



Xstrata Coal South Africa

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Chief Operating Officer

20 January 2005



Agenda

- Xstrata Coal
- Xstrata Coal South Africa
- Marketing Overview
- Arthur Taylor Colliery

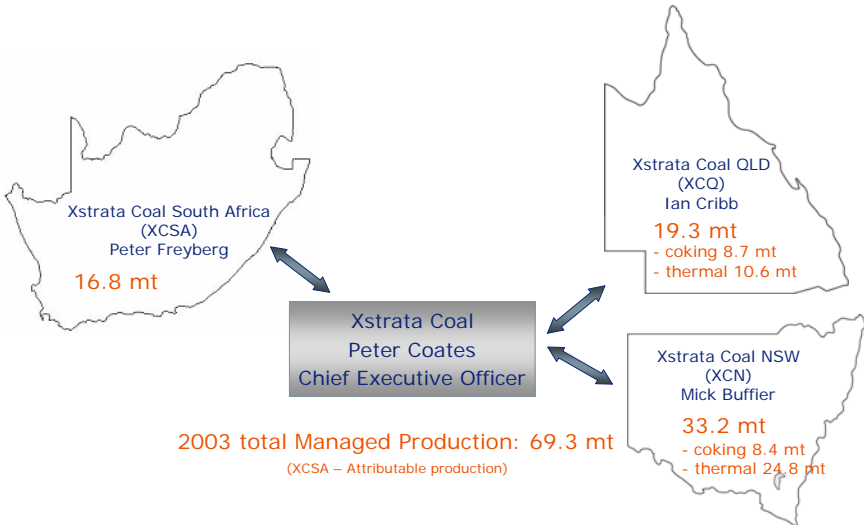
Xstrata Coal Profile



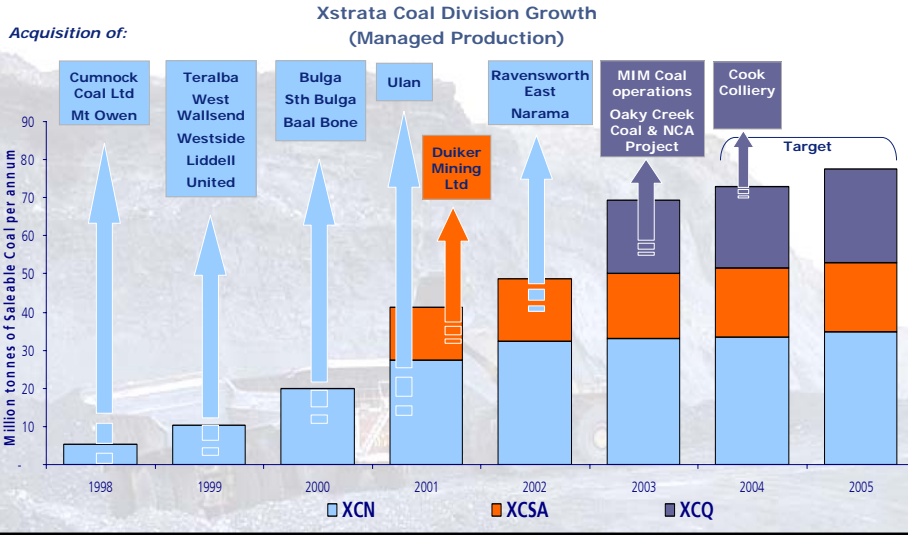
- The largest of Xstrata plc's commodity businesses
- One of the world's largest producers of export thermal coal and a significant exporter of coking coal
- Interests in over 30 operating coal mines located in South Africa and Australia, employing around 10,000 people



