight-line basis over 20 years.

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 recognised as assets of the Cerrejón Group at their fair market value at the date of acquisition or, if lower, at the net present value of the minimum lease payments. 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 income.

Rentals payable under operating leases are charged to income as incurred.

Disturbed land

Provision is made for the expected cost of restoring un-rehabilitated disturbed land. Closure costs are provided for when it is probable that there will be an outflow of group resources and when a realistic estimate can be made of the cost.

Impairment

At each balance sheet date the Cerrejón 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 Cerrejón Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Given that Cerrejón is a single site operation, the entire operation is considered to represent a single generating cash unit. The recoverable amount is the greater of net selling

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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 asset.

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 recognised for the asset (cash generating unit) in prior years.

Income tax

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

Income tax currently payable is based on taxable income for each of the tax paying legal entities at December 31, 2004. The Cerrejón 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 tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is 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. Timing differences resulting from mining rights are included in the deferred tax calculation.

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 is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised. 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 they relate to income taxes levied by the same taxation authority and the Cerrejón Group intends to settle its current liabilities on a net basis.

Retirement benefits

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

Borrowing costs

Borrowing costs are recognised in net profit or loss in the period in which they are incurred.

Financial instruments

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

Trade receivables

Trade receivables 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.

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Trade payables

Trade payables are stated at their nominal value.

Equity instruments

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

Derivative financial instruments

The Cerrejón Group uses derivative financial instruments to hedge its risks associated with coal price and foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such derivatives are initially recorded at cost, if any, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to firm commitments and forecasted transactions are recognised directly in the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting.

Provisions

Provisions for retrenchment costs are recognised when the Cerrejón Group has a detailed formal plan that has been communicated to affected parties.

5. Other financial assets

Cash and cash equivalents comprise cash and overnight investments.

Current trade and other receivables at December 31, 2004 comprise amounts receivable from the sale of coal of \$106,882 (2003: \$56,321), and other debtors and prepayments of \$23,857 (2003: \$19,223) that includes: value added tax recoverable \$11,908 (2003: \$7,622), advances to contractors \$4,908 (2003: \$2,841), current portion of employees house loans \$2,645 (2003: \$2,199), prepaid expenses \$2,134 (2003: \$2,205), claims \$1,363 (2003: \$1,400) and other \$899 (2003: \$2,956). The non-current portion includes \$11,864 of employees house loans (2003: \$11,045) and other debtors of \$1,046 (2003: \$674).

The average credit period taken on sales of goods is 29 days after the vessel's bill of lading date. Based on a review of individual accounts, a provision is made for any amounts considered irrecoverable. Management considers that the carrying amount of trade and other receivables approximates their fair value.

The Cerrejón Group's credit risk is primarily attributable to its trade receivables.

6. Inventories

Inventories comprise the following:

	2004 US\$000's	2003 US\$000's
Coal inventories	35,870	58,435
Spares and consumables	46,890	39,867
Total	82,760	98,302

Coal inventory at December 31, 2004 is 1.660 million tons. (2003: 2.683 million tons.)

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7. Pension investment contract and pension reserve

With effect from February 21, 2002, the Shareholders acquired 100% of the interests of ExxonMobil Coal and Minerals Corporation ("ExxonMobil") in International Colombia Resources Corporation LLC ("Intercor").

Intercor had a pension and related health benefits obligation at the date of acquisition of \$49,050. As part of the Agreement for Sale and Purchase, this obligation continues to be a responsibility of ExxonMobil, the former shareholder, but the recording of the obligation is to remain with the Cerrejón Group. An investment contract was signed between Intercor and ExxonMobil on February 21, 2002, whereby ExxonMobil agreed to fund the total pension obligation, past and future and the required funds were paid in. The asset and liability have been set-off. Any change in the value of the pension obligations has no effect on the income statement of the Cerrejón Group. The obligation at December 31, 2004 is of \$53,887 (2003: \$45,029).

8. Property, plant and equipment

Property, plant and equipment comprise the following:

	Land US\$000's	Buildings, roads & mine/port/ rail/aviation infrastructure US\$000's	Mine development expenditure US\$000's	Machinery & equipment US\$000's	Office & other equipment US\$000's	Rail, port & aviation equipment US\$000's	Construction in progress US\$000's	Total US\$000's
Cost								
At 12/31/2003	19,025	496,136	191,062	376,733	24,668	54,549	17,867	1,180,040
Transfers	114	39	7,476	166	(205)	(40)	(7,550)	–
Additions	1,988	4,084	48,597	59,568	5,144	1,236	(4,331)	116,286
Disposals	(17)	(3,177)	–	(3,438)	(368)	(688)	–	(7,688)
At 12/31/2004	21,110	497,082	247,135	433,029	29,239	55,057	5,986	1,288,638
Depreciation								
At 12/31/2003	(763)	(72,555)	(12,089)	(126,113)	(16,349)	(15,433)	–	(243,302)
Transfers	(4)	(30)	4	(46)	76	–	–	–
For year	(691)	(27,633)	(3,946)	(37,969)	(3,290)	(5,669)	–	(79,198)
Disposals	1	1,339	–	1,395	35	65	–	2,835
At 12/31/2004	(1,457)	(98,879)	(16,031)	(162,733)	(19,528)	(21,037)	–	(319,665)
NBV 12/31/2004	19,653	398,203	231,104	270,296	9,711	34,020	5,986	968,973
NBV 12/31/2003	18,262	423,581	178,973	250,620	8,319	39,116	17,867	936,738

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The following depreciation methods have been used and are applied by the Cerrejón Group:

Land	Unit of production method
Buildings, roads & mine/port/rail/aviation infrastructure	Unit of production method
Mine development expenditure	Unit of production method
Machinery & equipment	Up to 20 years – straight line
Office & other equipment	Up to 10 years – straight line
Rail, port & aviation equipment:	
– Locomotives	Up to 12 years – straight line
– Coal cars	Up to 10 years – straight line
– Aircraft	Up to 15 years – straight line
Construction in progress	No depreciation

9. Intangible assets

Intangible assets comprise the following:

	Mining rights US\$000's	Goodwill US\$000's	Establishment & acquisition costs US\$000's	Total US\$000's
Cost				
Balance at 12/31/2003	288,850	96,819	8,865	394,534
At 12/31/2004	288,850	96,819	8,865	394,534
Amortisation				
Balance at 12/31/2003	(12,631)	(8,960)	(639)	(22,230)
For year	(8,718)	(4,837)	(244)	(13,799)
At 12/31/2004	(21,349)	(13,797)	(883)	(36,029)
NBV 12/31/2004	267,501	83,022	7,982	358,505
NBV 12/31/2003	276,219	87,859	8,226	372,304

10. Trade and other financial liabilities

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

Management considers that the carrying amount of trade payables approximates to their fair value.

11. Finance lease obligations and other accruals and provisions

The amounts payable under finance leases were paid in full during 2003. No finance charges were incurred during 2004 (2003: US\$244). For 2003, the effective borrowing rates were in the range of 3.03% to 3.77% (libor + 1.95%). Interest rates were fixed at the contract date. All leases were on a fixed repayment basis.

Other accruals of US\$14,266 (2003: US\$9,000) comprise royalty provisions of US\$12,949 (2003: US\$6,596), employee retrenchment benefits US\$0 (2003: US\$1,456), other legal claims US\$1,018 (2003: US\$948) and hedging liabilities of US\$299 (2003: US\$0).

12. Bank loans

	2004 US\$000's	2003 US\$000's
Dresdner Bank	–	40,558
Barclays Bank	–	81,115
Total	–	121,673

The amounts payable under bank loans were paid in full during 2004. Interest was charged at Libor + 5.125%, payable semi-annually on 30 June and 31 December with the option of being capitalised.

