xstrata

Half-Yearly Report 2011

Key Financial Results

$m	**Six months to 30.06.11**	Six months to 30.06.10	% Change
Revenue	**16,777**	13,608	23
Operating EBITDA*	**5,820**	4,494	30
Operating profit*	**4,246**	3,236	31
EBIT*	**4,254**	3,234	32
Attributable profit*	**2,865**	2,299	25
Attributable profit	**2,916**	2,288	27
Earnings per share (basic)*	**$0.98**	$0.79	24
Earnings per share (basic)	**$1.00**	$0.79	27
Dividends declared and paid per share	**20.0¢**	8.0¢	150
Dividends proposed per share	**13.0¢**	5.0¢	160
Net debt to net debt plus equity	**15%**	19%	21
Net assets	**45,533**	35,233	29
Net assets per share**	**$15.53**	$12.13	28

* Excludes exceptional items
** Excluding own shares

Highlights

- Operating profit 31% higher to $4.25 billion, attributable profit up 25% to $2.9 billion
- Ongoing focus on cost reduction initiatives in an inflationary environment achieved $52 million of real unit cost savings
- Rapid recovery at flood-affected mines and newly commissioned operations compensated for weather-related and other one-off production impacts in the first half
- Robust operational momentum in second quarter to deliver substantially stronger second half
- Substantial increase in interim dividend to 13¢ per share, reflecting confidence in the medium term outlook and a progressive dividend policy rebased at pre-financial crisis levels
- 21% reduction in total recordable injuries per million hours to 5.5
- Growth strategy on track to achieve 50% growth target by end of 2014
- Mangoola and ATCOM East thermal coal projects and incremental Raglan expansion successfully reached commissioning on time and on budget in first half
- Five major projects approved to date in 2011
- All projects remain on schedule, Koniambo cost estimate revised to $5 billion, (Xstrata's share $4.6 billion)
- A number of complementary acquisitions announced during the period to augment Xstrata's growth portfolio including:
  - Xstrata Copper's AUD175 million ($186 million) acquisition of two copper projects from Exco Resources
  - Xstrata Zinc's acquisition of the Hackett River and Wishbone exploration properties in Canada
  - Acquisition of the outstanding 25% interest in the Lady Loretta zinc-lead deposit near Mount Isa, and proposed acquisition of Minco's 23.6% interest in the Pallas Green project, Republic of Ireland
  - Xstrata Coal's CAD147 million ($153 million) all-cash proposal for First Coal Corporation of Canada.

Chief Executive Officer's Report

A substantially stronger financial performance in the first half reflected growing demand for our products from emerging Asian economies and recovering Western markets, together with a pleasing recovery of operational performance in the second quarter following one-off events which hampered first quarter production. Operating profit of $4.2 billion rose by 31% above the first half of 2010, EBITDA was 30% higher at $5.8 billion and earnings per share rose by 24% to 98 cents. Average prices for all of Xstrata's commodities rose above the first half of 2010, despite a pullback in positive sentiment on the global economy in March following global events including the tragic earthquake, tsunami and Fukushima disaster in Japan, civil unrest in North Africa and the Middle East and concerns over European sovereign debt and Chinese inflation. Safety performance continued to improve with a 21% reduction in total recordable injuries per million hours worked, compared to our 2010 performance. In view of our strong financial performance and confidence in the medium term outlook, the Board has proposed a proposed interim dividend of 13 cents per share, a 160% increase over the interim dividend last year.

Rapid recovery from weather-related impacts

Stronger second quarter operational performance compensated for a number of one-off and weather-related impacts earlier in the year, including severe flooding in Queensland that swept the region from December into the first quarter of 2011. The floods of early 2011 were unprecedented in recent years in the scale of devastation caused to many families and communities. Xstrata, together with other mining companies in Australia, responded to the disaster with financial, emergency and logistical assistance. The floods also severely affected the performance of open cut mines and associated rail infrastructure in the region.

In response to less severe adverse weather impacts on production in previous years, Xstrata Coal invested in improved flood defences, surge capacity and large capacity pumping stations across its Australian and South African portfolio over the past three years to enable our mines to recover quickly and minimise any weather-related impacts on production.

The benefit of those programmes came to the fore in 2011, enabling Xstrata's open cut operations to recover rapidly and recommence full operations by the end of the first quarter, before many other mines in the region. Damage to third-party owned transport infrastructure, in particular at Rolleston thermal coal mine, incurred additional delays, but the rapid resumption of mining activity enabled our teams to continue to remove overburden, laying the foundations for a strong second half performance. Similarly, the Mount Isa and McArthur River zinc-lead open pit mines delivered improved volumes compared to the first half of the previous year and a 6% improvement in copper production in the second quarter substantially offset the one-off challenges encountered earlier in the year.

Excluding these weather-related and other one-off impacts such as three longwall moves at underground coking coal operations, the closure of the Kidd copper-zinc metallurgical site last year and weather or incident-related lower grades at Alumbrera, Tintaya and Collahuasi, our underlying operations performed well. Momentum in production volumes has continued to build in the first weeks of the second half, including a substantially improved run-rate in coal. Consequently I am confident that our businesses will deliver a far stronger volume performance and a substantially improved result in the second half of the year.

Cost control in an inflationary environment

As activity ramps up across the global mining industry to respond to robust market conditions, input costs are rising sharply. Growing demand and tighter availability are leading to increasing electricity and fuel prices, higher costs for key consumables including raw materials, fuel and steel and steep year-on-year increases in labour rates. To illustrate the scale of inflation, diesel prices have risen by around 70% over the past two years, energy prices in South Africa are appreciating by over 20% per annum and labour costs in Australia have risen some 40% since early 2009.

Compounding the challenge, the persistently weaker US dollar against the majority of producer currencies - in particular the Australian dollar - has exacerbated the impact on US dollar-denominated costs. In the first half of this year, adverse foreign exchange rates alone reduced operating profit by some $765 million, of which $536 million is attributable to the stronger Australian dollar.

In times of significant cost inflation and higher commodity prices, the ability to retain competitive cost positions across our portfolio and avoid increased costs becoming embedded is all the more important. Our unique organisation strategy, characterised by local decision-making and devolved accountability, encourages operational management to pursue incremental cost reductions at every operation, which cumulatively have resulted in sustainable cost improvements to combat the rising tide of cost inflation.

By way of example, at Xstrata Coal we have improved the productivity of draglines, excavators and shovels by 20% and increased haul truck utilisation by 22% since 2008 to optimise the efficiency of our open cut Australian and South African operations. Over the past 5 years, Xstrata Zinc's San Juan de Nieva zinc smelter in Spain, already one of the most efficient zinc smelters in the world, has saved over $8 million in energy costs by recycling the superheated steam in the roasting stage to power steam turbine generators, which otherwise would have required external energy.

Incremental process improvements aim to enhance the efficiency of consumables usage. For example the Brunswick zinc-lead mine in Canada has realised cumulative savings of $23 million from reduced hydrogen peroxide, sulphuric acid and cement binder usage over five years.

To mitigate labour cost pressures, we have reduced the use of contractors to move to owner-operator mines at operations including Liddell coal mine in Australia and the Kidd copper mine in Canada, with a net present value benefit at Kidd of just under $8 million.

In transport, Xstrata Coal has moved around one-third of New South Wales exports to a newly-established, wholly-owned rail haulage division to reduce costs and improve availability, with expected cash cost savings of $100 million over four years.

Improved recoveries of by-products, for example at Ernest Henry's new magnetite plant, debottlenecking at Nikkelverk refinery and increased lead, silver and copper recoveries at San Juan de Nieva have enabled us to capture strong commodity prices and offset C1 costs.

While we do not have a centralised procurement function, regional collaboration between commodity businesses, for example in Canada or Australia leverage our regional scale. We benefit from volume discounts, shorter lead times and greater influence with major suppliers, for example of explosives and tyres. In Canada, these activities have constrained annual contract cost inflation to around 1% compared to average increases of over 3%. We have also progressively increased sourcing from Asia, including through a new China-based procurement hub.

In total, despite the substantial headwinds of inflationary pressures and adverse foreign exchange rates, our businesses achieved real unit cost savings of $52 million in the first half of the year and we maintained EBITDA margins at pre-financial crisis levels of around 35%. Set against the inexorable creep of rising costs at ageing operations, including a $54 million impact in the first half from lower nickel and zinc grades, this cost performance is all the more impressive.

Improved industry cost positions

In addition to ongoing incremental cost saving initiatives, our cost structure has been fundamentally improved through strategic structural changes, including the restructuring of Xstrata Nickel and the expansions and reorganisations at Xstrata Zinc during the downturn. Together with the successive commissioning of new, lower cost operations and expansions that will continue to benefit costs as we bring major projects to production, Xstrata is now positioned amongst the industry leaders for cost competitiveness in each of our major commodities.