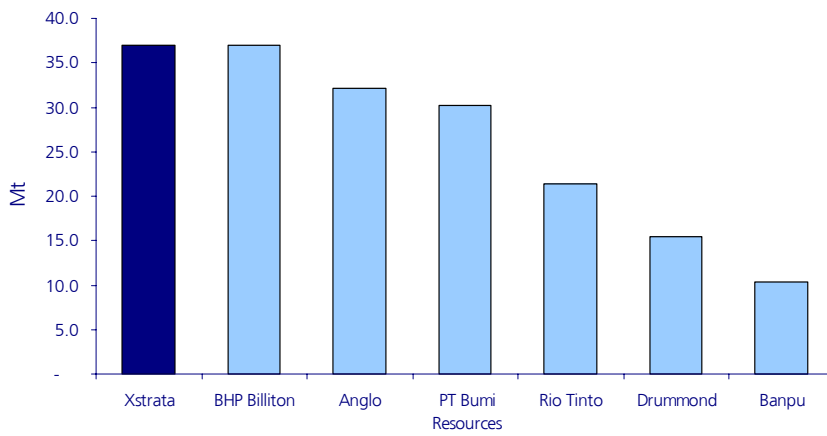
Xstrata Coal Structure



The Growth of Xstrata Coal



A Leading Exporter of Thermal Coal



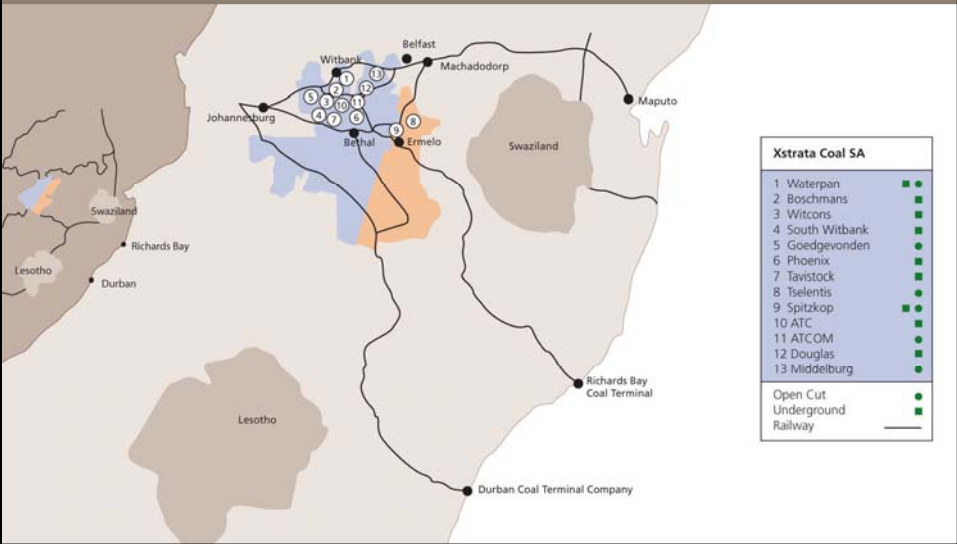
Source: AME Outlook – 2004 Attributable Production

Xstrata Coal South Africa

Overview

- South Africa's sixth largest coal producer and third largest exporter
 - 11 managed mines (2 of which Total Coal SA has an interest in)
 - 2 mines managed by BHP Billiton (16% JV)
- 66% of production from underground operations
- 74% of total sales are exported
- Cost performance
 - Majority of operations considered to be first quartile (SA)
- Significant improvements in health, safety, environmental management & productivity over last three years
- Growth constrained by shareholding in RBCT.

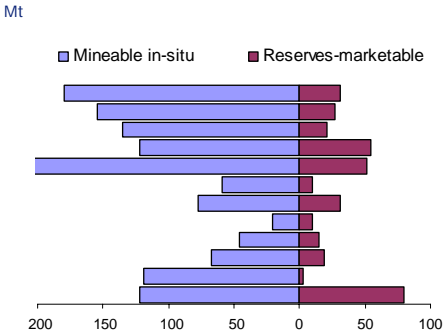
Xstrata Coal South Africa Location of Mines