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13. Deferred tax

	2004 US\$000's	2003 US\$000's
Deferred tax liabilities	221,805	249,901
Deferred tax assets	(1,498)	(13,305)
Net position	220,307	236,596

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

	2004 US\$000's	2003 US\$000's
Opening balance	236,596	230,119
Credit to income for the year	(16,289)	6,477
Closing balance	220,307	236,596

The following are the major deferred tax liabilities and assets recognised by the Cerrejón Group at December 31, 2004:

	PP&E & intangible assets US\$000's	Mining rights US\$000's	Inventories US\$000's	Tax losses & other US\$000's	Total US\$000's
At 12/31/2003	151,752	93,456	4,693	(13,305)	236,596
2004 (credit)/charge	(21,817)	(3,005)	(4,208)	12,741	(16,289)
At 12/31/2004	129,935	90,451	485	(564)	220,307

Tax losses carry forward from 2003 of US\$40,5M were fully utilised in 2004.

14. Related party loans

	2004 US\$000's	2003 US\$000's
Receivables		
Billiton Marketing Holdings BV	–	4,400
Anglo Coal CMC	–	4,400
Tironimus AG	–	4,400
Total	–	13,200

Loans are free of interest and with no fixed repayment terms.

	2004 US\$000's	2003 US\$000's
Payables		
Orvin Ltd.	–	70,680
Cerrejón South Lease	–	5,743
Total	–	76,423

Orvin Ltd. ("Orvin") is a company incorporated in Bermuda and is owned by affiliates or subsidiaries of Anglo American PLC. There is an agreement between the Shareholders whereby Orvin allocates repayments received equally among all three Shareholders. The loan was free of interest, unsecured and denominated in US Dollars. The loan was paid in full during 2004.

The Cerrejón South Lease loan of US\$5,743, relates to the cessation of the contract mining rights of Cerrejón South entered into between Ecocarbón and the South Consortium, which consisted of Anglo American Coal Corp. Ltd., Glencore

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International AG and Minorco Colombia. Repayments are allocated equally among Shareholders. The loan was free of interest, unsecured and denominated in US dollars with no fixed repayment terms. The loan was paid in full during 2004.

15. Land restoration provision

The land restoration provision of US\$21,848 (2003: US\$20,252) represents management's best estimate of the Cerrejón Group's liability to restore land already disturbed by its mining activities. Land pending to be restored is estimated to be 4,163 (2003: 3,971) hectares at a cost/hectare of US\$5.2.

16. 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:

	Number of shares fully paid	Share per Value Col\$	Share per Value US\$	Share capital US\$000's	Share premium US\$000's
Cerrejón Zona Norte S.A.	50,973,305	10,000	–	238,281	7,149
Puerto Cerrejón S.A.	250,000	1,000	–	306	–
Transportes de Carbón S.A.	10,000	10,000	–	122	–
Coal Marketing Company Ltd.	300	–	1	–	–
At 12/31/2003	51,233,605			238,709	7,149
Puerto Cerrejón S.A. – liquidated	(250,000)			(306)	–
Transportes de Carbón S.A. – liquidated	(10,000)			(122)	–
At 12/31/2004	50,973,605			238,281	7,149

17. Members' interest

Members' interest refers to the totality of members' interests in Carbones del Cerrejón LLC, including all rights incidental to membership as provided in the LLC agreement and include a member's share of the profits of the LLC and a member's right to receive distribution of the LLC's assets. Members' interests are received by the members according to their contribution in cash or property.

The members' interest of the Shareholders is represented as follows:

	2004 US\$000's	2003 US\$000's
Opening balance	629,669	713,175
Profit for the year	157,574	49,788
Members' interest returned to Shareholders	(174,060)	(133,294)
Closing balance	613,183	629,669

18. Capital contribution

The Shareholders made irrevocable capital contributions of US\$355 each to CMC – Coal Marketing Company Ltd. in Dublin, Ireland.

19. Staff costs and retirement benefits

The Cerrejón Group had 4,214 employees at December 31, 2004 (2003: 3,983). Personnel costs, which include salaries, wages, social benefits and other personnel costs amounted to US\$101,058 (2003: US\$88,543). The group annual contributions to defined contribution schemes amounted to US\$5,750 (2003: US\$4,641).

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20. Non-operating income

Non-operating income comprises the following:

	2004 US\$000's	2003 US\$000's
Interest earned	1,764	2,020
Exchange (loss)/gain	874	(349)
Sundry revenues	980	1,050
Obsolete spares recovered	656	1,531
Other	317	1,204
Total non-operating income	4,591	5,456

21. Non-operating expenses

Non-operating expenses comprises the following:

	2004 US\$000's	2003 US\$000's
Bank interest paid	4,168	11,197
Finance lease interest paid	–	244
Land restoration provision	1,596	1,545
Loss on disposal of PP&E	3,702	8,306
Other	1,686	1,463
Total non-operating expenses	11,152	22,755

22. Income tax expense

The charge for the year comprises:

	2004 US\$000's	2003 US\$000's
Income tax	155,996	23,279
Colombian net worth tax	1,314	–
Deferred tax (note 13)	(16,289)	6,477
Total income tax expense	141,021	29,756

The statutory tax rate is 38.5% for Cerrejón Zona Norte S.A. and Carbones del Cerrejón LLC, and 12.5% for CMC-Coal Marketing Company Ltd. The average effective tax rate for the Cerrejón Group is 26.7% (2003: 16.1%). Deferred tax is calculated at 35.1% (2003: 35.0%), being the average tax rate that is expected to apply when the liability is settled or the asset realised.

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

	2004		2003	
	US\$000's	%	US\$000's	%
Profit before tax	529,245		184,638	
– Income tax at 34.6% (2003: 31.1%).	183,300	34.6	57,390	31.1
– Utilisation of tax losses not previously recognised	(2,663)	(0.5)	(4,533)	(2.5)
– (Decrease)/increase in deferred tax liability resulting from changes in tax rates (2003 35.0% versus 36.8% in 2002)	–	–	(11,788)	(6.4)
– Permanent differences, including the effect of Colombian peso (revaluation)/devaluation on Colombian tax bases	(31,169)	(5.9)	(11,313)	(6.1)
– 30% Special deduction on fixed assets investments	(9,761)	(1.8)	–	–
– Colombian net worth tax	1,314	0.3	–	–
Tax expense and effective tax rate for the year	141,021	26.7	29,756	16.1

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23. Related party transactions

In addition to the disclosures in notes 14 and 27, during the year Cerrejón Group companies entered into the following transactions with related parties:

Sales of goods:

	2004		2003	
	Revenues US\$000's	Receivables at Dec. 31 US\$000's	Revenues US\$000's	Receivables at Dec. 31 US\$000's
Glencore International AG	47,238	–	4,237	–
BHP Billiton Plc.	77,558	19	–	–
Total	124,796	19	4,237	–

Purchases of services:

	2004		2003	
	Expenses US\$000's	Payables at Dec. 31 US\$000's	Expenses US\$000's	Payables at Dec. 31 US\$000's
Anglo American Corp.	13	39	69	2
Anglo Operations Ltd.	–	–	1,550	–
Anglo Coal Marketing Ltd.	–	–	8	–
BHP Billiton Plc.	99	11	5,381	55
Cerro Matoso SA	–	–	140	–
Glencore International AG	–	2,006	2,469	–
Total	112	2,056	9,617	57

Swap contract costs include related party transactions as follows:

- Swap contract costs paid to Glencore International AG, a connected company, US\$23,503 (2003: US\$3,180).
- Swap contract costs paid to BHP Billiton, a connected company, US\$1,292 (2003: US\$2,283).
- Swap contract costs payable at 31 Dec. 2004 to Glencore International AG, a connected company, US\$2,006 (31 Dec. 2003: US\$Nil).
- Swap contract costs payable at 31 Dec. 2004 to BHP Billiton, a connected company, US\$Nil (31 Dec. 2003: US\$2,283).