Xstrata Zinc has been transformed into the world's largest, low-cost integrated producer of zinc, from its third quartile position three years ago and a fourth quartile position in 2006. C1 cash costs at our zinc mining operations have been reduced by 44% from 58.3 cents per pound in 2008 to 32.5 cents per pound in the first half of 2011. On an integrated mine/smelter basis, C1 costs have been more than halved to 23.5 cents per pound in the first half of 2011 from 50.8 cents per pound in 2008. Every year, Santiago Zaldumbide and his team have identified a range of incremental cost initiatives to unlock value and improve our recovery of valuable by-products, while undertaking low risk, low capital cost expansions and debottlenecking at our existing

operations to achieve major cost improvements, all of which translates into cumulative real unit cost savings of some $664 million since 2002.

Xstrata Nickel has moved from the third quartile in 2008 to the lower end of the second quartile in 2011, benefiting from the commissioning of the polymetallic Nickel Rim South operation and the restructuring of the Sudbury operations in 2009. The restart of the higher cost Falcondo ferronickel operation this year to 50% of its capacity has benefited increased margins during favourable market conditions and underlines our focus on value, rather than cost alone. Illustrating the repositioning of this business as a low-cost producer, like-for-like C1 nickel mining costs have been reduced by 62% over three years from $5.63 per pound in 2008 to $2.14 per pound in the first half of 2011, including the benefit of increased volumes of by-product credits from the Nickel Rim South operation.

Xstrata Copper has successfully combated to a large extent the deterioration in costs that is so difficult to avoid at ageing operations to shift its operations down the industry cost curve. Our five brownfield copper expansions and the greenfield Las Bambas project will contribute significant lower cost volumes, pushing costs down by over 20% in total as they are progressively commissioned over the next three years, starting with the Kidd mine and Antamina expansions which will commence production from the second half of this year.

Xstrata Alloys remains the lowest cost ferrochrome producer in South Africa, having improved energy efficiency at its smelters by around 25%, reduced reliance on high-price coke and initiated a series of actions to increase our ability to source and agglomerate platinum UG2 tailings as a low-cost feed.

Despite the success of efficiency programmes at open cut and underground operations and improvements to transport infrastructure performance, our coal operations have moved marginally higher relative to the global industry, due to the exposure of Xstrata's operations to the strong Australian dollar and South African rand. Both currencies have strengthened very considerably since 2008, by some 21% in the case of the Australian dollar and 17% for the rand – appreciably more than competitors based in other regions such as Indonesia and Russia.

The next step change in the cost competitiveness of our portfolio is already underway from the development of new, lower cost production from our broad portfolio of growth projects.

Growth from the portfolio

In 2011 we again successfully delivered new, lower cost volumes into our portfolio. Xstrata Coal commissioned the greenfield Mangoola thermal coal project in New South Wales within budget and ahead of schedule and the new mine is already reducing overall coal operating costs. The ATCOM East thermal coal operation in South Africa is currently commissioning and remains within budget to deliver first coal during the third quarter of this year. The two new coal mines alone will deliver over 7 million tonnes of new thermal coal production in 2011 and 12 million tonnes at full production from 2012. A smaller, incremental expansion at the Raglan nickel mine in northern Canada also started production on time and on budget. In all, Xstrata's track record includes the successful development of 17 new or expanded operations since the Group's inception less than a decade ago, in each of our major commodities.

Twenty-two projects are currently in implementation, representing capital expenditure of $15 billion. We remain on track to deliver a 50% increase in copper-equivalent volumes by the end of 2014 and 80% of this volume growth is already accounted for by approved and completed projects. A total of eight new projects will start production in 2011, including the Mangoola, ATCOM East and Raglan Kikialik projects that have already reached commissioning.

As projects reach completion, others are approved to replenish our pipeline of growth. In the year to date, we have approved five projects to increase thermal coal, nickel and zinc volumes. Another nine projects representing capital expenditure of $7 billion are moving towards the approval stage in the near term, including six low risk brownfield coal expansions, more than replenishing our pipeline of approved growth.

Developing and sharing innovative solutions

The number and scale of the projects we have already completed, together with the 22 projects currently in implementation, provide us with a wealth of project development experience. Using this growing repository of

knowledge, our businesses are incorporating lessons learned from one project in the design or implementation of another, sharing best practices and developing innovative solutions across businesses and regions.

For example, at Mangoola, an extended, detailed engineering phase during the financial crisis led to improved project definition, quantity estimates and early procurement of major equipment and resulted in the project being delivered within its budget and schedule. The innovative modular design of the Koniambo project has provided us with direct experience of successfully completing complex engineering and construction work in China and Malaysia. At Xstrata Copper, the ten-year strategic alliance entered into with Bechtel has secured access to engineering capacity across multiple projects and has enabled us to offer experienced contractors a clear career path across successive Xstrata projects, retaining valuable expertise within the Group and reducing turnover.

Our businesses have entered into a range of other innovative alliances and partnerships with suppliers including a joint venture with Michelin that includes investments in manufacturing capacity to secure future supply and a global partnership with Caterpillar to ensure key suppliers can fulfil our requirements for major equipment and services promptly and within our budgets.

The replicable copper concentrator design employed initially for our Antapaccay and Las Bambas projects, through our Bechtel alliance, is demonstrating the benefits of replicable engineering and pre-ordering of major capital items to reduce engineering hours and costs and improve construction efficiency.

People with the right skills are a vital ingredient for the success of our organic growth strategy and competition for skills, in particular major project development skills, is intense. A global resourcing initiative aims to identify and offer employees within Xstrata opportunities at other growth projects within the Group to retain core competencies and facilitate knowledge-sharing between our commodity businesses and across different geographic regions and reduce the pressure on external recruitment.

Broad-based support for our activities and positive community relationships are also vitally important to enable our projects to avoid potentially catastrophic delays or protests and to lay the groundwork for a mutually beneficial relationship throughout the new operation's life.

Koniambo update

The greenfield Koniambo nickel mine, metallurgical plant and associated infrastructure in the North Province of New Caledonia is now 76% complete and on track to deliver first ore to the furnace in the second half of next year. Koniambo is a world-class project which will use pyro-metallurgical smelting technology and will produce ferronickel at a time of market need. The initial mine life of 25 years at annual production of 60,000 tonnes of nickel in ferronickel can be extended to more than 50 years of economic operation, with the potential for further brownfield limonite and saprolite expansions beyond that. The operation will reach full production in 2014, delivering a world class nickel operation with low second quartile costs into our portfolio to provide global scale, propelling Xstrata Nickel into the top three nickel producers in the world.

The main site infrastructure has been completed and the port is already under operating management control. Engineering work is more than 99% complete, procurement is 95% complete and the bulk of critical materials have been delivered to the site. Safety performance at the project has been very good and has continued to improve, despite the multitude of cultures and nationalities joining our workforce in the past year. In the first half of 2011, the project team completed the furnace tower for the metallurgical plant, mine development work has commenced and is progressing well and the programme to construct supporting on-site infrastructure is around two-thirds complete. Only on-site construction work is outstanding to complete the project.

However, while Koniambo is on schedule to produce first metal in the second half of 2012, we have increased our estimate of its capital cost to $5 billion, of which Xstrata's share is $4.6 billion after funding from our partners SMSP and the French State. Koniambo was originally approved at a capital cost of $3.85 billion in 2007.

The increased cost arises from productivity and contractor underperformance which increased costs by $420 million against our budget and the exogenous impact of hyper-inflation on the costs of labour, contractor rates and materials, which increased costs by $730 million.

It is important to note that, after a thorough review, we have confirmed that our 21 other projects currently in construction remain on budget.

Koniambo's remote location in the North Province of New Caledonia exposes the project to a unique combination of challenges including restrictive in-country working hours, elevated labour costs and a shortage of in-country skilled workers.

Whereas in other regions, such as Australia, Canada or Peru, our projects benefit from competition from a number of contractors and suppliers and a wider pool of available skills, New Caledonia is a relatively closed market. From a smaller pool of skills, there is significant competition between the major projects currently underway on the island, with knock-on effects including the need for greater supervision and lower overall productivity.

This situation also means that there are no useful benchmarks to estimate productivity on-island which had up until the end of last year been negatively impacted by a series of one off events. Now that we have operated for a reasonable period beginning in February in the current, final stage of on-island construction, we are able to gauge the likely productivity rates of a workforce of up to 5,700 at its peak, drawn from 35 nationalities and 75 different contractor firms. Given our experience of on-island productivity rates gained over the past six months and price escalation, we now have the confidence to update the project's original 2007 budget with a revised, firm capital estimate.

In light of the challenges described above and consistent with our decision to protect the project's net present value by avoiding project delays, we amended our original project plan in two critical respects. First, we reduced on-site construction work by some 11 million hours by constructing the metallurgical plant in modules at an engineering yard in China as well as pre-fabricating concrete blocks before shipping them to Koniambo for assembly. This modular strategy has been a spectacular success, with the various modules and pre-engineered components delivered on time and with cost savings of around $260 million against our budget. We employed the same off-site construction strategy for the power plant and although the cost of the contract work is on budget, the delivery is disappointingly late. Together with other contractor under-performance on the island, these delays have caused a lack of materials on-site, reworks and concomitant impacts on productivity, increasing costs above our budget. Nonetheless, the decision to move more than 11 million hours off island remains correct and has been confirmed by the lower on-island productivity rates and higher costs we have faced in a remote location when exposed to an overheated contractor market.

