



Xstrata plc

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

Registered in England and Wales, Company Number 4345939

Notice of Annual General Meeting
to be held on 6 May 2008
and resolutions to be proposed

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the proposals referred to in this document or what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser duly 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 transfer or have sold or otherwise transferred all of your Ordinary Shares in Xstrata plc ("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 transfer or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document and the accompanying documents.

Notice of Annual General Meeting and resolutions to be proposed

NOTICE is hereby given that the sixth Annual General Meeting of Xstrata plc (the "Company") will be held at Theater-Casino Zug, Artherstrasse 2-4, Zug, Switzerland on Tuesday, 6 May 2008 at 11:00am (Central European Summer Time) to consider and, if thought fit, pass resolutions 1 to 8, being items of ordinary business, and resolutions 9 to 13, being items of special business in accordance with Article 70 of the Company's Articles of Association, as follows:

Resolutions 1 to 9 to be proposed as ordinary resolutions

1. To receive and consider and, if thought fit, adopt the Annual Report and Financial Statements of the Company, and the reports of the Directors and auditors thereon, for the year ended 31 December 2007.
2. To declare a final dividend of US\$0.34 cents per Ordinary Share in respect of the year ended 31 December 2007.
3. To receive and consider and, if thought fit, to approve the Directors' Remuneration Report (on pages 121 to 135 of the Annual Report) for the year ended 31 December 2007.
4. To re-elect Willy Strothotte, being a Non-Executive Director retiring in accordance with Article 128 of the Company's Articles of Association.
5. To re-elect Paul Hazen, being a Non-Executive Director retiring in accordance with Article 128 of the Company's Articles of Association.
6. To re-elect Ian Strachan, being a Non-Executive Director retiring in accordance with Article 128 of the Company's Articles of Association.
7. To elect Claude Lamoureux, as a Non-Executive Director on the recommendation of the Board, in accordance with Article 129 of the Company's Articles of Association.
8. To reappoint Ernst & Young LLP as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine the remuneration of the auditors.

Special Business

9. That in place of all existing authorities and pursuant to the authority conferred on the Directors by Article 14 of the Company's Articles of Association, the Directors be authorised to allot relevant securities for a period expiring (unless previously renewed, varied or revoked) at the end of the next Annual General Meeting of the Company after the date on which this resolution is passed, and for that period the section 80 amount is US\$161,944,486.00 (equivalent to 323,888,972 Ordinary Shares of US\$0.50 each in the capital of the Company).

Resolutions 10, 11 and 12 to be proposed as special resolutions

10. That in place of all existing powers and pursuant to the power conferred on the Directors by Article 15 of the Company's Articles of Association, the Directors be authorised to allot equity securities, as if section 89(1) of the Companies Act 1985 did not apply, for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this resolution is passed, and for that period the section 89 amount is US\$24,291,673.00 (equivalent to 48,583,346 Ordinary Shares of US\$0.50 each in the capital of the Company).

11. That the proposed new form of Articles of Association of the Company produced to the meeting and initialled by the Chairman for the purpose of identification as New Articles 'A' (the "New Articles") be adopted as the Articles of Association of the Company with effect from the conclusion of the meeting in substitution for, and to the exclusion of, the existing Articles of Association.
12. Subject to the passing of resolution 11, that the proposed new form of Articles of Association of the Company produced to the meeting and initialled by the Chairman for the purpose of identification as New Articles 'B' be adopted as the Articles of Association of the Company with effect from the entry into force of section 175 Companies Act 2006 at 00:01am on 1 October 2008, in substitution for, and to the exclusion of, the New Articles.

(For an explanation of the proposed alterations to the Articles of Association, please see pages 6 to 7 of this Notice of Annual General Meeting.)

Resolution 13 to be proposed as an ordinary resolution

13. That the amendments to the rules of the Xstrata plc Added Value Incentive Plan, which are summarised on pages 8 to 10 of the Notice of Annual General Meeting, and are shown in the copy of the rules produced to the meeting and initialled by the Chairman for the purpose of identification, be and are hereby approved.