Outstanding swap contracts with related parties are disclosed in note 27.

Transactions with related parties are determined by contractual arrangements and are carried out on an arms length basis.

Dividends:

During 2004 CMC paid a dividend of US\$284 per share to its Shareholders, amounting in total to US\$85,200 (2003: US\$19,800).

24. Environmental impact

The operations are subject to various environmental laws and regulations. The Cerrejón Group believes that it is currently in compliance with those laws and regulations and is not aware of environmental contamination. Accordingly no provision is considered necessary.

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25. Litigation

There are a number of legal claims pending against the Cerrejón Group. Based on legal advice, management have made certain provisions in these financial statements and do not consider that any further probable material loss to the Cerrejón Group will arise.

26. Expenditure commitments

	2004 US\$000's	2003 US\$000's
Estimated capital expenditure contracted for at the balance sheet date but not provided for.	76,907	50,179
Estimated capital expenditure approved by the board but not contracted for.	20,951	33,800
Total expenditure commitments	97,858	83,979

At December 31, 2004 the Cerrejón Group had annual commitments in respect of operating leases that will expire in over five years amounting to \$163 (2003: \$152).

27. Derivative financial instruments

In the normal course of its operations the Cerrejón Group is exposed to coal price, currency and credit risks. In order to manage these risks, the Cerrejón Group may enter into transactions which make use of derivatives.

At December 31, 2003 the Cerrejón Group had the following open positions:

Cash flow hedges:

For	Date of transaction	Date of Maturity	€000's	Agreed exchange rate	US\$000's	Unrealised gain at 12/31/2003 US\$000's
Capital expenditure	06/16/2003	03/01/2004	5,500	1.1690	6,430	497
Capital expenditure	11/28/2003	04/01/2004	904	1.1970	1,082	44
Tax payment	10/01/2003	06/16/2004	640	1.1605	743	57
Tax payment	10/28/2003	06/16/2004	1,827	1.1607	2,121	163
Tax payment	12/01/2003	06/16/2004	443	1.1973	530	24
Tax payment	12/30/2003	09/17/2004	520	1.2422	646	4
Total			9,834		11,552	789

Fair value hedges of inventory:

Quarter and year of maturity	Unit (kt)	Counterparty	Fixed Price (US\$/t)	Avg. of offer & bid prices (US\$/t)	Unrealised (loss) at 12/31/2003 US\$000's
Q4-2003	50	BHP Billiton Plc	37.5	63.33	(1,292)
Q1-2004	150	Glencore International AG	36.5	67.08	(4,586)
Q2-2004	150	Glencore International AG	36.5	66.05	(4,433)
Q2-2004	135	Glencore International AG	46.8	66.05	(2,599)
Q3-2004	150	Glencore International AG	36.5	62.35	(3,878)
Q4-2004	150	Glencore International AG	36.5	62.08	(3,836)
Total					(20,624)

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At December 31, 2004 the Cerrejón Group had the following open positions:

Cash flow hedges:

For	Date of transaction	Date of Maturity	€000's	Agreed exchange rate	US\$000's	Unrealised gain/(loss) at 12/31/2004 US\$000's
Capital expenditure	07/04/2004	04/21/2005	5,270	1.2383	6,536	(12)
Capital expenditure	08/04/2004	06/17/2005	5,303	1.2209	6,474	(115)
Tax payment	07/30/2004	06/16/2005	335	1.2048	404	13
Tax payment	08/31/2004	06/16/2005	643	1.2078	776	23
Tax payment	10/04/2004	06/16/2005	640	1.2317	789	8
Tax payment	10/29/2004	06/16/2005	787	1.2757	1,004	(25)
Tax payment	11/30/2004	06/16/2005	660	1.3304	878	(57)
Tax payment	11/30/2004	09/16/2005	132	1.3333	176	(12)
Tax payment	12/31/2004	06/16/2005	142	1.3139	186	(11)
Tax payment	12/31/2004	09/16/2005	717	1.3171	944	(52)
Total			14,629		18,167	(240)

Fair value hedges of inventory:

Quarter and year of maturity	Unit (kt)	Counterparty	Fixed Price (US\$/t)	Avg. of offer & bid prices (US\$/t)	Unrealised gain/(loss) at 12/31/2004 US\$000's
Q1-2005	150	Glencore International AG	67.75	71.50	(563)
Q1-2005	150	Glencore International AG	72.75	71.50	188
Q1-2005	150	BHP Billiton	59.60	52.50	1,065
Q1-2005	150	BHP Billiton	72.60	71.25	165
Q2-2005	150	Glencore International AG	67.75	71.25	(525)
Q2-2005	150	Glencore International AG	72.75	71.25	225
Q2-2005	150	BHP Billiton	72.60	71.25	202
Q2-2005	150	BHP Billiton	73.90	71.25	398
Q3-2005	150	Glencore International AG	67.75	71.25	(525)
Q3-2005	150	Glencore International AG	72.75	71.25	225
Q3-2005	150	BHP Billiton	72.60	71.25	202
Q4-2005	150	Glencore International AG	67.75	71.50	(563)
Q4-2005	150	Glencore International AG	72.75	71.50	188
Q4-2005	150	BHP Billiton	72.60	71.50	165
Q1-2006	75	Glencore International AG	66.85	70.78	(294)
Q1-2006	75	Glencore International AG	66.85	68.88	(152)
Q1-2006	75	Glencore International AG	66.85	67.63	(58)
Q1-2006	75	Glencore International AG	66.85	67.63	(58)
Total					285

28. Subsequent events

Management of the Cerrejón Group is not aware of any material subsequent events requiring inclusion in these financial statements.

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Part III

Principal Terms of the Proposed Acquisition

Pursuant to the Acquisition Agreement the Vendors have conditionally agreed to sell and the Purchasers have conditionally agreed to buy all of the shares in each of the Cerrejón Target Companies. The share in Cerrejón Zona Norte S.A. held by a Glencore nominee will also be transferred to the Purchasers. The Cerrejón Target Companies and the Glencore nominee referred to above collectively hold a 33⅓% interest in each of the Cerrejón Operating Companies.

The Acquisition Agreement came into effect on 15 March 2006, after new shareholders' agreements in respect of certain Cerrejón Operating Companies were signed and came into effect (the "New Shareholders' Agreements").

Consideration

The aggregate consideration payable by the Purchasers to the Vendors under the Acquisition Agreement is US\$1,712 million, which includes an agreed amount of US\$12 million in respect of the value of the excess net assets of the Cerrejón Business as at the Effective Date over the Purchasers' target net asset value of the Cerrejón Business. The Cerrejón Business has no external indebtedness. The Purchasers will also pay to the Vendors interest on the purchase price from the Effective Date to Closing at LIBOR plus 0.75%. The purchase price is not subject to further adjustments for the working capital, debt or cash position of the Cerrejón Business at Closing. The Vendors' share of profits and losses of the Cerrejón Business from the Effective Date to Closing is for the account of the Purchasers.