Second, we decided to increase the proportion of local labour at the project. This delivered immediate benefits to local people and has minimised the risks to project execution of significant delays from blockades or unrest, despite the increased costs and potential impacts on productivity which we have seen as a consequence. In total, the project team achieved over $400 million of cost savings including $140 million of procurement savings and we had hoped to offset the full extent of increased controllable cost with other productivities and savings.

Labour and contractor costs comprise 80% of the hyperinflationary $730 million cost impact. The remainder of the inflationary impact is from steel, given very high prices in 2008 at the time we had to place orders for the metallurgical plant, and to a lesser extent, excessive escalations in equipment rates.

The project's double digit returns remain intact, notwithstanding the increase in project cost, helped by the improving industry dynamics and increased consensus view on nickel's long term price. As we enter the final, most intensive phase of development, materials are on site and the vast majority of our workforce is mobilised to enable construction to proceed. Our off-site strategy means completed engineering work is unusually advanced for this stage in the lifecycle of a mega-project. All the ingredients are now in place and we have the project leadership and dedicated performance management teams in place for each key workstream to ensure that we meet our targets.

I am confident that the project will produce first nickel in the second half of next year within its revised budget, and that the project will be substantially complete by the end of 2012 with full ramp up achieved by the end of 2014. The infrastructure being constructed today will also facilitate a lower capital cost second phase expansion to double capacity, with very substantial returns.

Growth in key commodities progressing well

Xstrata Copper is currently constructing five brownfield expansions in Australia, Chile, Canada and Peru and the greenfield Las Bambas project, also in Peru, all of which remain on schedule and within budget. Our approved copper projects will increase copper volumes by 50% over 2009 levels by the end of 2014, with

further growth expected beyond that in the second half of this decade as the subsequent projects are developed.

The Antapaccay extension to Xstrata Copper's Tintaya mine in southern Peru will be one of the next major projects to start production and remains on track and on budget to commission in the second half of 2012 within its capital budget of $1.47 billion. By the end of June, detailed engineering at Antapaccay was 93% complete, all major orders had been placed with procurement 81% complete and prices have been fixed, or in the case of contractor rates, are within project escalation. Major earthworks were nearing completion and 17% of construction activities had been concluded, including the foundations and commencement of assembly of the SAG and ball mills. In total the project is 26% complete on an earned value basis. Antapaccay is the first project to benefit from the standard copper concentrator design, which has enabled long lead items to be ordered and priced well in advance. Our strategic relationships with suppliers and contractors have substantially de-risked the project by securing key skills and equipment for the duration of the project's construction. The operation will produce 160,000 tonnes of copper for the first five years and an average of 143,000 tonnes for at least a further 22 years. The existing and new infrastructure at Tintaya-Antapaccay forms the cornerstone of our regional growth strategy to develop southern Peru into a major new copper region for Xstrata and paves the way for the construction of the approved $4.2 billion Las Bambas greenfield project.

Las Bambas is the largest of our approved copper projects, located around 150 kilometres from Antapaccay, with average annual production of 400,000 tonnes over the first five years at first quartile costs and significant gold, silver and molybdenum by-products. The project has been sequenced with Antapaccay so that as Antapaccay commissions and ramps up to full production, its skilled workforce can progressively move to Las Bambas, reducing recruitment and retention risks and providing a number of other synergies.

Las Bambas received key environmental and social permits during the period and engineering, procurement and construction planning are 39% complete. While Las Bambas is not immune from industry-wide cost pressures, the project remains on schedule and is at an early stage of construction with a range of mitigation strategies able to be put in place to control rising costs. For example, early purchase commitments on the mining equipment fleet have secured savings of $100 million against original estimates and synergies with the Antapaccay project construction are progressively being incorporated in the Las Bambas estimates. Commissioning is scheduled for the second half of 2014.

Xstrata Coal has a deep pipeline of brownfield expansion projects which, together with the recently commissioned Goedgevonden and Mangoola greenfield operations, will increase total coal volumes by 50% over 2009 levels by the end of 2014. Three major approved thermal coal projects are due to reach first production over the next three years: Newlands Northern underground expansion will commission in the second half of this year, producing 3 million tonnes of coking coal at full production. Initial production from Ravensworth North will commence next year, followed by the start-up of the Ulan West thermal coal mine in 2014. The next phase of growth is equally secured, with a further five coal projects expected to reach the approval stage over the next year, including the first stage of the greenfield Wandoan project in the Surat Basin with full production of around 22 million tonnes per annum. The majority of our near-term coal expansions are brownfield developments comprising an open cut mine and preparation plant, a well-tested formula that the Xstrata Coal team has already successfully delivered a number of times.

Xstrata Zinc continues to identify a range of low risk expansion projects from its extensive, industry-leading resource base. Together, Xstrata Zinc's pipeline of growth projects has the potential to grow zinc volumes by 40% over the next seven years, over and above the new tonnes that will be required to replace the end-of-life Brunswick and Perseverance mines. Approved projects to expand production from the Black Star, George Fisher and Handlebar Hill operations and develop the greenfield Lady Loretta deposit in the Mount Isa region, together with the Bracemac-McLeod operation in Canada comprise $900 million of capital. A project to double capacity at McArthur River Mine in the Northern Territory is progressing towards the approval stage and would include expansions and new processing technology at our European smelters to process McArthur River Mine's bulk zinc-lead concentrate. The Hackett River and Pallas Green projects and subsequent staged expansions of the Black Star pit offer further growth potential to capture a robust medium term market outlook, with further growth options beyond.

Xstrata Alloys is constructing the second phase expansion of the Lion smelter and associated mine in South Africa and the Tswelopele pelletising plant, both of which remain on budget and on schedule. Both projects are designed to improve energy efficiency and reduce operating costs, cementing our chrome business as the lowest

cost producer in South Africa. The conversion of Eland platinum mine into a major underground operation is on track to commission at the end of 2015.

Xstrata Nickel is developing a number of brownfield expansions to existing assets, in addition to the major greenfield Koniambo ferronickel project. An incremental expansion at Raglan mine in northern Canada successfully commissioned during 2011 and we have today announced a further, significant expansion to increase Raglan's capacity by more than 50% to 40,000 tonnes per annum at a capital cost of $530 million. The project entails the development of two, high-grade ore zones and will require the upgrade of Raglan's concentrator. Production is expected to commence from the new mining zones in 2014. At the Sudbury complex, Xstrata Nickel recently announced a partnership to extend Xstrata Nickel's Fraser Mine to enable mining of Vale-owned, mainly copper ore bodies. We also have announced approval for the $119 million Fraser Morgan project in Sudbury to add 6,000 tonnes and 2,000 tonnes per year of nickel and copper, respectively, while extending the life-of-mine of the Fraser Complex by five years to 2025 with initial production in 2013.

Further out, a range of potential projects are being developed to replenish our pipeline once the current cadre of approved projects have been completed, including the potentially world-class Wandoan thermal coal project and El Pachón copper project.

We have continued to complete bolt-on acquisitions to augment our growth pipeline, including the acquisition of First Coal in British Columbia, Canada, where a resolution to accept our recommended offer via a scheme of arrangement has received a positive response from proxy shareholder acceptances to date and a court hearing to approve the scheme is due to be held shortly.

Resource nationalism is a growing trend

It is perhaps unsurprising that resource nationalism risks rise when commodity prices are high, ranging from threats of nationalisation in its most extreme form, to additional imposts on the industry and increased legislation. It is of course, the prerogative of governments to seek a greater share of the rents from mining the nation's resources and to impose legislation as they see fit. However, an important principle should always be adhered to. Changes in resource rent sharing between the owner of the resource and the beneficiator of that resource should be prospective not retrospective. Mining companies take on board significant financial, development, construction and then operational risk when they invest their capital in projects. It is not sound policy to rewrite the basis on which those investments were made after the risks have been borne and the investment implemented.

I am concerned too that many governments contemplate significant new legislation or changes to their fiscal regime which target the mining industry without full consultation with industry. Mining requires a stable climate for investment, with predictable, equitable regulatory regimes and a consultative approach to defining the regulatory landscape. New legislation and taxes must take into account the realities of how mining investment decisions are made, involving billions of dollars for long-term operations that may only repay the initial outlay over many years before the mine can begin to generate returns to repay shareholders for the risks borne in the initial investment.

While we always seek to engage constructively with governments to address these risks, our highly diversified portfolio of assets and growth options by geography is an important means of mitigating these risks. With a range of potential growth projects in many different countries, diversified companies can prioritise new investments in the most favourable jurisdictions that offer a stable investment climate for the long-term commitments required to build a mine.

Concerns have been raised in recent weeks about the investment climate. In Peru following the change of government. President Humala, who took office last week, has underlined his government's intention to maintain Peru's economic growth and stability by re-nominating the current governor of the Central Bank of Peru, Julio Velarde, for another term and appointing experienced Ministers to the Cabinet including Minister of Mines and Energy Carlos Herrera. Other positive signals from the new administration include a commitment to respect fiscal stability agreements, currently in place for all of Xstrata's projects.