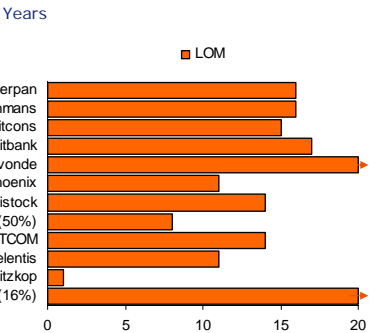
Reserves and Resources



Reserves and Resources



Life of mine



Note: Reserves and Resources forecast as at 31/12/2003
Life of mine forecast as of 1/12/2004

Xstrata Coal South Africa Business Strategy



2000

- Business well positioned in terms of reserves / RBCT shareholding
- Industry under-performer in the important area of HSEC
- High percentage of production from cut-drill-blast operations
- Low productivity from continuous miners
- Inefficient coal clearance systems
- Some expensive own-operated opencast operations.

Strategy

- Implement HSEC systems aimed at becoming industry leader
- Introduce business optimisation systems
- Achieve workforce efficiencies
- Invest in systems and skills
- Invest in infrastructure and technology
- Outsource where appropriate
- Optimise portfolio.

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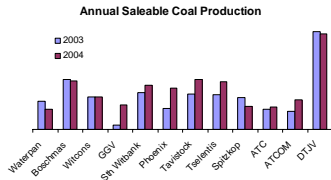
Business Strategy Achievements



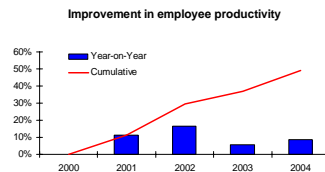
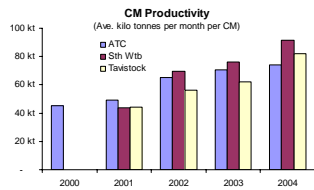
- Implementation of HSEC systems
 - 80% reduction in LTIFR
 - Implementation of ISO 14001 based EMS
 - Leader in community programmes
- Implementation of best practice business planning systems
- Halved cut-drill-blast tonnage
- Increased continuous miner tonnage fourfold and outputs by between 70% and 100%
- Reduced total employee numbers by 16% & increased ROM production by 28% (i.e. 50% productivity improvement)
- Outsourced some non-core activities plus some operating activities such as o/c and u/g mining at Tselentis Colliery
- Disposed of Strathrae Colliery.

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Operational Excellence

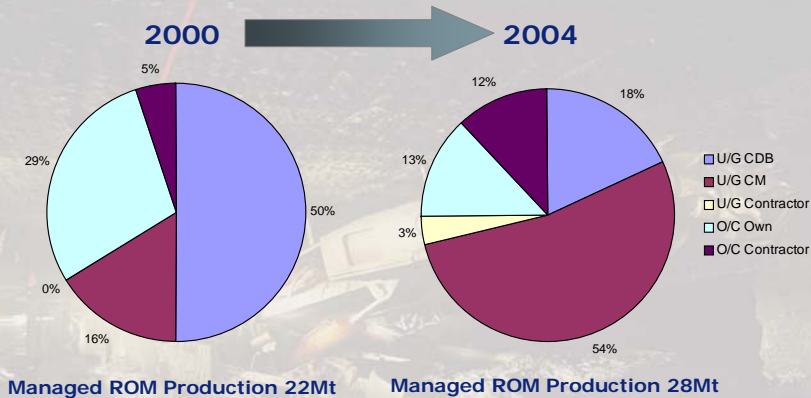


- Systematically re-engineering operations:
 - Redesign / rebuilding of coal clearance systems;
 - Revised maintenance systems;
 - Measurement systems;
 - Training;
- CM output increased from 0.55 Mtpa to 1.0 Mtpa per CM
- Boschmans project completed, CDB replaced with CMs
- Tavistock output up 40% - investment in plant & mining equipment & ops roster revised
- South Witbank output increased 20% - ops roster revised
- Tselentis record production (output increased 38%) – contract u/g at capacity, contract opencast optimised, plant debottlenecked & spare capacity utilised at 3rd party mine; and
- 100% increase in production at Phoenix by selling low grade coal to Eskom.