The Acquisition Agreement contains further provisions, as is customary for a transaction of this nature, to ensure that the economic effect of the transaction is a sale and purchase of the Cerrejón Business as of the Effective Date. Under these provisions, any leakage of value from the Cerrejón Target Companies or the Cerrejón Operating Companies to the Vendors (for example, any dividend paid by a Cerrejón Target Company to the Vendors) between the Effective Date and Closing is for the account of the Vendors on a US dollar for US dollar basis. To the extent that any such leakage occurs and the amount is agreed between the Purchasers and the Vendors prior to Closing, the relevant amount will be deducted from the purchase price. Conversely, any capital injection by the Vendors into the Cerrejón Target Companies or the Cerrejón Operating Companies (for example, any capital expenditure by the Vendors or the Cerrejón Operating Companies) between the Effective Date and Closing is for the account of the Purchasers on a US dollar for US dollar basis. To the extent that any such capital injection occurs and the amount is agreed between the Purchasers and the Vendors prior to Closing, the relevant amount will be added to the purchase price.

Conditions

Closing of the Proposed Acquisition is conditional upon the satisfaction or waiver of each of the following conditions:

- (i) the passing of the Resolution;
- (ii) the parties to the New Shareholders' Agreements providing confirmation that the Purchasers satisfy certain financial requirements as set out in the New Shareholders' Agreements;
- (iii) Ingeominas (a party to various mining agreements with Cerrejón) providing its consent to the Proposed Acquisition in accordance with the terms of the New Shareholders' Agreements;
- (iv) members of the Xstrata Group entering into certain agreements with the other parties to the New Shareholders' Agreements and assuming certain obligations of Glencore in accordance with the terms of the New Shareholders' Agreements; and
- (v) the Bermuda Monetary Authority providing its consent to the transfer of the shares in Glencore Cerrejón Ltd and Perly Ltd.

The Proposed Acquisition was also subject to a condition relating to certain anti-trust matters. That condition has now been satisfied.

In addition, the Acquisition Agreement may be terminated prior to Closing if any fact, matter or event comes to the notice of Xstrata (Schweiz) AG at any time prior to Closing which: (i) constitutes a material breach by any Vendor of the Acquisition Agreement, which, if capable of rectification, has not been rectified within 7 days following notification; (ii) would constitute a breach of any warranty if the warranties were repeated on or at any time prior to Closing by reference to the facts and circumstances then existing and which constitutes a material adverse change to the Cerrejón Business; (iii)

Part III

Principal Terms of the Proposed Acquisition

constitutes a material adverse change to the Cerrejón Business; or (iv) would cause any of the conditions to the Acquisition Agreement to be incapable of fulfilment.

Undertakings of the Vendors up to Closing

The Acquisition Agreement contains obligations on the Vendors to: (i) consult with Xstrata (Schweiz) AG prior to the Vendors having an opportunity to provide input into Cerrejón; and (ii) act in accordance with the instructions of Xstrata (Schweiz) AG when the Vendors have an opportunity to provide input into Cerrejón.

Warranties and indemnities

Under the Acquisition Agreement the Vendors have given certain warranties to the Purchasers concerning constitutional details, accounts, financial matters, mining interests and contracts of the Cerrejón Target Companies and the Cerrejón Operating Companies.

The Vendors have no liability for a breach of any warranty or any claim under the tax covenant (as described below and except in relation to a claim for unpaid 2002 income tax) unless any individual claim exceeds US\$100,000 and unless all claims, in aggregate, exceed US\$2 million. The maximum liability of the Vendors for all breaches of the warranties and for all claims under the tax covenant (as described below) is the purchase price. These limitations do not apply to any claims under the non-tax indemnities described below.

As is customary for a transaction of this nature, the Vendors have agreed in a tax covenant to indemnify the Purchasers in respect of certain taxation liabilities of the Cerrejón Target Companies and one third of certain taxation liabilities of the Cerrejón Operating Companies, which in each case are attributable to the period up to the Effective Date, including in relation to a claim for unpaid 2002 income tax and certain claims relating to stamp tax and VAT. The Vendors shall have no liability under the indemnity for unpaid 2002 income tax unless the amount claimed by the Purchasers exceeds US\$3.5 million.

The Vendors have also agreed to indemnify the Purchasers against: (i) certain claims for unpaid mining royalties; (ii) claims relating to the privatisation of Cerrejón Zona Norte and its successors; and (iii) certain environmental and health claims by the inhabitants of certain areas where Cerrejón operates. The Vendors have no liability in respect of these claims unless the amount of the liability of the Vendors exceeds US\$2 million.

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The Xstrata Group's Relationship with Glencore

1. Overview

As at 22 March 2006 (being the latest practicable date prior to the publication of this document), pursuant to a capital management programme entered into by Glencore International, CSFB Equities and CSSEL in connection with Xstrata's acquisition in 2003 of MIM Holdings Limited (now known as Xstrata Queensland Limited) and the associated rights issue (the "Arrangement"), Glencore International, CSFB Equities and CSSEL are jointly interested in 252,656,239 Ordinary Shares, representing approximately 39.00% of the issued outstanding Ordinary Shares of Xstrata (see paragraph 1 of Part V – "Additional Information – Interests of Glencore International and other major shareholders"). Of these 252,656,239 Ordinary Shares (a) Glencore International is entitled to exercise the voting rights attaching to 101,040,400 of them, representing approximately 15.60% of the issued outstanding Ordinary Shares of Xstrata, and (b) CSSEL is entitled to exercise the voting rights attaching to 151,560,600 of them, representing approximately 23.39% of the issued outstanding Ordinary Shares of Xstrata. Glencore International and CSSEL are the largest shareholders of Xstrata.

Glencore 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 operates on a global scale, marketing physical commodities which it produces at its own industrial assets or purchases from third parties to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. Glencore 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's headquarters are located in Baar, Switzerland and it has a network of 60 field offices in over 50 countries throughout the world.

In 1990, Glencore International became a substantial shareholder in Xstrata AG (which merged with the Company in 2002 as Xstrata plc became the ultimate holding company of the Xstrata Group), following which Xstrata AG built a portfolio of businesses operating in the natural resources sector.

2. Commercial relationship

General

The Xstrata Group believes that it benefits from Glencore's ability to market the commodities which the Xstrata Group produces. The Xstrata Group further believes that Glencore benefits from its marketing agreements with the Xstrata Group, which generally provide for exclusive marketing rights in favour of Glencore with respect to the commodities which the Xstrata Group produces.

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

The Xstrata Group and Glencore have also entered into the Acquisition Agreement in respect of the Proposed Acquisition.

Coal Business

Xstrata Coal Marketing AG and Xstrata (Schweiz) AG entered into a Market Advisory Agreement with Glencore International on 20 March 2002. Pursuant to this agreement, Glencore International, for a fee of US\$0.50 per attributable tonne of coal exported by the Xstrata Group from Australia or South Africa, acts as the Xstrata Group's market adviser with respect to its export production of coal (other than for Cumnock No.1 Colliery Pty Limited ("Cumnock") while it is not a wholly-owned subsidiary). Glencore International advises the Xstrata Group regarding the placement of its export coal in the world market, the future planning for that placement and market opportunities available for the future sale of export coal. Glencore International also provides the Xstrata Group's marketing department with real time market intelligence and access to Glencore International's network of global offices. In providing such services Glencore International has agreed not to act for the greater benefit of itself to the disadvantage of the Xstrata Group. See also paragraph 3 of this Part IV below.

The Market Advisory Agreement remains in full force and effect for a period of 20 years from the date of the agreement, with a review of the fee at the end of each fifth year of its term. The Market Advisory Agreement may be terminated by Xstrata Coal Marketing AG after giving 45 days' notice if any person (together with its affiliates) holds, directly or indirectly,

Part IV

The Xstrata Group's Relationship with Glencore

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:

- (a) 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
- (b) the other party enters into liquidation or is declared insolvent.

Xstrata (Schweiz) AG has agreed to guarantee the performance by Xstrata Coal Marketing AG of its obligations under the Market Advisory Agreement.