From initial interactions with the incoming government, we are confident that President Humala is cognisant of the mining sector's significant contribution to Peru's economic growth and the vital role of foreign investment in unlocking the nation's mineral wealth. Mining company contributions to the Peruvian government are already

amongst the highest of resource-rich countries and while the new government has confirmed its intention to negotiate additional fiscal contributions from the mining sector, it has also recognised the importance of preserving the competitiveness of Peru's fast-growing and valuable mining industry. Early indications of a willingness to consult with the mining industry to try and find a sensible way forward are encouraging.

In Australia, the government has recently announced a white paper setting out a proposed carbon reduction scheme incorporating a tax on carbon emissions. At Xstrata, we are in favour of climate change policy that brings about sustainable reductions in global greenhouse gas emissions, protects the international competitiveness of all export-exposed industries and invests in the development of commercial-scale, low emissions technologies for baseload power generation. We are also in favour of a clear price signal for carbon to advance these goals. However, Australia's unilateral impost is not the best way to price carbon. In particular the proposed scheme fails to protect the competitiveness of Australia's mining industry (in particular coal) compared to overseas competitors, for no likely reduction in global emissions.

Outlook

Developed markets remain subject to a number of well-publicised risks and uncertainties, including European sovereign debt and the outlook for the US economy. While various short-term risks are likely to dominate sentiment for the remainder of the year, our internal analysis of leading indicators of economic growth point to the major economies settling down to a lower, but positive, growth rate.

However, when it comes to the economies that drive the bulk of demand for our products, largely the Chinese and the other Asian economies, I am pleased to note that they have continued to grow rapidly. Second quarter Chinese GDP growth of around 9.5% compares to 9.7% in the first quarter and there is little sign so far of the hard landing that has concerned markets.

Continued high inflation has given rise to concerns about overheating sectors of the economy, including food and investment properties. Chinese government efforts to curb inflation without impacting growth appear to be having an impact, for example in the housing sector where slowing activity in top-end property development is accompanied by significant additional social housing starts to maintain growth rates of around 20% in the construction sector. CPI inflation approached a three-year high of 6.4%, in particular food price inflation which is an important driver of Chinese policy. A fall in inflation from that point would allow a relaxation of monetary policy, while existing structural drivers such as higher value-add industrialisation, urbanisation and technological catch-up will support growth.

China's growth is underpinned by two, distinct economies, both growing rapidly, but on the basis of very different fundamentals. In the more urbanised south-eastern regions of China, the rise of the consumer is effecting a gradual shift of the economy towards domestic demand and away from exports and infrastructure investment. However, in the under-developed central and western provinces, over $100 billion of new infrastructure projects were approved in 2010 and will require substantial volumes of imported commodities as construction begins. Similarly, the importance of the 250 to 300 million emerging rural discretionary consumers cannot be underestimated. Land-reform is creating rural wealth and greater spending power and I expect demand for commodities driven by domestic consumption, such as durable goods, to continue to grow and support robust demand for our products.

Xstrata well positioned to create value

In summary, we delivered robust earnings despite a number of one-off impacts to our operations in the early part of the year. Our recovery has been swift and robust and we are now operating with good momentum to deliver a substantially stronger second half. Our cost performance remains very good and we continue to benefit from the restructurings undertaken during the downturn and ongoing cost initiatives that have moved our businesses progressively down their respective industry cost curves.

Our growth projects remain on track to deliver a 50% increase in volumes and substantial cost savings by the end of 2014. A further five projects are due to commission in the remainder of the year with several large projects on track to start production in 2012, including Antapaccay and Koniambo. We have continued to pursue acquisitions to augment our growth pipeline and while on-market transactions and the price for control remain challenging, as and when we see an opportunity to create value, we are well placed to act.

Strong cash generation from our operations and a robust investment grade balance sheet with significant headroom position Xstrata to deliver our strategy from our own resources, with the flexibility to return cash to shareholders through an increased dividend and pursue value-creating opportunities should they arise As global economies continue to improve, Xstrata is well positioned to continue to deliver value to our shareholders.

ML Davis

Financial Review

Basis of presentation of financial information

Financial information is presented in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The reporting currency of Xstrata plc is US dollars. Unless indicated to the contrary, revenue, operating earnings before interest, taxation, depreciation and amortisation (EBITDA) and operating profit are reported in the Chief Executive's Report and the Operating and Financial Review before exceptional items. Exceptional items are significant items of income and expense which, due to their nature or expected infrequency, are presented separately on the face of the income statement. All dollar and cent figures provided refer to US dollars and cents. Operating profit excludes Xstrata's share of earnings from associates.

Consolidated operational results

CONSOLIDATED RESULTS $m	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Alloys	**992**	920	1,894
Coal	**4,381**	3,579	7,788
Copper	**7,705**	5,879	14,004
Nickel	**1,667**	1,297	2,738
Zinc	**1,937**	1,868	3,922
Other	**95**	65	153
Total Group Revenue	**16,777**	13,608	30,499
Attributable Total Group Revenue	***16,163***	*13,089*	*29,350*
Alloys	**182**	287	477
Coal	**1,584**	1,401	3,061
Copper	**2,550**	1,789	4,693
Nickel	**743**	436	973
Zinc	**750**	600	1,327
Other	**10**	12	31
Corporate and unallocated	**1**	(31)	(176)
Total Group Operating EBITDA	**5,820**	4,494	10,386
Attributable Total Group Operating EBITDA	***5,572***	*4,284*	*9,897*
Alloys	**115**	227	353
Coal	**1,090**	1,030	2,216
Copper	**2,065**	1,377	3,820
Nickel	**433**	226	503
Zinc	**537**	400	917
Other	**6**	9	25
Corporate and unallocated	**-**	(33)	(180)
Total Group Operating profit	**4,246**	3,236	7,654
Attributable Total Group Operating profit	***4,044***	*3,069*	*7,258*

OPERATING PROFIT VARIANCES	$m
Operating profit 30.06.10	**3,236**
Sales price*	2,834
Volumes	(236)
Unit cost – real	52
Unit cost – CPI inflation	(173)
Unit cost – mining industry inflation	(239)
Unit cost – foreign exchange	(765)
Other income and expenses	(266)
Depreciation and amortisation (excluding foreign exchange)	(197)
Operating profit 30.06.11	**4,246**

* net of commodity price linked costs, treatment and refining charges

In the first half of 2011, operating profit rose by 31% to $4,246 million. Higher prices for all of Xstrata's commodities contributed $2.8 billion to operating profit, with copper and coal prices adding over $1 billion in each case. The Group recorded another solid cost performance in the period achieving real unit cost savings of $52 million, despite the impact of lower nickel and zinc grades which increased costs by $54 million and the resumption of the higher cost Falcondo operation in February, which supplemented nickel margins but increased overall operating costs. These positive influences were set against the significant $765 million impact of a weaker US dollar against operating currencies.

Weather-related and one-off impacts to coal and copper production in the first quarter, partly mitigated by a stronger second quarter, offset the benefit of increased mined nickel and ferronickel volumes. Severe flooding in Queensland, a fire at Blakefield South and water-induced delays to the longwall at Ulan mine reduced planned coal production by around 4.7 million tonnes. Three planned longwall moves impacted coking coal production from underground operations. Copper production was impacted by adverse weather at Collahuasi and Tintaya in the first quarter and geological conditions at Alumbrera. Second quarter copper production improved markedly, including good performances from Lomas Bayas and Ernest Henry. Lower mined zinc production was largely a result of the Antamina copper-zinc mine plan moving into a predominantly copper ore zone while Xstrata Alloys used a period of weaker market conditions to bring forward maintenance at its more efficient Premus ferrochrome smelters to the second quarter with a consequent impact on production. Volumes are on track to record a substantially stronger second half performance, as a result of higher grades at a number of copper operations, a recovery of thermal coal production, the ramp-up of Mangoola and ATCOM East and continuous production at coking coal operations.

CPI and renewed mining industry inflation, as a result of buoyant commodity market conditions and increased activity in the mining and construction sectors, reduced earnings by $412 million. Mining-sector specific inflation reduced earnings by $239 million as the cost of labour, energy and the price of key inputs such as tyres, explosives and steel rose significantly over and above consumer price inflation.

Other expenses of $266 million predominantly relate to the costs associated with one-off impacts to production experienced in the early part of the year and include $79 million from the impact of Queensland flooding on open cut coal operations, $63 million due to an underground fire at Blakefield South and $68 million as a result of flooding at Ulan coal mine. No provisions have been recorded in respect of potential insurance recoveries for a substantial portion of these costs.

CURRENCY TABLE TO $	**Average H111**	Average H110	% change	**At 30.06.11**	At 30.06.10	At 31.12.10
USD:ARS	**4.05**	3.87	5	**4.11**	3.93	3.98
AUD:USD	**1.03**	0.89	16	**1.07**	0.84	1.02
USD:CAD	**0.98**	1.03	5	**0.96**	1.06	1.00
USD:CHF	**0.90**	1.08	16	**0.84**	1.08	0.93
USD:CLP	**475**	525	10	**469**	546	468
USD:COP	**1,837**	1,947	6	**1,770**	1,917	1,920
EUR:USD	**1.40**	1.33	5	**1.45**	1.22	1.34
GBP:USD	**1.62**	1.53	6	**1.61**	1.49	1.56
USD:PEN	**2.78**	2.85	2	**2.75**	2.83	2.81
USD:ZAR	**6.89**	7.53	8	**6.76**	7.67	6.63

During the first half of the year, the Australian dollar strengthened to record levels against the US dollar, increasing operating costs by $536 million. The Group's earnings are particularly sensitive to the performance of the Australian currency against the US dollar due to the number of operations located in Australia. In addition, the strength of the South African rand and the Canadian dollar reduced earnings by $95 million and by $82 million respectively.