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Mining Systems

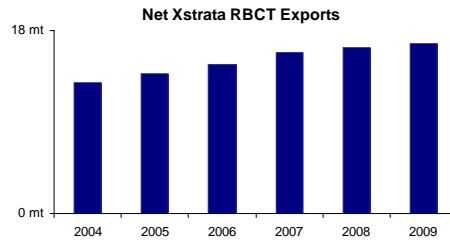


Growth of Exports



Exports constrained by percentage ownership & capacity of RBCT :

- Plan to optimally use 20.9 % share of RBCT capacity
- RBCT shareholder capacity to be increased from current 68 Mt per annum to 82 Mt per annum; and
- RBCT common user capacity will not affect shareholder throughput.



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Transformation



- Transformation acknowledged as a priority. Transformation Committee established to drive transformation within Xstrata.
- Complying with and even exceeding some requirements of the Mining Charter.
- Industry leading HIV / AIDS care programme – very high uptake being achieved
- Group contributes 1% of pre-tax profit to community initiatives, in 2003 90% of allocation went to South Africa.

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Scorecard issues

1. **HR Development:**
 - ABET centers, Career Path systems, Mentoring & Coaching programs, Bursaries, Learnerships, University support
2. **Employment Equity:**
 - HDSA in management: 9% in 2001 increased to 24% in 2004
3. **Migrant Labour:**
 - Fully comply with non-discrimination requirements
4. **Mine Community and Rural Development:**
 - Play a key leadership role in the communities in which we operate
5. **Housing and living conditions:**
 - Eliminated company owned accommodation, remuneration structured to enable employees to purchase their own houses
6. **Procurement:**
 - 23% of discretionary expenditure with empowered suppliers
7. **Ownership and JVs:**
 - Advanced discussions with certain BEEs
8. **Reporting:**
 - Meeting requirements

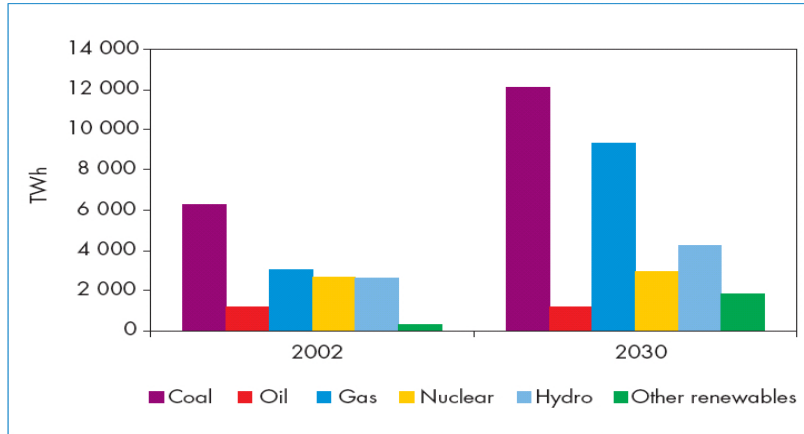
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XCSA Marketing