By order of the Board

Richard Elliston
Secretary

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

18 March 2008

Explanatory Notes

The notes on this and the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 9 and resolution 13 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 10, 11 and 12 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1

The Directors must present the report of the Directors and the accounts of the Company for the year ended 31 December 2007 to shareholders at the Annual General Meeting. The report of the Directors, the accounts, the Directors' Remuneration Report, the report of the Company's auditors on the accounts and on those parts of the Directors' Remuneration Report that are capable of being audited, are contained within the Annual Report.

Resolution 2

Subject to the passing of resolution 2, the final dividend for the year ended 31 December 2007 will be paid on 16 May 2008 to shareholders on the register at the close of business on 25 April 2008.

Resolution 3

In line with best practice in corporate governance (and reflected in the Directors' Remuneration Report Regulations 2002), the Board of Directors of the Company has presented its Directors' Remuneration Report to shareholders in the Annual Report.

The Directors' Remuneration Report, which may be found on pages 121 to 135 of the Annual Report, gives details of the Directors' remuneration for the year ended 31 December 2007 and sets out the Company's overall policy on Directors' remuneration. As required by the Directors' Remuneration Report Regulations, the Company's auditors, Ernst & Young LLP, have audited those parts of the Directors' Remuneration Report capable of being audited and their report may be found on page 137 of the Annual Report.

The Board of Directors considers that appropriate executive remuneration plays a vital part in helping to achieve the Company's overall objectives and, accordingly, and in compliance with the Directors' Remuneration Report Regulations, shareholders will be invited to approve the Directors' Remuneration Report.

Resolutions 4, 5 and 6

Resolutions 4, 5 and 6 set out in the Notice of Annual General Meeting concern the re-election to the Board of Willy Strothotte (Chairman and Non-executive Director), Paul Hazen (Non-executive Director), and Ian Strachan (Non-executive Director) together referred to as "the retiring Directors". The Board of Directors recommends the shareholders to vote in favour of each of these resolutions. In making this recommendation the Board of Directors has been guided by the recommendation of the Board's Nomination Committee. The Board of Directors was informed of the results of formal performance evaluations of these Non-Executive Directors and is of the view that, in the case of each, his performance continues to be effective and each continues to show commitment to his individual and collective roles and the Board is of the opinion that it will continue to benefit from the skills, knowledge and experience which each retiring Director brings to his role. Willy Strothotte, Paul Hazen and Ian Strachan took no part in the Board's consideration of their own re-election or performance evaluation.

Willy Strothotte, aged 63, is Chairman of Glencore International. From 1961 to 1978 Mr Strothotte held various positions with responsibility for international trading in metals and minerals in Germany, Belgium and the USA. In 1978, Mr Strothotte joined Glencore International, taking up the position of Head of Metals and Minerals in 1984. Mr Strothotte was appointed Chief Executive Officer of Glencore in 1993 and held the combined positions of Chairman and Chief Executive Officer from 1994 until 2001, when the roles of Chairman and Chief Executive were split. Mr Strothotte has been Chairman of Xstrata AG since 1994 and Chairman of Xstrata since February 2002, and is currently a Director of Century Aluminium Corporation and Minara Resources Limited.

Paul Hazen, aged 66, joined the Board of Xstrata AG in May 2000, and was appointed a Director of Xstrata in February 2002. Mr Hazen is a former Chairman and CEO of Wells Fargo and Company from which he retired in April 2001 as Chairman after a 30-year career with the bank. He was also a Director of Phelps Dodge Corporation until February 2003 and Deputy Chairman and Lead Independent Director of Vodafone Group Plc until July 2006. Mr Hazen is currently Chairman of Accel-KKR and of KKR Financial Corp. He also serves as Lead Independent Director of Safeway, Inc., and a Director of Willis Group Holdings Ltd.

Ian Strachan, aged 64, is a Director of Reuters Group plc, Johnson Matthey plc, Rolls-Royce plc and Transocean Inc. Mr Strachan was Chairman of Instinet Group from 2003 to 2005 and Chief Executive of BTR plc from 1996 to 1999. Mr Strachan joined Rio Tinto plc (formerly RTZ plc) as CFO in 1987, and was Deputy Chief Executive from 1991 to 1995. Mr Strachan was appointed to the Board of Xstrata at the Annual General Meeting held in May 2003 and is the Chairman of the Health, Safety, Environment and Community Committee.