AVERAGE COMMODITY PRICES	Unit	**Six months to 30.06.11**	Six months to 30.06.10	% Change
Ferrochrome (Metal Bulletin)	¢/lb	**130.0**	118.5	10
Ferrovanadium (Metal Bulletin)	$/kg	**30.3**	30.7	(1)
Platinum (LPPM cash price)	$/oz	**1,789**	1,597	12
Australian FOB export coking*	$/t	**259.6**	193.7	34
Australian FOB export semi-soft coking*	$/t	**187.1**	123.1	52
Australian FOB export thermal coal*	$/t	**104.0**	80.3	30
Americas FOB export thermal coal*	$/t	**101.4**	68.5	48
South African export thermal coal*	$/t	**95.5**	69.9	37
Copper (average LME cash price)	$/t	**9,399**	7,130	32
Nickel (average LME cash price)	$/t	**25,565**	21,212	21
Zinc (average LME cash price)	$/t	**2,323**	2,155	8
Lead (average LME cash price)	$/t	**2,581**	2,084	24

* average received price

Earnings

The pre-exceptional effective tax rate for the period was 26%, slightly higher than the 25% for the six months ended 30 June 2010, and in line with full year expectations.

EARNINGS SUMMARY $m	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Operating profit (before exceptional items)	**4,246**	3,236	7,654
Share of results from associates	**8**	(2)	15
Net finance costs	**(212)**	(8)	(468)
Income tax expense	**(1,044)**	(800)	(1,782)
Effective tax rate	**26%**	25%	25%
Non-controlling interests	**(133)**	(127)	(267)
Attributable profit (before exceptional items) from continuing operations	**2,865**	2,299	5,152
Earnings per share (before exceptional items) from continuing operations	**$0.98**	$0.79	$1.77
Profit on sale of operations	**58**	-	-
Loan issue costs written-off	**-**	(9)	(35)
Restructuring and closure costs	**-**	-	(5)
Liability fair value adjustments	**-**	-	19
Acquisition costs	**(1)**	-	(7)
Impairment of assets	**-**	-	(559)
Share of exceptional items in associates	**-**	(4)	(6)
Income tax on exceptional items	**(6)**	2	129
	51	(11)	(464)
Attributable profit	**2,916**	2,288	4,688
Earnings per share	**$1.00**	$0.79	$1.61

OPERATING PROFIT SENSITIVITIES $m	Impact on H2 2011*	Indicative full year**
1¢/lb movement in ferrochrome price	**5**	11
$1/kg movement in ferrovanadium price	**2**	4
$1/t movement in Australian thermal export FOB coal price	**5**	36
$1/t movement in Australian coking export FOB coal price	**3**	7
$1/t movement in South African export thermal FOB coal price	**1**	10
$1/t movement in South American export thermal FOB coal price	**4**	10
1¢/lb movement in copper price	**16**	20
$10/oz movement in gold price	**3**	5
$1/lb movement in nickel price	**89**	169
1¢/lb movement in zinc price	**13**	20
$100/t movement in zinc treatment charge price	**17**	23
1¢/lb movement in lead price	**4**	6
$100/oz movement in platinum price	**6**	11
$100/oz movement in palladium price	**3**	6
10% movement AUD	**275**	673
10% movement CAD	**101**	204
10% movement EUR	**24**	43
10% movement ZAR	**118**	253

* After impact of currency and commodity hedging, and contracted, priced sales as at 30 June 2011

** Assuming current annualised production and sales profiles, no currency or commodity hedging and no contracted, priced sales and purchases

Cash Flow, Net Debt and Financing Summary

Xstrata's operations generated strong cash flows of $4.9 billion. Net debt increased by 6% to $8.1 billion during the first half, mainly due to a 56% increase in expansionary capital expenditure as a result of the Group's continued significant investment in its growth pipeline and a 35% increase in sustaining capital expenditure, reflecting the growth in Xstrata's asset base as new projects come on stream. Gearing remains unchanged from the end of 2010 at a modest 15%.

MOVEMENT IN NET DEBT

$m	**Six months to 30.06.11**	Six months to 30.06.10
Cash generated from operations	**4,891**	4,778
Net interest paid	**(130)**	(189)
Dividends received	**7**	2
Tax paid	**(881)**	(919)
Cash flow before capital expenditure	**3,887**	3,672
Sustaining capital expenditure	**(938)**	(650)
Disposals of fixed assets	**30**	22
Free cash flow	**2,979**	3,044
Expansionary capital expenditure	**(2,463)**	(1,447)
Cash flow before acquisitions	**516**	1,597
Exercise of Prodeco option	**-**	2,250
Subscription to Lonmin rights issue	**-**	(58)
Purchase of assets	**(216)**	-
Purchase of subsidiaries and operations net of cash acquired	**(69)**	-
Other investing activities	**22**	73
Net cash flow before financing	**253**	3,862
Net purchase of own shares	**(4)**	(3)
Proceeds from sale of joint ventures and subsidiaries	**-**	466
Equity dividends paid	**(586)**	(232)
Dividends paid to non-controlling interests	**(122)**	(121)
Loan issue costs written off	**(4)**	-
Other non-cash movements	**(30)**	(59)
Movement in net debt	**(493)**	3,913
Net debt at the start of the year*	**(7,638)**	(12,290)
Net debt at the end of the period*	**(8,131)**	(8,377)

* Includes derivative financial instruments that have been used to provide an economic hedge

RECONCILIATION OF EBITDA TO CASH GENERATED FROM OPERATIONS

$m	**Six months to 30.06.11**	Six months to 30.06.10
Operating EBITDA	**5,820**	4,494
Share based compensation plans	**40**	15
Decrease/(increase) in inventories	**(699)**	232
Decrease/(increase) in trade and other receivables	**370**	609
Increase in other assets	**(241)**	(101)
Decrease in trade and other payables	**(333)**	(409)
Movement in provisions and other non-cash items	**(66)**	(62)
Cash generated from operations	**4,891**	4,778

NET DEBT SUMMARY		
$m	**As at 30.06.11**	As at 31.12.10
Cash	**1,354**	1,722
External borrowings	**(9,265)**	(9,109)
Finance leases	**(220)**	(251)
Net debt*	**(8,131)**	(7,638)
Net debt to net debt plus equity	**15%**	15%
* Includes derivative financial instruments that have been used to provide an economic hedge		

Working Capital

WORKING CAPITAL		
$m	**As at 30.06.11**	As at 31.12.10
Inventories	**5,562**	4,763
Trade and other receivables	**4,135**	4,463
Prepayments	**231**	270
Trade and other payables	**(4,536)**	(4,802)
Net working capital	**5,392**	4,694

Treasury Management and Financial Instruments

The Group is generally exposed to US dollars through its revenue stream and seeks to source debt capital in US dollars directly or by borrowing in other currencies and swapping them into US dollars.

Xstrata's strong investment grade credit rating was strengthened further in the period. During the first half of 2011, Moody's revised the Group's Baa2 rating to positive and Standard & Poor's raised its long-term corporate credit rating for Xstrata from BBB to BBB+. The higher ratings were awarded as a result of Xstrata's improved debt position, which is free of covenant and in recognition of the ongoing improvements to the Group's business profile due to real cost savings being achieved across the business and further diversification of the asset base.

Significant headroom has been maintained within Xstrata's corporate debt facilities and, as at 30 June 2011, $7.4 billion remains undrawn. The modest debt maturities during the next two years together with a good spread of maturities over subsequent years continue to underpin the Group's financial position.

Xstrata's presence in the major international bond markets, together with a strong ratings track record, has placed Xstrata in a strong position to access these markets as and when liquidity is required.

Currency cash flow hedging may be used to reduce the Group's short-term exposure to fluctuations in the US dollar against local currencies. The unrealised mark-to-market gain on currency hedges at 30 June 2011 was $46 million. Currency hedging gains reflected in the income statement for the first half amounted to $103 million. These related to coal sales for which prices were contractually fixed.

The Group did not enter into any strategic, long-term base metals hedging contracts in the period.