On 5 January 1995, Cumnock entered into a sales and marketing agreement with Glencore International. Pursuant to this agreement Glencore International provides sales and marketing services to Cumnock and Cumnock appoints Glencore International as its agent to market coal. Glencore International is entitled to a commission of US\$0.75 per tonne for all coal sold by Cumnock.

The Xstrata Group enters into forward commodity price contracts with Glencore International as counter-party. During the year ended 31 December 2005, 405,000 tonnes were delivered at an average FOB price of US\$57.80 per tonne, compared with 930,000 tonnes at an average FOB price of US\$43.10 per tonne during the year ended 31 December 2004. At 31 December 2005, 765,000 tonnes were contracted at an average FOB price of US\$52.63 per tonne for delivery in 2006, compared with 720,000 tonnes at an average FOB price of US\$59.75 per tonne for delivery in 2005 at 31 December 2004. These derivatives are on arm's length terms and conditions.

All other coal purchases and sales with Glencore International are on commercial terms.

Copper Business

The Xstrata Group has entered into sales agreements with Glencore International in respect of the total available export allocation of copper cathode and surplus North Queensland copper concentrate not processed through its Mount Isa copper smelter for an initial 3 year period from 1 June 2004 and "evergreen" thereafter unless the agreement is terminated by either party with a minimum 12 month notice period. The sales terms for the copper cathode are the LME price plus a premium that is based on Codelco North Asian CIF Liner Terms less freight discounts by destination. The sales terms for the copper concentrate are based on market prices less agreed metal content deductions, treatment and refining charges. The treatment and refining charges for the benchmark portion (25%) are fixed annually in line with annual benchmark terms. The treatment and refining charges for the spot portion (75%) are negotiated quarterly based on the prevailing spot market terms.

Minera Alumbrera Limited has entered into a contract with Glencore in respect of 20,000 to 40,000 dmt copper concentrate per annum expiring on 31 December 2004, thereafter "evergreen" with a 12-month termination period. The sales terms for the copper concentrate are negotiated annually. Minera Alumbrera Limited also has a fixed term contract for the sale of copper concentrate to Glencore for 40,000 dmt per annum in 2004, 2006 and 2007 as well as 60,000 dmt in 2005, expiring 31 December 2007. The treatment and refining charges are fixed for the term of the contract. Minera Alumbrera Limited on occasions sells concentrate to Glencore at spot terms. Spot sales are at prevailing spot market prices.

All terms for the North Queensland operations and Minera Alumbrera Limited are set at generally accepted international terms.

Zinc Business

Asturiana de Zinc, S.A. ("Asturiana") has a service agreement with Glencore (the "Asturiana Service Agreement"), under the terms of which Glencore provides advice and assistance with respect to the acquisition of mining and/or metallurgical interests and advice in connection with Asturiana's hedging policy and improvement of its position in the zinc market. The fees to be paid by Asturiana under the Asturiana Service Agreement are approximately US\$2.0 million per annum.

Asturiana has an "evergreen" agreement with Glencore to purchase 380,000 dmt per annum of zinc concentrate. Treatment charges are negotiated annually.

Part IV

The Xstrata Group's Relationship with Glencore

Asturiana (through its San Juan de Nieva and Nordenham operations) agreed to supply Glencore with 250,000 tonnes of SHG zinc slabs or CGG ingots during 2005 based on market FOB/CPT prices plus the respective premium.

McArthur River has an agreement with Glencore to supply 204,800 wmt per annum in 2005 and 2006 of zinc concentrate. There is an additional agreement to supply Glencore with any unsold zinc concentrate, to a maximum of 94,200 wmt per annum, in 2005 and 2006. Treatment charges for 51,200 wmt per annum of zinc concentrate are fixed with the balance negotiated annually until 31 December 2006.

Mount Isa has two agreements with Glencore for the supply of zinc concentrate. The first agreement is to supply 90,000 wmt. The second agreement is to supply 80,000 wmt to 100,000 wmt for the purpose of swapping Mount Isa concentrate in exchange for the same volume to be delivered to Xstrata's European smelters at equivalent terms. Treatment charges are negotiated annually. Xstrata and Glencore have agreed to extend these agreements to the end of 2008 after which they will become "evergreen" in nature.

Alloys Business

Chrome operations

Xstrata South Africa (Proprietary) Limited ("Xstrata South Africa") entered into a ferrochrome marketing agreement with Glencore International on 21 April 1995, appointing Glencore International as its exclusive world-wide marketing agent for the sale of Xstrata South Africa's entire production of ferrochrome other than ferrochrome sold into the US, Canada and certain Asian countries. The agreement continues for as long as Xstrata South Africa produces ferrochrome. Glencore International is obliged to use its best endeavours to arrange sales at prevailing market rates as agreed from time to time by Xstrata South Africa and Glencore International. Glencore International is entitled to receive an agency fee of 3.5% on FOB sales revenues and an additional fee of 0.75% on FOB sales revenues for assuming the risk of non-payment by customers on this material. Glencore International assumes 60% of the risk of non-payment by customers in relation to ferrochrome sales.

This ferrochrome marketing agreement was updated in 2005 with effect from 1 July 2004, to provide that, in addition, Glencore International is appointed and is responsible for the marketing of all ferrochrome produced by Merafe Resources Limited ("Merafe") as a result of Merafe's participation in the Pooling and Sharing Venture (PSV) between Merafe and Xstrata South Africa, on terms and conditions that are no less favourable than those terms and conditions in the ferrochrome marketing agreement between Xstrata South Africa and Glencore International.

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 products in the market. Glencore International is nevertheless entitled to an agency fee of 3.5% of FOB sales revenue in respect of such sales. Glencore International is also entitled to receive a US\$50,000 monthly fee in connection with market analysis and administration tasks it performs.

Ferrochrome sold into the US and Canada is distributed by Glencore Limited and Glencore Canada Inc., respectively, under two distribution agreements. These agreements continue indefinitely, with both parties to each agreement having the right to terminate the agreement at 12 months' notice. The percentage of distribution fees payable by the Xstrata Group in respect of ferrochrome sold under each distribution agreement is substantially the same as the commission paid in respect of ferrochrome sold under the marketing agreement.

Mitsui & Co. Limited ("Mitsui & Co") is the appointed marketing agent for all ferrochrome sales into China, Japan and South Korea up to a maximum of 30,000 tonnes. A change in marketing agent for sales into these countries requires the consent of Glencore International. Mitsui & Co. is entitled to receive 2.5% sales commission on sales revenue FOB value. The continuation of the distribution agreement with Mitsui & Co. is subject to the operating agreement between Xstrata South Africa and Mitsui Minerals Development South Africa ("MMDSA") in relation to the Xstrata Lydenburg plant. MMDSA owns a 12.5% undivided share in the fixed assets of the Xstrata Lydenburg plant of which Xstrata South Africa is appointed as independent contractor. This ownership entitles MMDSA to purchase the same percentage of the rated capacity (capped at 240,000 tonnes) ferrochrome produced at an amount equal to FOB cost per tonne plus 3.5% of the FOB export price for the products taken. Upon termination of the operating agreement, the distribution agreement will also terminate and Xstrata South Africa will be obliged to purchase the 12.5% undivided share from MMDSA at the prevailing market price.

The Xstrata Group's Relationship with Glencore

Vanadium operations

The Xstrata Group's wholly-owned marketing agent, Xstrata Marketing Corporation A.V.V., entered into a marketing agreement with Glencore International expiring on 31 December 2017, in respect of the Xstrata Group's entire production of vanadium other than vanadium sold into the US or Canada. In January 2005, the previous 20 year marketing agreement was superseded and replaced by a substantially similar marketing agreement consolidating the marketing arrangements between Glencore and the Xstrata Group's contracting entities.