Resolution 7

Resolution 7 set out in the Notice of Annual General Meeting concerns the election to the Board of Claude Lamoureux.

Mr Lamoureux, aged 65, was until 1 December 2007, President and CEO of the Ontario Teachers' Pension Plan and serves as a Non-Executive Director on the Board of Northumbrian Water Group plc. He is also a Director of the Canadian Institute for Advanced Research, Glass Lewis, The Learning Partnership and the York University Foundation. He is a former member of Domtar, the Canadian Institute of Chartered Accountants, the International Corporate Governance Network and was a co-founder and Board member of the Canadian Coalition for Good Governance.

Resolution 8

The auditors of a Company must be reappointed at each general meeting at which the accounts are laid. Resolution 8 proposes the reappointment of the Company's existing auditors, Ernst & Young LLP, until the conclusion of the next general meeting of the Company at which accounts are laid, and gives authority to the Directors to determine the auditors' remuneration.

Resolution 9

The authority conferred on the Directors at the Annual General Meeting held on 8 May 2007 to allot and issue authorised but unissued share capital of the Company will, if resolution 9 is passed, be revoked and replaced at the end of the forthcoming Annual General Meeting by the authority proposed by resolution 9.

Resolution 9, which will be proposed as an ordinary resolution, seeks to authorise the Directors to allot relevant securities (as defined in section 80(2) of the Companies Act 1985) up to an aggregate nominal value of US\$161,944,486.00, which is equal to approximately one-third (33.33%) of the Company's issued ordinary share capital as at 31 December 2007. This authority will expire at the end of the next Annual General Meeting of the Company.

The Directors have no present intention of exercising this authority. The Directors consider the renewal of this authority appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise.

Resolution 10

The authority conferred on the Directors at the Annual General Meeting held on 8 May 2007 to issue equity securities of the Company for cash without the application of pre-emption rights pursuant to section 89 of the Companies Act 1985, expires at the end of the forthcoming Annual General Meeting. Such authority will, if resolution 10 is passed, be replaced at the end of the forthcoming Annual General Meeting by the authority proposed by resolution 10.

Resolution 10, which will be proposed as a special resolution, seeks to renew the Directors' authority to issue equity securities of the Company for cash without the application of such pre-emption rights. Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this resolution will be limited to a maximum nominal amount of US\$24,291,673.00, which represents approximately 5% of the Company's issued ordinary share capital as at 31 December 2007. This authority will expire at the end of the next Annual General Meeting of the Company.

The Directors have no present intention of exercising this authority. The Directors consider the renewal of this authority appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise.

At the date of the Notice of Annual General Meeting, the Company holds no treasury shares. Any sale of treasury shares would be treated as an issue of shares for the purposes of this resolution.

Resolution 11

It is proposed in resolution 11, which is proposed as a special resolution, to adopt new Articles of Association (the "New Articles") for the Company in order to update the Company's current Articles of Association (the "Current Articles"), primarily to take account of changes in English Company law brought about by the Companies Act 2006 (the "CA 2006").

The material differences between the Current Articles and the New Articles are set out below. A copy of the Current Articles and New Articles that reflect the proposed changes are available for inspection as noted on page 12 of this document.

Provisions which come into effect under resolution 11

(a) Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the CA 2006 are in the main amended to bring them into line with the CA 2006. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, and the requirement to keep accounting records. The main changes made to reflect this approach are detailed below.

(b) Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the CA 2006.

(c) Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the CA 2006. The relevant provisions have therefore been amended in the New Articles.