Consolidated Capital Expenditure

CAPITAL EXPENDITURE SUMMARY (excludes deferred stripping expenditure) $m	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Alloys	**68**	47	126
Coal	**320**	214	568
Copper	**207**	230	572
Nickel	**135**	89	237
Zinc	**172**	88	316
Technology	**2**	1	2
Unallocated	**1**	-	2
Total Sustaining	**905**	669	1,823
Attributable Sustaining	***890***	*659*	*1,774*
Alloys	**115**	59	141
Coal	**517**	542	1,430
Copper	**1,083**	325	1,162
Iron Ore	**78**	26	67
Nickel	**621**	611	1,319
Zinc	**104**	49	177
Total Expansionary	**2,518**	1,612	4,296
Attributable Expansionary	***2,227***	*1,332*	*3,677*
Alloys	**183**	106	267
Coal	**837**	756	1,998
Copper	**1,290**	555	1,734
Iron Ore	**78**	26	67
Nickel	**756**	700	1,556
Zinc	**276**	137	493
Technology	**2**	1	2
Unallocated	**1**	-	2
Total	**3,423**	2,281	6,119
Attributable total	***3,117***	*1,991*	*5,451*

Total expansionary capital expenditure increased by 56% to $2.5 billion, reflecting a phase of increased investment in Xstrata's growth pipeline. Expansionary capital spend in the second half is forecast to be $4.3 billion.

Major items of expansionary capital spending in the first half included:

- $260 million to progress the major Antapaccay brownfield expansion to the Tintaya copper mine in southern Peru;
- $500 million at the greenfield Koniambo nickel project in New Caledonia;
- $422 million in respect of the greenfield Las Bambas copper project in Peru; and
- $517 million on Xstrata Coal's growth pipeline which delivered two projects (Mangoola and ATCOM East) to commissioning and advanced the Ravensworth North and Ulan West projects, which are on track to deliver first coal in 2012 and 2014 respectively.

Xstrata Copper spent a further $263 million on its range of near-term brownfield expansions, including the conversion of Ernest Henry into a major underground mine and associated magnetite plant, which exported its first shipment of iron ore concentrate in June, the expansion of milling capacity at the Antamina copper-zinc project in Peru with commissioning scheduled to commence at the end of the year and an expansion to Collahuasi's capacity to 150,000 tonnes per day, which is now due to commission in the third quarter of 2011, following delays imposed by adverse weather conditions earlier in the year and industrial action last year.

Xstrata Zinc's range of brownfield expansions at Mount Isa continue to progress well, with the George Fisher mine set to increase production from the underground mine by 28% by 2013 and the commencement of the Black Star Deeps open pit expansion in the first half.

At Xstrata Alloys, capital spending was prioritised in the first half on the commencement of the phase two 360,000 tonnes per annum expansion of the Lion smelter complex, scheduled to be commissioned in the first half of 2013 as well as on the development of the underground Eland PGM mine.

In total, Xstrata has 22 projects in construction across the Group, all of which remain on schedule.

Acquisitions and disposals

At the end of the first half, Xstrata had acquired 86.8% of Sphere Minerals Limited (Sphere), which has interests in three iron ore projects in Mauritania, West Africa.

On 4 February, Xstrata Zinc acquired the outstanding 25% interest in the Lady Loretta lead and silver deposit in Australia held by Cape Lambert Lady Loretta Pty Ltd for AUD30 million ($30 million). The acquisition increased Xstrata Zinc's ownership share of the Lady Loretta assets to 100% and provides Xstrata Zinc with full control of a group of zinc resources within the Mount Isa region of north-west Queensland which rank as the largest in the world.

On 8 February, Xstrata announced it had elected to exercise the option to acquire 50% plus one share in Jumelles Limited (BVI) in respect to the Zanaga iron ore project in the Republic of Congo. Under the agreement, Xstrata will fund a minimum of $100 million towards a feasibility study and could elect to acquire 100% of the project following completion of the feasibility study.

On 8 March, Xstrata Copper and Goldcorp Inc. entered into a Letter of Intent with Yamana Gold Inc. that grants Minera Alumbrera an exclusive option with respect to Yamana's 100% interest in the Agua Rica copper gold project in Catamarca province in northwest Argentina. The transaction remains subject to the parties agreeing binding transaction documents.

On 2 June, Xstrata Zinc entered into a binding agreement with Sabina Gold and Silver Corporation to purchase the Hackett River and Wishbone exploration properties in the Western Kitikmeot region of Nunavut, North Canada for a cash consideration of CAD50 million and the grant of a silver royalty. Xstrata will also commit to a further CAD50 million for exploration and to complete a bankable feasibility study within four years of the transaction's closing.

On 30 June, Xstrata Copper completed the acquisition of the E1 and Monakoff copper tenements in north-west Queensland from Exco Resources for AUD175 million ($186 million). The tenements are located close to Xstrata Copper's Ernest Henry mine and contain open pit copper mineral resources with completed feasibility studies. Ore from the projects will be processed through the existing concentrator at Ernest Henry. Initial production is anticipated from the second half of 2012.

On 13 July, the Group announced that it had agreed to acquire the remaining 23.6% interest in the Pallas Green property in the Republic of Ireland from to its current joint venture partner in the project, Minco plc, for $19 million, subject to various approvals.

On 28 July, Xstrata Coal made an all-cash proposal for First Coal Corporation. The offer values First Coal at CAD147 million ($153 million) and will provide Xstrata Coal with access to coking coal exploration leases in British Colombia, Canada. First Coal's board has unanimously recommended to shareholders to support the transaction.

Dividends

The Directors have proposed a 2011 interim dividend of 13¢ per share amounting to $381 million, a 160% increase over the 2010 interim dividend. The dividend will be paid on 7 October 2011. The final 2010 dividend of 20¢ per share amounting to $586 million was paid on 13 May 2011.

DIVIDEND DATES	2011
Ex-dividend date	14 September
Record date	16 September
Deadline for return of currency election form	23 September
Applicable exchange rate date	30 September
Payment date	7 October

As Xstrata plc is a Swiss tax resident company, the dividend payment will be taxed at source in Switzerland at the rate of 35%. A full or partial refund of this tax may be available in certain circumstances.

The interim dividend is declared and will be paid in US dollars. Shareholders may elect to receive this dividend in Sterling, Euros or Swiss francs. The Sterling, Euro or Swiss franc amount payable will be determined by reference to the exchange rates applicable to the US dollar seven days prior to the dividend payment date. Dividends can be paid directly into a UK bank or building society account to shareholders who elect for their dividend to be paid in Sterling. Further details regarding tax refunds on dividend payments, together with currency election and dividend mandate forms, are available from Xstrata's website (www.xstrata.com) or from the Company's Registrars.

Share Data

Under IFRS, own shares (treasury stock) are deducted from the total issued share capital when calculating earnings per share. During the period, 2,499,838 shares were disposed of and 777,678 purchased.

SHARE PRICE	XTA LSE (GBP)	XTA SWX (SFR)
Closing price 31.12.10	15.06	21.90
Closing price 30.06.11	13.72	18.45
Period high	15.50	23.35
Period low	12.44	16.70
Period average	14.15	20.82

SHARES IN ISSUE FOR EPS CALCULATIONS	Number of shares (000s)
Weighted average for 6 months ended 30.06.11 used for eps calculation	2,930,862
Weighted average for 6 months ended 30.06.10 used for eps calculation	2,902,329
Weighted average for 12 months ended 31.12.10 used for eps calculation	2,910,942
Total issued share capital excluding own shares as at 30.06.11	2,964,692

As at 25 July, the Company had been notified of the following interests representing 3% or more of issued ordinary share capital:

PUBLICLY DISCLOSED MAJOR SHAREHOLDERS Name of shareholder	Number of Ordinary shares of US$0.50 each at 30.06.11	% of Ordinary issued share capital
Glencore International AG*	1,010,403,999	34.08%
BlackRock, Inc	184,002,078	6.21%

* The voting rights comprised in this interest are directly controlled by Finges Investment B.V., a wholly-owned subsidiary of Glencore International AG

Principal risks and uncertainties

The Xstrata Group is exposed to a number of risks and uncertainties which exist in our business and which may have an impact on our ability to execute our strategy effectively in the future. The principal risks and uncertainties facing the Group, as outlined in the Annual Report 2010 in the Business review section on pages 42 to 47, remain appropriate for 2011.

Projects

Xstrata has an extensive organic growth pipeline with major expansion projects at every stage of the project development cycle to deliver a number of world class projects. The organic pipeline comprises:

- 22 approved major projects in implementation, all of which remain on schedule, comprising capital expenditure of $15 billion;
- Nine further projects on track for near-term approval with total capital expenditure of $7 billion, including, Tweefontein, Rolleston Open Cut expansion, Togara North, Oaky Creek 2, and United Open Cut coal projects and the McArthur River Mine zinc mining and processing expansion; and
- A number of additional significant projects in feasibility, pre-feasibility or concept stage, including the greater Wandoan thermal coal project, the El Pachón, Tampakan, Frieda River and Collahuasi phase 3 expansion copper projects, the Askaf and El Aouj iron ore projects, and the Pallas Green zinc project.

Substantially all of the projects that are required to achieve our target of 50% volume growth by the end of 2014 are approved, with 80% of the 50% volume growth accounted for by projects that are currently in construction.

Once commissioned, approved projects will cement Xstrata's top five market position in major commodities, delivering new, lower cost production that will further reduce costs by around 20% robust returns, even at conservative long-run commodity prices.

Commissioned in 2011

Since 2002, a total of 17 major projects have been delivered establishing a track record of successful project delivery. Three projects reached commissioning in 2011, in each case ahead of schedule and on budget.