Under the agreement, Glencore International is obliged to use its best endeavours to arrange sales for the Xstrata Group of vanadium pentoxide and ferrovanadium to customers. 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 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 products in the market. Glencore International is nevertheless entitled to the 3.5% agency fees described above in respect of such sales.

Vanadium pentoxide and ferrovanadium sold into the United States or Canada is distributed by Glencore Limited and Glencore Canada Inc., respectively, under two distribution agreements. The distribution agreements have the same term as the marketing agreement. The percentage of distribution fees payable by the Xstrata Group in respect of vanadium pentoxide and ferrovanadium is substantially the same as the commission paid in respect of vanadium pentoxide and ferrovanadium sold under the marketing agreement.

3. Relationship with controlling 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 the Xstrata Group is capable of carrying on its business independently of Glencore and that transactions and relationships with Glencore 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. As is noted in paragraph 1 of this Part IV above, as a result of entering into the Arrangement, Glencore International currently holds only approximately 16% of the votes exercisable at general meetings of Xstrata. Notwithstanding that it is no longer a controlling shareholder of Xstrata under the terms of the Relationship Agreement, Glencore International has agreed that the Relationship Agreement will, nevertheless, continue in full force and effect.

Under the Relationship Agreement:

- Xstrata and Glencore International agree that transactions and relationships between the Xstrata Group and Glencore will be conducted at arm's length and on a normal commercial basis;
- Xstrata and Glencore International agree to ensure that Xstrata is capable, at all times, of carrying on its business independently of any member of Glencore;
- Glencore International is only permitted to nominate a maximum of three directors of Xstrata or (if lower or higher) such number of directors of Xstrata nominated by Glencore International as is equal to one less than the number of independent directors. In this respect, Glencore International has currently nominated Messrs. Strothotte, Glasenberg and Issroff to the Board;
- Directors of Xstrata nominated by Glencore International shall not be permitted, unless the independent directors agree otherwise, to vote on any resolutions of the Company's board of directors to approve any aspect of the Xstrata Group's involvement in or enforcement of any arrangements, agreements or transactions with any member of Glencore;
- 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; and

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The Xstrata Group's Relationship with Glencore

- Glencore International undertakes to observe the provisions in Xstrata's Articles providing takeover protection whilst the City Code does not apply to Xstrata.

The Xstrata Group believes that the terms of the Relationship Agreement as described above enable the Xstrata Group 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 transactions and arrangements described in this Part IV above;
- (b) the Acquisition Agreement described in Part III – "Principal Terms of the Proposed Acquisition"; and
- (c) the related party transactions and arrangements described at:
 - (i) page 90 of the Interim Report for the six months ended 30 June 2005;
 - (ii) pages 145 to 148 (inclusive) of the Annual Report and Accounts for the financial year ended 31 December 2004;
and
 - (iii) pages 149 to 151 (inclusive) of the Annual Report and Accounts for the financial year ended 31 December 2003.

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Additional Information

1. Interests of Glencore International and other major shareholders

Insofar as is known to Xstrata, the name of each person who, directly or indirectly, has an interest in Xstrata's ordinary share capital which is notifiable under Part VI of the Companies Act, and the amount of such person's interest, as at 22 March 2006 (being the latest practicable date prior to the publication of this document) is as follows:

Name	Ordinary Shares	
	No.	%
Credit Suisse Securities (Europe) Limited ⁽¹⁾	151,615,839	23.39
Glencore International AG ⁽¹⁾	101,040,400	15.60
Batiss Investments Limited ⁽²⁾	29,450,976	4.55
AXA Investment Managers UK Limited ⁽³⁾	1,913,783	0.30

⁽¹⁾ Pursuant to a capital management programme entered into by Glencore International, CSFB Equities and CSSEL in connection with Xstrata's acquisition of MIM Holdings Limited (now known as Xstrata Queensland Limited) and the associated rights issue (the "Arrangement"), Glencore International, CSFB Equities and CSSEL are jointly interested in 252,656,239 Ordinary Shares, representing approximately 39.00% of the issued ordinary share capital of the Company. In addition to the interests of CSFB Equities and CSSEL, Xstrata has been informed by Credit Suisse that the Credit Suisse group has interests in a further 1,920,536 Ordinary Shares, representing approximately 0.30% of the issued ordinary share capital of the Company.

⁽²⁾ Pursuant to the Xstrata Group's equity capital management programme ("ECMP"), 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.

⁽³⁾ AXA Investment Managers UK Limited ("AXA") notified the Company on 23 January 2006 that AXA holds a beneficial interest in 1,913,783 Ordinary Shares or approximately 0.30% of the issued ordinary share capital of the Company and a non-beneficial interest in 68,561,916 Ordinary Shares or approximately 10.58% of the issued ordinary share capital of the Company. In total, AXA is therefore deemed to have an interest in 70,475,699 Ordinary Shares, representing approximately 10.88% of the issued ordinary share capital of the Company.

The Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

None of the major shareholders referred to above has different voting rights from other Shareholders.

2. Significant changes

Partnership with Kagiso Trust Investments

In February 2006, the Xstrata Group announced its agreement to form a black economic empowerment partnership with Kagiso Trust Investments ("Kagiso") in respect of the Xstrata Group's 50% interest in the Mototolo Joint Venture.

The Mototolo Joint Venture was established by the Xstrata Group and Anglo Platinum in October 2005 to develop a platinum group metals ("PGM") mine and concentrator on the Eastern Limb of the Bushveld Complex in Mpumalanga, South Africa.

Kagiso will acquire 26% of Xstrata's 50% interest in the joint venture, resulting in Kagiso owning a fully participative 13% interest in the earnings from the Mototolo Joint Venture, in return for funding its proportionate share of the total capital expenditure required for the project. The Xstrata Group will retain an effective 37% interest. On finalisation, Kagiso's participation will be effective retrospectively from the inception of the Mototolo Joint Venture.

The total capital expenditure for the project is estimated at ZAR1,350 million (approximately US\$215 million) to commissioning, of which the Xstrata Group's share is 37%. The Xstrata Group's investment is expected to be made over the next two years and funded from the Xstrata Group's free cash flow.

Agreement to establish ARM Coal

Also in February 2006, the Xstrata Group announced the agreement of the Xstrata Group and African Rainbow Minerals Limited ("ARM") to establish a new black controlled coal mining company to be called ARM Coal, which will have operating assets and growth projects in South Africa and participate in the export and domestic thermal coal markets.

Under the agreement, on completion ARM will pay ZAR400 million (approximately US\$64 million) to subscribe for 51% and the Xstrata Group will pay ZAR384 million (approximately US\$61 million) to subscribe for 49% of the issued share capital of ARM Coal, which will hold a 20% interest in the existing coal operations of Xstrata Coal South Africa, and a direct 51% interest in the Goedgevonden project. ARM Coal will therefore acquire an immediate effective interest of more than 26% in the Xstrata Group's South African coal operations. Xstrata has agreed to provide vendor financing to ARM Coal and, to advance ARM's participation in the South African coal industry, has also agreed to grant ARM an option to

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Additional Information

increase its participation by up to a further 10%. This would result in historically disadvantaged South African control of 36% of Xstrata's South African coal business.

Under this transaction, which is valued in aggregate at approximately ZAR2.4 billion (approximately US\$382 million), ARM Coal will subscribe for participating preference shares ("Preference Shares") in the capital of Xstrata South Africa (Proprietary) Limited ("Xstrata South Africa") for a cash consideration of ZAR784 million (approximately US\$125 million), by applying the subscription proceeds received from the Xstrata Group and ARM for its ordinary shares. The Preference Shares will entitle ARM Coal to participate in 20% of the free cash flow of Xstrata South Africa's existing coal operations. Dividends received from the Preference Shares will flow directly to ARM Coal's shareholders.