(d) Votes of members

Section 324(1) of the CA 2006 increases the rights of proxies, allowing them to vote both on a show of hands and on a poll, and to speak at meetings. However, certain rights that are unalienable under Swiss law have been preserved in the Company's Articles of Association by creating 1 special voting right sufficient to defeat any resolution which could amend or remove these entrenched rights. Article 123 of the Current Articles which deals with the rights of proxies, is one of these entrenched rights. If the Company amends Article 123 to bring it into compliance with the CA 2006, this shall require approval by a separate special resolution. On such a resolution, the holder of the special voting share shall have sufficient votes to defeat the resolution. Accordingly, the Company has not proposed a separate resolution for the amendment of Article 123. The Company is subject to the provision of s324(1) of the CA 2006 regardless of the fact that Article 123 will not have been amended to reflect the law. This provides that: "A member of the company is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and to vote at a meeting of the company."

The Company is aware of concerns that have been raised about the effect of section 323(4) CA 2006 which provides that where a corporate shareholder appoints multiple corporate representatives and they exercise their power to vote at a general meeting in different ways, the power is treated as not exercised. The Company is subject to the new law regardless of any amendments to its Articles and understands that representations have been made to the UK Government to change the provisions of the CA 2006.

(e) Age of Directors on appointment

The Current Articles contain a provision requiring a Director's age to be disclosed, if he has attained the age of 70 years or more, in the notice convening a meeting at which the Director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

(f) Electronic and web communications

Provisions of the CA 2006, which came into force in January 2007, enabled companies to communicate with members by electronic and/or website communications. At the 2007 Annual General Meeting of the Company on 8 May 2007, the members passed a resolution providing that the Company may send or supply documents or information to members by making them available on their website.

(g) General

Generally the opportunity has been taken to bring clearer language into the New Articles.

(h) Share Control Limits (Articles 225 to 231)

The City Code on Takeovers and Mergers (the "City Code") has applied to the Company since 20 May 2006. As a result, the provisions contained in the Current Articles which were designed to replicate certain aspects of the City Code whilst the City Code did not apply to the Company, ceased to have effect from that date. The opportunity is therefore being taken to remove these provisions from the Articles.

Resolution 12

Resolution 11 above proposes to adopt the New Articles primarily to take account of changes in English Company law brought about by the CA 2006 that are currently in force. If resolution 11 is passed, the New Articles will be adopted at the close of the meeting. Section 175 of the CA 2006, which deals with the conflicts of interests of Directors, is expected to come into force on 1 October 2008. As the Company wishes to amend the New Articles to take account of the implementation of section 175 without the need to convene and hold another general meeting, it is proposed in resolution 12, which is proposed as a special resolution, to adopt further new Articles of Association (the "Further New Articles") for the Company from the date on which section 175 of the CA 2006 comes into force. As noted above, this is expected to occur at 00:01am on 1 October 2008.

The material differences between the New Articles and the Further New Articles proposed are set out below:

The CA 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the CA 2006, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another Company or a trustee of another organisation. The CA 2006 allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles contain a provision to this effect. The CA 2006 also allows the Articles to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The amended Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the Further New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

A copy of the New Articles and Further New Articles that reflect the proposed changes are available for inspection as noted on page 12 of this document.

Resolution 13

The Xstrata plc Added Value Incentive Plan (the "AVP") is designed to incentivise the Chief Executive by providing him with a share of the long-term value that is created for shareholders over and above the value created by Xstrata's peer companies, and to align the interests of the CEO and shareholders by means of share ownership. No other employees or Directors participate in the AVP.

The AVP is closely aligned to shareholder interests. Payments are directly related to Xstrata's total shareholder return (TSR) outperformance of a weighted index of global mining companies (the "Mining Index"). No payments are made if Xstrata underperforms the Index and, in addition, there are significant penalties for low absolute performance.

The Remuneration Committee (the "Committee") continues to believe this is the most appropriate way to recognise superior performance. In October 2006, the Committee commissioned Hay Group to review the AVP to ensure that the design would continue to support Xstrata's outperformance of the mining sector. Following that review the Committee has concluded that the alignment of the AVP to shareholder interests will be improved if, subject to the consent of shareholders, it makes three changes to the operation of the AVP.

Two of the proposed three changes (described in detail under Change 1 and Change 2 below) will apply to the existing AVP cycles commencing May 2005, March 2006 and March 2007. The Committee agreed these changes in July 2007 subject to obtaining the approval of shareholders at the next AGM. All three changes will apply to the cycle commencing March 2008 and cycles scheduled to begin in 2009 and thereafter.