Project	Commodity and capacity*†	Budgeted capex*	Estimated capex*	Schedule
ATCOM East, South Africa	4mtpa thermal coal	$407m (ZAR3151m)	$464m (ZAR3151m)	Commissioning in progress, with first coal set for second half 2011
Kikialik deposit (Raglan), Canada	7ktpa nickel	$87m (CAD$98m)	$95m (CAD$97m)	First ore delivered ahead of schedule in July 2011
Mangoola, Australia	8mtpa thermal coal	$1.1bn	$880m	Project commissioned ahead of schedule and budget

* 100% unless otherwise stated
† Coal capacity stated as saleable production

In implementation

Momentum continued during the first half on the 22 projects that are currently in implementation. Five projects are on track to commission in the remainder of 2011: Handlebar Hill and Black Star Deeps zinc projects, the Antamina and Kidd copper projects and the Newlands North underground coking coal project. At full production these projects will add 160,000 tonnes per annum of zinc, 3 million tonnes of coking coal, and 40,000 tonnes per annum of copper.

Five key projects were approved in the first half of 2011 and have moved into execution: the Fraser Morgan nickel mine and an expansion to 40,000 tonnes per annum at the Raglan nickel operation, both in Canada, and the greenfield Lady Loretta zinc project and an extension to the Handlebar Hill zinc/lead mine, both in the Mount Isa region, Australia. Xstrata has approved its share of capital to expand the joint venture Cerrejón thermal coal operation in Colombia to 40 million tonnes per annum and, subject to other approvals, the project is expected to commence construction in the third quarter.

Brownfield projects in execution

Project and location	Xstrata interest	Annual project capacity/ commodity*†	Approved capex*	% complete	Start-up
Black Star Deeps, Australia**	100%	120kt zinc	$116m	70%	H2 2011
Handlebar Hill, Australia**	100%	40kt zinc	$38m	30%	H2 2011
Kidd Mine, Canada**	100%	6kt copper	$111m	94%	H2 2011
Newlands Northern Underground, Australia**	55%	3mt coking coal	$150m	60%	H2 2011
Antamina expansion, Peru	33.75%	40kt copper‡‡	$435m‡	63%	End 2011
Ravensworth North, New South Wales	90%	8mt thermal coal	$1.4bn	6%	2012
Antapaccay, Peru	100%	160kt copper‡‡	$1.47bn	26%	H2 2012
Lomas Bayas II, Chile**	100%	75kt copper	$293m	66%	H2 2012
Collahuasi, Chile **150kt ore per day (phase 1)** **160kt ore per day (phase 2)**	44%	 9kt copper‡ 9kt copper‡	 $54m‡ $92m‡	 90% 35%	 H2 2011 H1 2013
Fraser Morgan, Canada	100%	6kt nickel	$119m	Approved July 2011	2013
Ernest Henry underground, Australia**	100%	50kt copper	$542m	36%	H2 2013
George Fisher expansion, Australia	100%	64kt zinc	$246m	20%	2013
Lion II, South Africa	79.5%	360kt ferrochrome	$710m	<10%	H1 2013
Tswelopele Pellet Plant, South Africa	79.5%	600kt chromite pellets	$114m	49%	H2 2013
Cerrejón (phase 1), Colombia††	33.3%	2.7mt‡	$500m‡	Approved July 2011	2014
Ulan West, Australia	90%	6.7mt thermal coal	$1.1bn	7%	2014
Qakimajurq and Mine 2 Lower Zone (Raglan, Canada) infrastructure and concentrator upgrade	100%	6kt nickel from mine (2014) 8kt Nickel from mines and concentrator capacity (2016)	$530m	Approved July 2011	2014/ 2016
Eland Mine and Concentrator, South Africa	74%	300,000 oz platinum	$447m	32%	H1 2016

* 100% unless otherwise stated
** Mine life extension
‡‡ First five years' annual production (Xstrata share)
‡ Xstrata share
† Coal capacity stated as saleable production
†† Subject to other shareholder approval

Greenfield projects in execution

Project and location	Xstrata interest	Annual project capacity/ commodity *	Approved capex*	% complete	Start-up
Koniambo, New Caledonia	49%‡	60kt nickel	$5.0bn	76%	H2 2012
Bracemac-McLeod, Canada	65%	90kt zinc	$150m	20%	2013
Lady Loretta, Australia	100%	126kt zinc	$239m	Approved July 2011	H2 2013
Las Bambas, Peru**	100%	400kt copper	$4.2bn	1%	H2 2014

* 100% unless otherwise stated
** First five years' annual production
‡ Effective share of cashflows and financing 90%

In the first half of 2011, a number of significant milestones were reached at projects currently in implementation and due to commence operation by 2014, including:

- Earthworks and foundation construction activities are largely complete and the installation of the main concentrator SAG and ball mills is in progress at the Antapaccay project in Peru. As at the end of June, detailed engineering was 93% complete and 81% of procurement and major contracts had been secured. The project remains on time and on budget to commence production in the second half of 2012;
- The Koniambo greenfield nickel project is 76% complete and remains on schedule to produce first metal in the second half of 2012;
- Regulatory approvals were granted for the Ravensworth North thermal coal project in the Hunter Valley, New South Wales;
- Development of both decline shafts at Eland has progressed well with the bulk of surface infrastructure completed. Initial production from the first operating level of the western decline is expected during the fourth quarter of 2011, following completion of the first phase of the underground ore handling conveyor belt infrastructure. Production from Eland's underground operations will deliver around 250,000 tonnes per month by the end of 2013 and reach steady state capacity of 500,000 tonnes per month during the last quarter of 2015; with steady state annual platinum production of 300,000 ounces;
- Phase two of the Lion smelter complex expansion and associated Magareng mine development commenced, with earthworks carried out during the first half. Completion of the Magareng mine has been advanced, with full underground capacity and full operation of the processing plant due by the first quarter of 2013;
- Work commenced on the George Fisher underground zinc mine expansion to increase production to 4.5 million tonnes per annum by 2013;
- The environmental and social impact assessment (ESIA) for Las Bambas was approved by the Peruvian Mining Ministry in March 2011, allowing final permitting for site construction to progress in the second half. Major equipment in the concentrator and primary crusher, as well as structural steel has been procured, together with all mine haul trucks, drills and power shovels. Construction of the new resettlement infrastructure commenced in the first half and site access construction will start in the third quarter. Commissioning is scheduled to commence in the second half of 2014;
- Construction of Ernest Henry's large scale underground mine is progressing well, with initial underground mining operations from the access decline scheduled to begin in the second half of 2011 as open pit mining ceases. Commissioning of the hoisting operations from the main shaft is scheduled to commence in mid 2013. The associated magnetite facility was commissioned in February 2011 and first exports began in June; and
- The main heap leach construction activities and power and piping infrastructure were completed for the Run-of-Mine (ROM) phase of the Lomas Bayas expansion (Lomas Bayas II). Commissioning of this phase is on track for the end of 2011 and the Heap Leach phase of the expansion is progressing for an on-schedule commissioning by the end of 2012.

Next phase projects

During the period the commodity businesses continued to advance projects that are nearing the approval stage. The bulk of the projects that are approaching near term approval are open cut coal projects and preparation plants with a lower development risk profile.

Project	Xstrata interest	Annual project capacity/ commodity *††	Anticipated approval date	Indicative start date
E1 and Monakoff	100%	30kt copper	H2 2011	2012
Kabanga, Tanzania**	50%	10kt nickel expansion to an additional 30 - 35kt nickel	H1 2012	2014 2020
McArthur River Mine Integrated Expansion, Australia**	100%	180kt zinc smelter expansions to treat MRM bulk concentrate	H2 2011	2014
Rolleston Expansion, Australia**	75%	6mt thermal coal	2012	2014
Tweefontein, South Africa**	79.8%	4mt thermal coal	2012	2014
Bulga Optimisation, Australia**	68.25%	5mt thermal coal	2013	2015
Oaky Creek Expansion, Australia**	55%	6mt coking coal	2012	2015
Togara North, Australia**	61.6%	6mt thermal coal	2012	2015
United Open Cut, Australia**	95%	4mt thermal coal	2013	2015
Wandoan (phase 1)	75%	22mt thermal coal	2012	2015
El Pachón, Argentina	100%	400kt copper†	2012	2016
Falcondo Energy Conversion**	85.3%	28kt nickel	2012	2016
Tampakan, Philippines	62.5%	450kt copper†	2013	2016

* 100% unless otherwise stated
** Projects that are approaching near term approval
† First five years' average production (Xstrata share)
†† Coal capacity stated as saleable production

- An integrated development plan announced in the first quarter of 2011 will investigate the feasibility of doubling mining and processing capacity at McArthur River Mine, together with expansions to smelter capacity through the installation of proprietary hydrometallurgy technology at Xstrata Zinc's European smelters.
- In June 2011, Xstrata Copper completed its acquisition of the E1 and Monakoff advanced copper projects, strategically located near the Ernest Henry mine, from Exco Resources Limited for a cash purchase price of AUD175 million ($186 million). It is anticipated these projects will increase Ernest Henry's production profile from the second half of 2012, including gold by-product credits.
- The El Pachón feasibility study continued to be updated and is expected to be completed in early 2012. In parallel, work on the associated environmental and social impact assessments in both Argentina and Chile continued with a target to be able to file the ESIAs in both countries in the second quarter of 2012.
- The Wandoan coal project in Queensland continued through its feasibility stage. More than 1 billion tonnes of reserves have now been proven to underpin thermal coal exports from the initial stage of up to 22 million tonnes per annum. Commonwealth government environmental approval, granted in March 2011, is conditional on Xstrata Coal implementing measures to protect biodiversity.