Murray Houston
Marketing Director

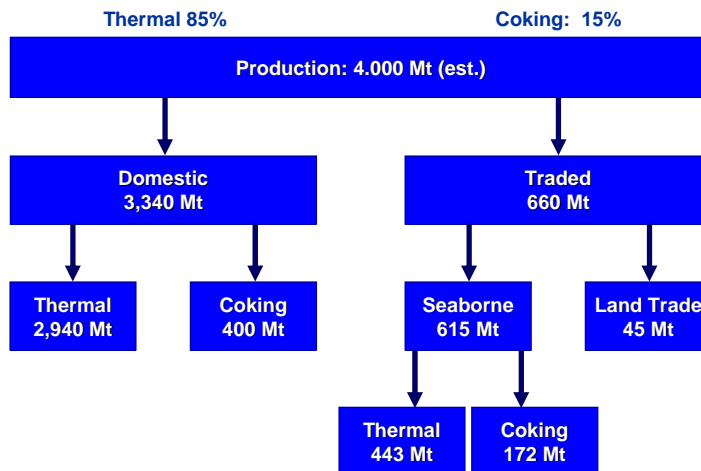
World Electricity Generation

World Electricity Generation, 2002 and 2030



Source: IEA World Energy Outlook 2004

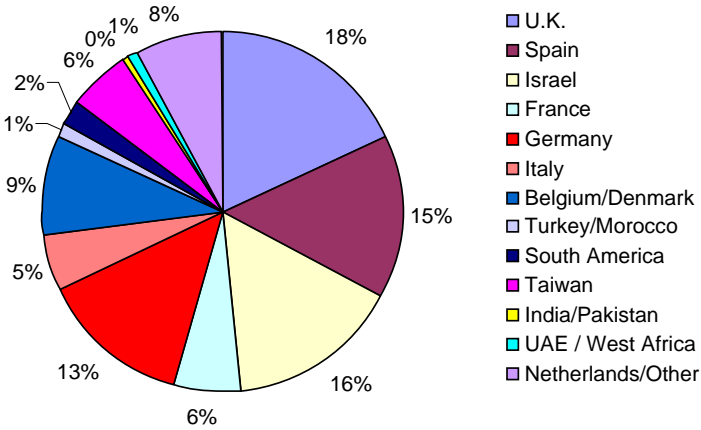
Overview of Global Coal Market



Source: IEA, McCloskey & various 2002

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XCSPA - Geographical Distribution of Exports

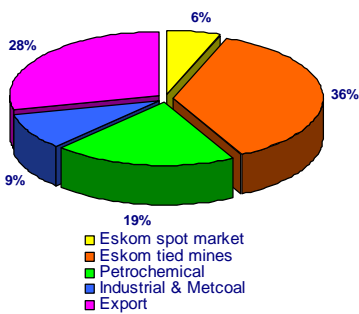


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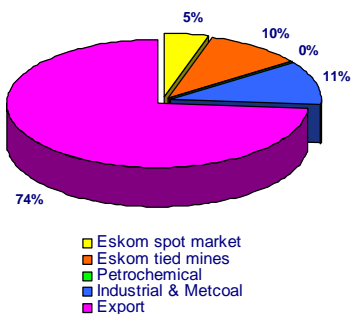
South African & XCSPA Sales Profile