In accordance with best practice the Company consulted with its largest shareholders about these proposed changes in March 2008.

Proposed changes to the Xstrata plc Added Value Incentive Plan

The fundamental aims of the AVP are to:

- incentivise and reward the CEO for the delivery of value to shareholders;
- ensure strong alignment between the CEO's reward and shareholders' interests; and
- encourage the retention of Mick Davis as Xstrata's CEO.

Rewards are based on the "Added Value" that is created over a three-year performance period. This represents the TSR achieved by Xstrata less the TSR of the Mining Index over that period multiplied by Xstrata's market capitalisation at the start of the performance period. The actual reward paid to the CEO is a proportion of the Added Value determined by the participation percentage applying to each plan cycle. The maximum aggregate participation percentages for plan cycles commencing in any rolling three-year period will continue to be 1.1%.

The reward is adjusted to take account of the underlying share price performance of the Mining Index to ensure that rewards are higher for outperforming a rising index than a falling index. There is then a further absolute performance downward multiplier to reduce rewards if Xstrata's TSR is less than plus 25% over the performance period. The minimum payment if Xstrata's TSR is at least equal to the TSR of the Mining Index is US\$1 million. No reward is made if Xstrata's TSR is below the TSR of the Mining Index.

The Committee remains strongly committed to the general design of the AVP and the principles underlying it. However, the Committee wishes to refine the AVP to ensure even better alignment to the objectives above. Areas that currently concern the Committee and the proposed changes are as follows:

Change 1 – AVP Formula and Carry-Forward Provisions

As at 31 December 2007 Xstrata's TSR had outperformed the Mining Index by 155% and 83% for the 2005-08 and 2006-09 cycles, respectively. The AVP currently caps the percentage TSR outperformance that is rewarded at the end of the three-year performance period at 50%. Any outperformance above 50% may, at the Committee's discretion, be carried forward to be taken into account in calculating the outperformance in future plan cycles (the "carry-forward" provision). For the 2005-08 cycle, looking at the performance up to 31 December 2007, this means that less than one-third of the outperformance achieved at the end of that cycle would be recognised and rewarded in 2008 under the AVP. The balance of outperformance would be carried forward and rewarded in the 2008-11 cycle.

When the AVP was designed, it was not anticipated that the Company would outperform the Mining Index by such a large margin. The Committee is concerned that the cap operates in such a way that there is no immediate incentive for further outperformance under the 2005-08 and 2006-09 cycles. In addition, it is likely that the carry-forward from the 2005-08 and 2006-09 cycles will provide a substantial head start to the 2008-11 and 2009-12 cycles, due to the significant outperformance that has been achieved.

The Committee therefore proposes removing the carry-forward provision. Instead it will split existing and future AVP cycles into two phases and vary the operation of the cap. The AVP will deliver a reward at the end of three years (as now) and, to the extent that there is continued outperformance that exceeds the level recognised by the initial reward, a further reward at the end of five years. These changes replace the existing carry-forward provisions.

The rationale for the proposed amendments to the AVP formula and carry-forward provisions is to:

- improve the alignment between when the bonus payment is made and when the shareholder value is created;
- strongly incentivise the CEO to deliver consistent outperformance for longer; and
- ensure that all rewards for outperformance are delivered over the period during which the outperformance is achieved.

The revised AVP, as proposed, will operate as follows:

Phase 1. At the end of the three-year performance period, the calculation of Added Value will be based on whichever is the greater of (i) the percentage TSR outperformance capped at 50% (as now) or (ii) two-thirds of the uncapped percentage outperformance. This will mean that if the percentage outperformance is equal to or greater than 75%, Added Value will be calculated using two-thirds of the outperformance percentage. The CEO's Phase 1 reward will be paid based on the capped outperformance, subject to adjustments to reflect absolute performance (see Change 3 below).