For the purposes of this transaction, ZAR4 billion (approximately US\$636 million) of debt has been attributed to Xstrata South Africa's existing coal operations. This debt will bear interest at the prime overdraft rate of interest quoted publicly by the Standard Bank of South Africa (the "prime rate") and will be repaid over a ten-year period following a five-year vendor facilitation period during which no interest will accrue and no principal will be required to be repaid. Xstrata South Africa will provide debt funding of ZAR765 million (approximately US\$122 million) to ARM Coal in order to fund its acquisition of the 51% interest in the Goedgevonden project. This debt will bear interest at the prime rate and the repayment period will be linked to the underlying cash flows of ARM Coal.

Furthermore, Xstrata South Africa will provide the project funding required to bring the Goedgevonden project into commission. The project funding is expected to peak at approximately ZAR2.3 billion (approximately US\$366 million) and will be repayable over ten years following an eight-year vendor facilitation period. During this eight-year period, no interest will accrue and no principal will be required to be repaid in respect of Xstrata South Africa's portion of the project funding and ARM Coal will be entitled to share in this benefit. The project funding will bear interest at the prime rate.

In order for ARM to gain immediate access to cash flows, a cash upstream principle will be applied for the first five years following completion of the transaction, whereby 20% of Goedgevonden's operating cash flow will be distributed to the joint venture parties according to their respective interests. The remaining 80% of the operating cash flow will be utilised towards the servicing of the project funding debt. Furthermore, 80% of the operating cash flow received from the Goedgevonden project by ARM Coal will be used to service ARM Coal's debt of ZAR765 million and the remaining 20% will be distributed to the shareholders of ARM Coal.

The transaction, which is expected to complete in mid-2006, is subject to certain conditions precedent, including, amongst other things, obtaining the necessary regulatory approvals under the South African Exchange Control Regulations and the South African Competition Act.

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 31 December 2005, the date to which the latest published unaudited financial information of the Xstrata Group was prepared as included in the Preliminary Results Announcement.

3. 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 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 document 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 document:

- (a) the Acquisition Agreement, details of which are provided in Part III – "Principal Terms of the Proposed Acquisition"; and
- (b) the Relationship Agreement, details of which are provided in paragraph 3 of Part IV – "The Xstrata Group's Relationship with Glencore – Relationship with controlling shareholder".

Additional Information

4. Consent

Rothschild has given and not withdrawn its written consent to the inclusion in this document of statements attributed to it and references to its name in the form and context in which they appear.

Barlow Jonker has given and not withdrawn its written consent to the inclusion in this document of its name and references to it and cost curve information produced by it in the form and context in which they appear.

5. Bases and sources

Xstrata and Cerrejón operate in industries in which it is difficult in certain cases to obtain precise industry and market information. Unless the source is otherwise stated:

- the industry and market data in this document have been extracted without material amendment from the Company's and Cerrejón's management records;
- the non-financial operating data included in this document have been extracted without material amendment from the Company's and Cerrejón's management records;
- the financial information included in this document or incorporated into this document by reference in respect of the Xstrata Group has been extracted without material amendment from the financial statements contained in the Preliminary Results Announcement, the Interim Report, the Annual Reports and Accounts and the Company's accounting records; and
- the financial information included in this document in respect of Cerrejón and the Cerrejón Business has been extracted without material amendment from the audited financial statements in respect of Cerrejón and Cerrejón's accounting records.

6. 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 document up to and including the date of conclusion of the Extraordinary General Meeting, at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS:

- (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 2003 and 31 December 2004;
- (c) the Interim Report of Xstrata, including unaudited consolidated accounts for the six months ended 30 June 2005;
- (d) the Preliminary Results Announcement of Xstrata, including unaudited consolidated accounts for the year ended 31 December 2005;
- (e) the consent letters referred to in paragraph 4 of this Part V; and
- (f) a copy of this document.

The above documents will also be available at Congress Center Metalli, Parkhotel Zug, 6300 Zug, Switzerland and the registered office of the Company, 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, UK, from at least 15 minutes prior to the Extraordinary General Meeting until the conclusion of that meeting.

Dated: 23 March 2006

Definitions and Glossary of Technical Terms

Definitions

“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 Proposed Acquisition, pursuant to which the Purchasers have conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, and procure the transfer of, the entire issued share capital of the Cerrejón Target Companies and the share held by a Glencore nominee in one of the Cerrejón Operating Companies
“Anglo American”	Anglo American plc
“Annual Reports and Accounts”	the annual reports and accounts of Xstrata for the financial years ended 31 December 2003 and 31 December 2004
“ARS”	the lawful currency of Argentina
“Articles”	the articles of association of the Company
“A\$”	the lawful currency of Australia
“associated undertaking”	has the meaning given in paragraph 20(1) of Schedule 4A to the Companies Act
“Asturiana”	Asturiana de Zinc, S.A., a company incorporated in Spain with limited liability
“Australia”	the Commonwealth of Australia
“Barlow Jonker”	Barlow Jonker Pty Limited
“Batiss”	Batiss Investments Limited
“BHP Billiton”	BHP Billiton plc and/or BHP Billiton Limited as the context may require
“CCSS”	the CREST Courier and Sorting Service established by CRESTCo to facilitate, amongst other things, the deposit and withdrawal of securities
“Cerrejón”	the Cerrejón coal mining operation in Colombia carried on by the Cerrejón Operating Companies
“Cerrejón Business”	Glencore’s interests in Cerrejón held through the Cerrejón Target Companies and a Glencore nominee which, subject to the terms and conditions of the Acquisition Agreement, will be acquired by the Xstrata Group
“Cerrejón Operating Companies”	CMC Coal Marketing Company Ltd, Cerrejón Zona Norte S.A., Carbones del Cerrejón LLC and Cerrejón Coal (Bermuda) Ltd
“Cerrejón Target Companies”	Tironimus AG, Glencore Cerrejón Ltd and Perly Ltd
“CHF”	the lawful currency of Switzerland
“Circular” or “this document”	this circular issued by the Company and dated 23 March 2006

Definitions and Glossary of Technical Terms

"City Code"	the City Code on Takeovers and Mergers
"Closing"	the completion of the sale and purchase of the shares in the Cerrejón Target Companies in accordance with the provisions of the Acquisition Agreement
"Colombian pesos" or "Colombian Pesos"	the lawful currency of Colombia
"Companies Act"	the Companies Act 1985, as amended
"Company" or "Xstrata"	Xstrata plc, a public limited company incorporated in England and Wales
"CREST"	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which CRESTCo is the operator (as defined in the CREST Regulations)
"CRESTCo"	CRESTCo Limited
"CREST Manual"	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 CRESTCo on 15 July 1996 and as amended since)
"CREST member"	a person who has been admitted by CRESTCo as a system-member (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member
"CSFB Equities"	Credit Suisse First Boston Equities Limited
"CSSEL"	Credit Suisse Securities (Europe) Limited
"Directors" or "Board"	the Executive Directors and Non-Executive Directors of Xstrata as at the date of this document
"Disclosure Rules"	the Disclosure Rules of the Financial Services Authority
"EBITDA"	in relation to the Xstrata Group, operating profit or loss from continuing operations before interest, tax, depreciation and amortisation and, in relation to Cerrejón, earnings before interest, tax, depreciation and amortisation
"ECMP"	Xstrata's independently-managed equity capital management programme
"Effective Date"	1 January 2006
"EGM Notice"	the notice of the Extraordinary General Meeting set out at the end of this document