South African Coal Markets

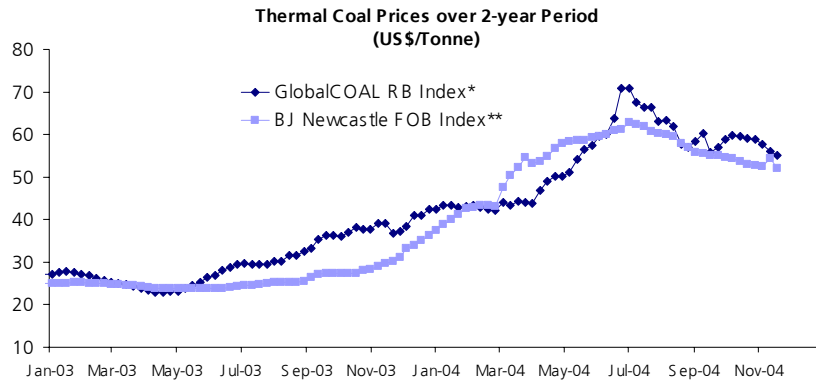


XCSPA Coal Sales



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Recent Spot Price Recovery

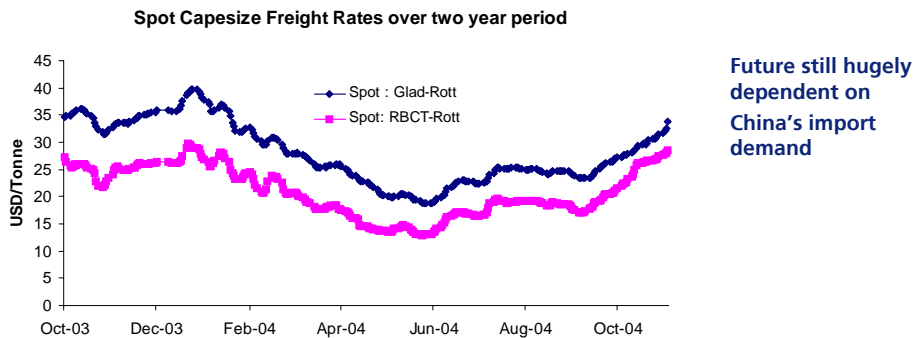


- Since May 2003, RB prices have risen by 123% and NEWC prices by 118%, in US\$ terms
- But currency fluctuations have had a major impact on net returns

* GlobalCOAL RB Index based on Richards Bay FOB prices, basis 6000kcal/kg NAR
 ** Barlow-Jonker Newcastle FOB index prices based on 6700kcal/kg GAD product

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Ballooning Freight Rates: the "China Effect"



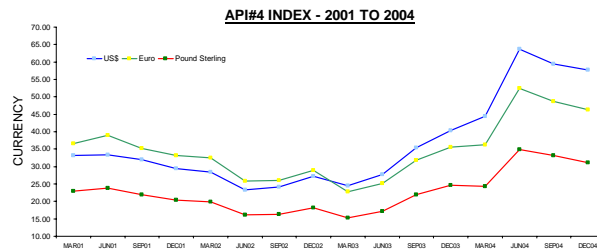
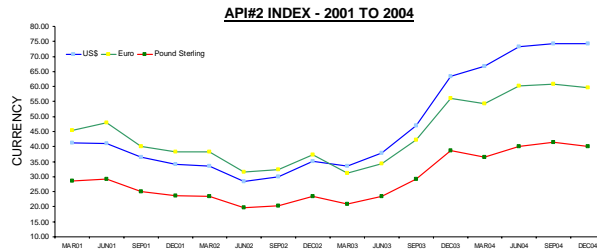
Future still hugely dependent on China's import demand

- Glad/SA Spot freight rate differential into Europe is currently between US\$5.50-6.30/T

Source: Freight Investor Services; McCloskey Coal Report

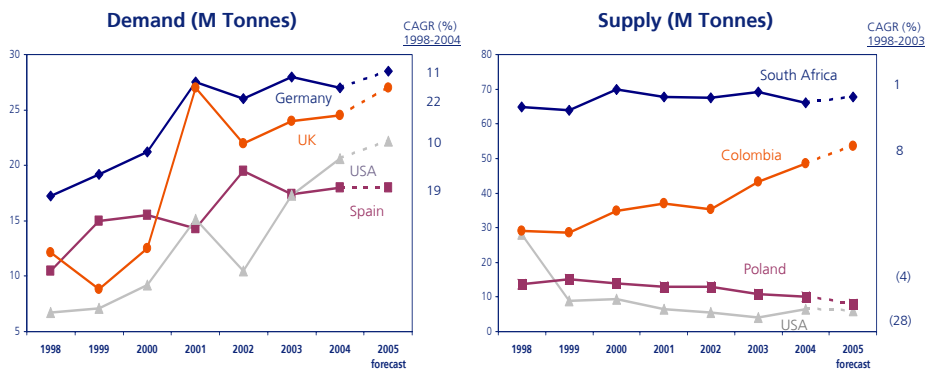
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API Indices & Impact of Exchange Rates



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Atlantic Thermal Coal Market: 1998-2005 (Key Markets and Suppliers)



- Demand growth has been steady in the major Atlantic markets;
- The USA is now a major net importer of thermal coal, predominantly supplied by Colombia, the fastest growing exporter in the Atlantic region;
- Note that Russia (not shown) which supplies 1/4 to Pacific and 3/4 to the Atlantic market increased exports from 11MT in 1998 to 36MT (forecast) in 2004.