Phase 2. In the event that outperformance in Phase 1 is subject to the cap (i.e. exceeds 50%) there will be a second phase to the AVP. This extends the performance period from three years to five years and replaces the carry-forward provision. At the end of the five years, Added Value is again calculated, this time based on Xstrata's TSR outperformance of the Mining Index over five years but only to the extent that this exceeds the outperformance taken into account in calculating the Added Value that was rewarded at the end of three years. The CEO's Phase 2 reward will be paid based on this additional outperformance, subject to adjustments to reflect absolute performance (see Change 3 below). The cap will not apply to the determination of this further reward. If over Phase 1 Xstrata's outperformance of the Index is 50% or less or if Xstrata underperforms the Index, there will be no Phase 2 reward.

As now, 25% of payments under Phase 1 will be deferred for one further year and 25% for two further years, in both cases indexed to the Xstrata share price over the period of deferral. 50% of payments under Phase 2 will be deferred for a further one year and indexed to the Xstrata share price over the period of deferral.

As now, all payments under the AVP may be paid in the form of Xstrata shares or cash, as the Committee determines.

Change 2 – Change in Control Provisions

Currently, if awards vest early due to a change in control, the cap will apply on the percentage TSR outperformance that is achieved, with no carry-forward of any excess outperformance.

The Committee is concerned that this creates an asymmetry in incentivising the CEO to create value between the continued operation of Xstrata's business and its sale.

The Committee and the Board wish to ensure that, if there is an opportunity to sell Xstrata at a price that represents excellent value for shareholders, there is strong alignment between the CEO's incentive programme and shareholders' interests. Therefore the Committee proposes to amend the Rules of the AVP so that the revised cap will not apply if Awards vest on a change in control during Phase 1 unless

the Committee in its discretion determines that it would be appropriate in the circumstances to apply the cap. The cap will not apply during Phase 2. These changes will apply to both current and future AVP cycles.

Change 3 – Absolute Performance Downward Multiplier

In common with many long-term incentive schemes in cyclical industries, the AVP includes a strong link to relative performance, with no payment being made if the Company's performance is below the Mining Index performance.

However, the AVP has a stronger link to absolute performance than most share plans which use a relative performance condition. For example, if Xstrata's absolute TSR performance is less than minus 25%, an absolute TSR multiplier of zero is applied to the reward so that the AVP will deliver only the threshold payment of US\$1 million, even if Xstrata has significantly outperformed the Mining Index.

The mining sector has been successful for a number of years and Xstrata has outperformed its peers in this rising market. The Committee is concerned that if the cycle turns down, the AVP will not offer an adequate incentive and reward for mitigating shareholder losses in a falling market to a greater extent than the Mining Index.

Therefore the Committee proposes to reduce the impact of the absolute TSR downward multiplier so that for absolute TSR of minus 25% and below, the downward multiplier applied to the base reward is 0.5 rather than zero. The multiplier will remain at 1 where absolute TSR is plus 25% or above. The existing indexation to Index share price movements will still apply. Thus if, for example, the Index share price movement were to be minus 35% and Xstrata's TSR were to be minus 25%, the reward would be reduced by two-thirds. This reduction is greater than would apply in most conventional long-term incentive plans. This change would apply only to the AVP cycle commencing in March 2008 and cycles scheduled to begin in 2009 and thereafter.

Summary of changes

A summary of the changes is as follows.

	Existing	Proposed
Performance rewarded after three years	Outperformance capped at 50% with excess carried forward	Outperformance capped at 50%, or two-thirds of the uncapped outperformance, if greater
Carry-forward	Outperformance in excess of cap carried forward to new cycle	Carry forward replaced by further reward for performance over five years (less outperformance rewarded at year three).
Change in control	Subject to cap	Uncapped, but may be capped during first three years, at Remuneration Committee's discretion. No cap on outperformance in fourth and fifth years in any event.
Adjustment for absolute performance	Reward rebased in line with the mining share price index. Sliding scale multiplier applied to the indexed reward from 1x at +25% TSR and above to zero at -25% TSR and below	Reward rebased in line with the mining share price index. Sliding scale multiplier applied to the indexed reward from 1x at +25% TSR and above to 0.5 at -25% TSR and below

Recommendation of the Board of Directors with respect to all items of business

The Board of Directors is of the opinion that all of the proposed resolutions are in the best interests of shareholders as a whole and of the Company. Accordingly, the Board of Directors (with the exception of Messrs Strothotte, Hazen and Strachan in respect of resolutions 4, 5 and 6 respectively and with the exception of Mick Davis as regards resolution number 13 which relates to the terms of the Added Value Incentive Plan of which he is the sole participant) recommends that you vote in favour of each resolution, as the Directors intend to do in respect of their own beneficial shareholdings held at the time of the Annual General Meeting.