Definitions and Glossary of Technical Terms

"Enlarged Group"	the Xstrata Group as enlarged, if the Proposed Acquisition completes in accordance with the terms and conditions of the Acquisition Agreement, by the Cerrejón Business
"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
"Executive Directors"	the executive Directors of Xstrata
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company convened for Thursday, 20 April 2006 (including any adjournment thereof), notice of which is set out at the end of this document
"Financial Services Authority"	the UK Financial Services Authority
"Form of Proxy"	the form of proxy accompanying this document for use by Shareholders in respect of the EGM
"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, Glasenberg and Issroff
"IFRS"	International Financial Reporting Standards
"Interim Report"	the unaudited interim report of Xstrata, including unaudited consolidated accounts for the six months ended 30 June 2005
"Irrevocable Undertaking Agreement"	the deed of irrevocable undertaking dated 28 February 2006 (as amended on 10 March 2006) between CSSEL and Xstrata, pursuant to which CSSEL has irrevocably undertaken in respect of 151,560,600 Ordinary Shares to vote in favour (or to procure the exercise of votes in favour) of the Resolution at the EGM
"£"	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
"Market Advisory Agreement"	the agreement entered into between members of the Xstrata Group and Glencore International whereby Glencore International acts as the Xstrata Group's market advisor with respect to expert production of coal, as described in paragraph 2 of Part IV – "The Xstrata Group's Relationship with Glencore – Commercial relationship"
"Non-Executive Directors"	the non-executive Directors of Xstrata

Definitions and Glossary of Technical Terms

"Official List"	the Official List of the Financial Services Authority
"Ordinary Shares"	ordinary shares of US\$0.50 each in the capital of Xstrata
"Preliminary Results Announcement"	the unaudited preliminary results announcement of Xstrata for the financial year ended 31 December 2005, published on 1 March 2006
"Proposed Acquisition"	the proposed acquisition by the Xstrata Group of the Cerrejón Business pursuant to the Acquisition Agreement
"Purchasers"	Xstrata Coal South America and Xstrata Coal Marketing
"Relationship Agreement"	the agreement dated 20 March 2002 between the Company and Glencore International, details of which are provided in paragraph 3 of Part IV – "The Xstrata Group's Relationship with Glencore – Relationship with controlling shareholder"
"Resolution"	the resolution set out in the EGM Notice in relation to the Proposed Acquisition
"Rothschild"	N M Rothschild & Sons (Australia) Limited
"Seez Trading"	Seez Trading Corp. Limited, a company incorporated in Bermuda with limited liability
"Shareholders"	holders of Ordinary Shares
"SIS"	SIS SegalInterSettle AG
"SIS System"	the system and/or facilities of SIS for the settlement of transactions in securities
"South Africa"	the Republic of South Africa
"Swiss Banks"	Credit Suisse, UBS AG, Zürcher Kantonalbank and certain other Swiss banks who are all SIS accountholders and through whom certain Swiss Shareholders hold their interests in Ordinary Shares
"UK GAAP"	accounting principles generally accepted in the United Kingdom
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	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 "cents"	the lawful currency of the United States
"US\$m"	millions of US Dollars
"Vendors"	Glencore International and Seez Trading
"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

Definitions and Glossary of Technical Terms

"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 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 Group"	Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
"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 (Schweiz) AG"	Xstrata (Schweiz) AG, a company incorporated in Switzerland with limited liability
"Xstrata Share Schemes"	the Xstrata Long Term Incentive Plan, 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) Limited, a company incorporated in South Africa with limited liability
"ZAR"	the lawful currency of South Africa

Definitions and Glossary of Technical Terms

Glossary of technical terms

"bituminous"	a measure of coal rank. It is a measure of the degree of metamorphosis or change from the original plant or vegetative state
"calorific value"	the heat of combustion of a unit quantity of coal. It is expressed in British Thermal Units per pound (Btu/Lbi), kilocalories per kilogramme (kcal/kg) or mega joules per kilogramme (MJ/kg). The gross calorific value includes all heat of vaporisation of water. Net calorific value assumes that all water is in the vapour phase
"CGG"	continuous galvanising grade, zinc ingot
"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
"Competent Person"	a person who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy or of the Australian Institute of Geoscientists, or of a 'Recognised Overseas Professional Organisation' (ROPO) included in a list promulgated from time to time
"concentrate"	material that has been processed to increase the content of contained material or mineral relative to the contained waste
"continuous miner"	mining machine designed to remove coal from the face with the use of cutting machines and to load that coal into shuttle cars or onto conveyors
"CPT"	carriage paid to
"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
"inferred resources"	a mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"kt"	thousand tonnes
"LME"	London Metal Exchange
"measured resources"	the resources for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence
"Mt"	million tonnes

Definitions and Glossary of Technical Terms

"Mtpa"	million tonnes per annum
"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
"plant"	fixed or moveable equipment required in the process of winning or processing the ore
"pound"	Imperial pound, equivalent to 0.4536 kilogrammes
"probable reserves"	measured and/or indicated resources which are not yet proven but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
"proved reserves"	measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
"recoverable reserves"	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
"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
"ROM reserves" or "Run of Mine reserves"	as mined reserves, taking into account geological losses, mining losses, contamination and as mined moisture adjustments
"saleable reserves"	reserves adjusted for yield losses in the preparation plant (if applicable) and converted to a saleable moisture basis
"SHG"	special high grade, zinc ingot of 99% purity
"smelting"	thermal processing whereby molten metal is liberated from beneficiated ore or concentrate with impurities speared as lighter slag
"spot price"	the current price of a metal for immediate delivery
"thermal coal"	coal used in generating steam for electricity production
"t" or "tonne"	metric tonne, equivalent to 2,204.62 pounds
"tonnage"	number of tonnes
"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%

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 Congress Center Metalli, Parkhotel Zug, 6300 Zug, Switzerland on Thursday, 20 April 2006 at 11.00 a.m. (Central European Summer Time), with a satellite meeting held concurrently at the registered office of the Company, 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, UK, at 10.00 a.m. (British Summer Time), on Thursday, 20 April 2006 to consider and, if thought fit, pass the following resolution to be proposed as an ordinary resolution:

THAT, the Proposed Acquisition (as defined in the circular from the Company to its shareholders dated 23 March 2006 (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, be and is hereby approved 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 effect the Proposed Acquisition or otherwise in connection with the Proposed Acquisition and any matter incidental to the Proposed Acquisition and to waive, amend, vary, revise or extend (to such extent as shall not constitute a material amendment in the context of the Proposed Acquisition as a whole) any of such terms and conditions as it may consider to be appropriate.

By order of the Board

Richard Elliston

Secretary

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

23 March 2006

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 attend and vote instead of them. The proxy need not also be a member of the Company. A proxy of a member's own choice 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 the Resolution, the proxy will exercise his/her discretion as to whether, and if so how, he/she votes on the Resolution.

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, PO Box 1075, The Pavilions, Bristol, BS99 3FA UK, not later than (i) 10.00 a.m. (British Summer Time) on Tuesday, 18 April 2006; 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 or to any Director. CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in Note 13. The lodging of the 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. (British Summer Time) on Tuesday, 18 April 2006 (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. (British Summer Time) on Tuesday, 18 April 2006 (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

The Resolution, being an ordinary resolution, will be decided by a show of hands unless a poll is demanded in a manner permitted 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

Notice of Extraordinary General Meeting

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 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

As permitted by the Company's Articles of Association, members present in person or by proxy at the satellite meeting will be counted in the quorum for the meeting and entitled to vote.

Note 12

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 13

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 Thursday, 20 April 2006 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 a voting service provider(s), 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 CRESTCo'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) 10.00 a.m. (British Summer Time) on Tuesday, 18 April 2006; 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 CRESTCo 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 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 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 14

Unless the context otherwise requires, terms used in this EGM Notice have the meanings ascribed to them in the section headed "Definitions and Glossary of Technical Terms" of the Circular issued by the Company on 23 March 2006.



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