Source: National Statistics

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Issues – 2005 Atlantic Market



- Continued growth in European and USA import market
- Market is technically undersupplied, swing supply to come from the Pacific however high freight rate levels will cap this
- Declining domestic production/phase out of subsidies
 - U.K, France and Poland restructuring;
- Market drivers
 - Coal generation often swing supplier & reserve capacity for wind/hydro/etc;
 - Seasonal effects on hydro (+/-), summer and winter demand drivers;
 - Emissions trading & NAPs create uncertainty and potential volatility;
 - Electricity market influences: trading utilities, forward sales prices, derivatives as well as alternative fuels such as gas;
 - Exchange rate influences on imports: \$ vs. £ and Euro;
- Large growth in Colombian supply to be countered by strong US imports
- South African exports will remain largely rail constrained.

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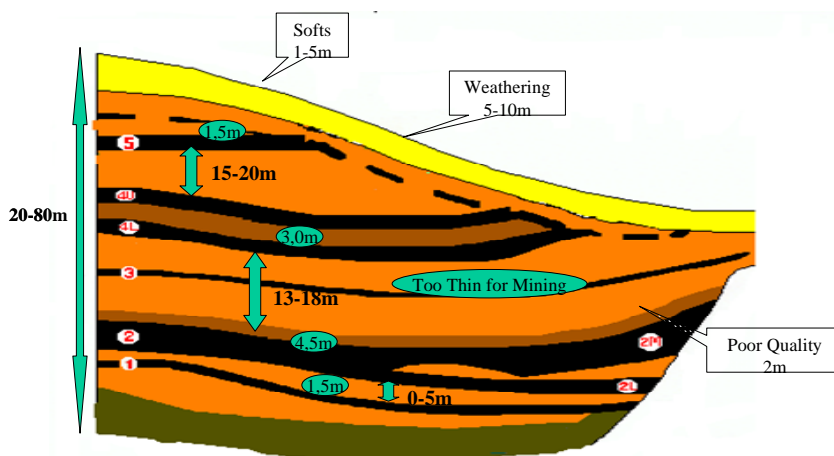
Arthur Taylor Colliery (ATC)

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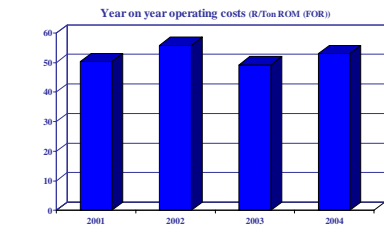
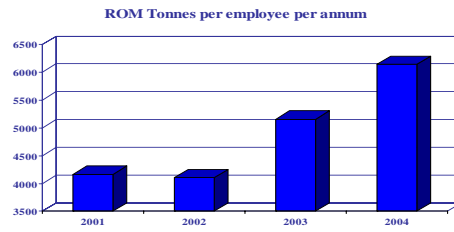
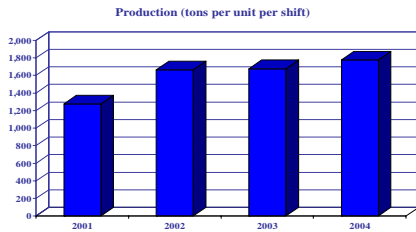
- Underground operation that commenced mining in 1977
- Annual production profile of 1.7 million tonnes, exported via RBCT
- Currently mining the No.2 and 4 coal seams
- Mining four double shift continuous miner sections using Joy 12HM31's continuous miners
- ROM is treated in a dense-medium beneficiation plant. Drewboys, Cyclones and Spirals are utilised to beneficiate the ROM to produce export grade coal
- Beneficiation plant is rated to treat 3.6 million tpa ROM with an average yield of 52%
- Export product produced has following characteristics:
 - Size – 0x40mm
 - Calorific (CV) value – 6000 kcal/kg NAR
 - Ash content 14.7%

ATC Graphic Presentation of Coal Deposit



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ATC – Operating performance



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