Note 1

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

Note 2

To be valid, a Form of Proxy and, if applicable, any authority under which it is signed, or a copy of such authority certified in accordance with the Company's Articles of Association, must be lodged at the offices of Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY UK, not later than (i) 10:00am (British Summer Time) on Sunday, 4 May 2008; 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.

Proxies may be appointed by going to www-uk.computershare.com/Investor/Proxy/ and following the instructions provided there. CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in Note 12. The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude shareholders from attending and voting in person at the AGM, 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 6:00pm (British Summer Time) on Sunday, 4 May 2008 (or, in the event that the AGM 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 AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the Register of Members after 6:00pm (British Summer Time) on Sunday, 4 May 2008 (or, in the event that the AGM is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting(s)) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Note 7

Resolutions 1 to 9 and resolution 13, being ordinary resolutions, will be decided by a show of hands unless a poll is demanded in a manner permitted by the Company's Articles of Association.

Resolutions 10, 11 and 12 being special resolutions, must be taken on a poll as required by the Company's Articles of Association.

Note 8

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

Note 9

As permitted by the Company's Articles of Association, the Chairman of the meeting (or at least five members present in person or by proxy having the right to vote at the AGM 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 AGM) may demand a poll. On a poll, each member present in person or by proxy has one vote for each fully paid Ordinary Share of which he 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 the meeting.

Note 11

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

Note 12

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on Tuesday, 6 May 2008 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) 10:00am (British Summer Time) on Sunday, 4 May 2008; 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 the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Note 13

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him and the shareholder by whom he was nominated, to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

Note 14

As at 18 March 2008 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 977,666,920 Ordinary Shares, carrying one vote each, 50,000 non-voting deferred shares carrying no votes and one special voting share which carries the right to vote in certain circumstances. Therefore, the total voting rights in the Company as at 18 March 2008 are 977,666,920. The Articles of Association of the Company have been drafted so that certain rights that are inalienable under Swiss law and which holders of Xstrata AG shares enjoyed prior to the initial public offering of Ordinary Shares in Xstrata plc are preserved in the Company subject to the following arrangements. Under English law the Articles of Association of the Company can always be amended by a special resolution (requiring a 75% majority of those present and voting, in person or by proxy). Consequently, the special voting share was created which carries weighted voting rights sufficient to defeat any resolution which would amend certain of the Articles of the Company ("Entrenched Rights Actions"). The holder of the special voting share, The Law Debenture Trust Corporation p.l.c., has agreed under a voting agreement with the Company, to exercise its votes to vote against (and so defeat) any resolution to amend or remove an Entrenched Rights Action except in limited circumstances. This structure has the effect of entrenching certain rights into the Articles of Association of the Company.

Note 15

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

Note 16

Items (i) and (ii) below are available for inspection by any person during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excepted). In addition, items (iii), (iv), (v) and (vi) below are available for inspection by any person at the registered office of the Company and at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until (and including) the date of the AGM and at the AGM for at least 15 minutes prior to and during the AGM:

- i) Copies of the Directors' service contracts;
- ii) Copies of the letters of appointment of the Non-Executive Directors;
- iii) A copy of the proposed new Articles of Association 'A' and a copy of the existing Articles of Association marked to show the changes being proposed in resolution 11;
- iv) A copy of the proposed new Articles of Association 'B' and a copy of Articles of Association 'A' marked to show the changes being proposed in resolution 12;
- v) A copy of the current Rules of the Xstrata plc Added Value Incentive Plan; and
- vi) A copy of the proposed draft of the revised Xstrata plc Added Value Incentive Plan marked to show the changes being proposed in resolution 13.