- Stakeholder consultation began on the environmental impact statement (EIS) for the Tampakan copper-gold project in the Philippines. The EIS is scheduled to be formally submitted to the Philippine Government later in the year and will allow the provincial council of South Cotabato to make an informed decision regarding a potential review and amendment of its Environment Code, which includes a ban on the use of open pit mining methods in the province. Separate environmental impact assessments for related off-site infrastructure, including a port facility, power station, transmission lines and concentrate pipeline, are currently underway and are expected to be completed in 2012.

Further growth options

Xstrata is investing a further $1 billion on scoping and pre-feasibility studies into earlier stage projects that will provide a subsequent and significant phase of organic growth. The following are a selection of the projects in the next phase of Xstrata's growth pipeline:

Project	Location	Commodity	Stage
Cerrejón (phase 2)	Colombia	Thermal coal	Pre-feasibility
Collahuasi (phase 3)	Chile	Copper	Pre-feasibility
Pallas Green	Ireland	Zinc	Pre-feasibility
Sphere – Askaf	Mauritania	Iron Ore	Pre-feasibility
Collinsville Open Cut expansion	Queensland, Australia	Coking and thermal coal	Pre-feasibility ahead of moving to feasibility 2011
Sarum	Queensland, Australia	Coking and thermal coal	Pre-feasibility ahead of moving to feasibility 2012
Energía Austral	Chile	Power generation	Feasibility
Frieda River	Papua New Guinea	Copper	Feasibility
Sphere – El Aouj	Mauritania	Iron Ore	Feasibility study review

Examples of activities related to the next trance of growth options include:

- A pre-feasibility study underway into options for up to two new grinding lines at Collahuasi's concentrator plant that could increase production to more than one million tonnes. Pre-feasibility work will be completed in the first half of 2012;
- Xstrata Zinc has agreed the proposed acquisition of the outstanding 23.6% interest in the Pallas Green property held by Minco plc, subject to shareholder approvals. A pre-feasibility study will be completed into the project by the end of 2011;
- In March 2011, Xstrata Copper and Goldcorp Inc. entered into a Letter of Intent (LOI) with Yamana Gold Inc. that grants Minera Alumbrera an exclusive option with respect to Yamana's 100% interest in the Agua Rica copper gold project, located 35 kilometres from the Alumbrera mining operation. The LOI outlines an agreement in which Minera Alumbrera will be granted an exclusive four-year option to acquire Yamana's interest in the Agua Rica project. During this period, Minera Alumbrera will manage the Agua Rica project and fund the completion of a final feasibility study.

Markets | Alloys

Ferrochrome and Vanadium

Global consumption of ferrochrome reached 4.5 million tonnes in the first half of 2011, due to record stainless steel melt of 17 million tonnes, 10% higher than in the first half of 2010. Growth in global demand for both stainless steel and ferrochrome was driven by strong end-user demand and restocking by stainless steel distribution centres and processing industries. However, stainless steel production growth cooled towards the end of the first half as a result of renewed concerns over European sovereign debt, a major earthquake and tsunami in Japan and civil unrest in the Middle East impacted confidence in global financial and commodity markets.

China produced more than a third of the world's stainless steel in the first half of the year and China's volumes increased by 10.5% compared to the first half of 2010. Stainless steel production from the Americas also grew strongly and volumes increased 4% from the first half of 2010.

Global ferrochrome production was 4.5 million tonnes in first half 2011, 5.5% higher than the first six months of 2010. Despite rising chrome ore prices, Chinese ferrochrome production continued to expand, reaching 1.1 million tonnes in the first half of the year. Nevertheless, China remains a net ferrochrome importer, with around 45% of its 2 million tonnes requirement for the first half being sourced overseas.

The average European benchmark price for ferrochrome during the first half of 2011 was 130¢ per pound, unchanged from the second half of 2010, after a 5¢ per pound reduction in the first quarter price to 125¢ per pound and a recovery to 135¢ per pound for the second quarter. The third quarter European benchmark price was settled at 120¢ per pound.

Global crude steel production for the first six months of the year totalled 760 million tonnes, 7% higher than the first half of 2010, as a result of increased demand from the construction sector in emerging markets and from the mechanical engineering and automotive industries in European and North American markets. Secondary vanadium supply from steel production moderated demand growth, with the result that demand for primary vanadium units remained relatively stable. Ferrovanadium traded at an average of $30.35 per kilogramme during the first half of 2011, 1.3% lower than the first half of 2010, and vanadium pentoxide traded at an average of $6.81 per kilogramme compared to $7.01 per kilogramme in the first half of 2010.

Outlook

During 2011, stainless steel production is anticipated to grow by over 4%, supporting an increase of 5% in global consumption of ferrochrome, which includes a 10.4% increase in demand for ferrochrome from China. Stainless steel production is expected to continue to grow at around 5% per annum in the medium term, driven predominantly by demand from China. Secondary vanadium supply is expected to come under pressure as a result of the Chinese summer power rationing programme which will reduce local steel production. Prices will be further supported by the supply issues anticipated in the US arising from a shortage of vanadium pentoxide for conversion into ferrovanadium. In the longer-term, global crude steel production is expected to increase by around 6% annually and global vanadium consumption is anticipated to rise by over 8%, mainly as a result of China increasing its share of high value-added micro-steel, and due to various factors which limit the potential for vanadium to be substituted with niobium.

Platinum Group Metals (PGM)

Platinum and palladium prices increased by 12% and 66% respectively, while rhodium prices decreased by 12% compared to the same period last year.

During the first half of 2011, global auto catalyst demand continued to grow, but at a slower pace than the same period in 2010. China was the main driver for demand growth, despite its automobile sales growth rate slowing to 6% from 46% compared to last year, mainly due to the end of the government's incentive scheme and, to a lesser extent, measures imposed by some major cities to restrict vehicle numbers. Japan's automotive industry was significantly impacted by the major earthquake which occurred in March, when almost all vehicle manufacturing ceased, before partially recommencing in April. In Europe, despite stronger demand from Germany, automobile sales in the first half of 2011 were lower than those in the same period in 2010, due to weaker demand from the UK, Spain, Portugal and Greece, as consumer confidence was impacted by high fuel costs and inflation warnings.

The European market for diesel vehicles, which use platinum-rich catalysts, has stabilised at around 50% of vehicle sales. Increased demand for platinum auto-catalysts in the first half came from increased orders for heavy duty vehicles.

Jewellery continued to provide a floor for platinum prices, displaying strong increases in purchases on the Shanghai Gold Exchange, the barometer for Chinese jewellery demand, during periods when the price retreated.

Interest in ETF investments increased and at the end of the first half of the year, platinum ETF positions were 1.36 million ounces, 30% higher than at the end of the first six months of 2010. This growth in investments has supported PGM prices during a period of moderate physical demand.

Marginal supply growth is expected in southern Africa, although hampered by industrial action, safety stoppages, lower head grades and continuing concerns over power supply. In addition, measures being taken by the Zimbabwean government to increase indigenous investment in the country's mining industry will add further pressure to production volumes.

Strong speculative activity, driven by macro-economic indicators, exchange rate fluctuations and political tensions rather than physical demand, was the main driver for platinum and palladium price movements during the first six months of 2011. Platinum prices peaked before the Japanese earthquake at $1,863 per ounce and palladium reached $859 per ounce. Liquidation of speculative positions in mid-March, in response to the natural disaster in Japan and rising oil prices, resulted in prices falling to $1,696 per ounce for platinum and $700 per ounce for palladium. The platinum price had recovered to some extent, although has struggled to surpass $1,800 per ounce and ended the first half of the year at $1,723 per ounce.

Outlook

The medium to long-term outlook for platinum and palladium remains favourable. Supply constraints are expected to continue due to operating challenges in southern Africa and Russia and uncertainty over the future availability of Russian palladium stockpiles. Demand is expected to continue to be underpinned by tightening emissions legislation, continued strong demand growth from developing countries and from the recovery of OECD economies.

Xstrata Alloys

FINANCIAL AND OPERATING DATA $m	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Revenue	**992**	920	1,894
Operating EBITDA	**182**	287	477
Depreciation and amortisation	**(67)**	(60)	(124)
Operating profit	**115**	227	353
Share of Group Operating profit	**2.7%**	7.0%	4.6%
Capital employed	**3,627**	2,975	3,550
Return on capital employed*	**6.5%**	15.0%	11.0%
Capital expenditure	**183**	106	267
Sustaining	**68**	47	126
Expansionary	**115**	59	141

* ROCE % based on average exchange rates for the period

OPERATING PROFIT VARIANCES	**$m**
Operating profit 30.06.10	**227**
Sales price*	77
Volumes	(19)
Unit cost – real	(22)
Unit cost – CPI inflation	(19)
Unit cost – mining inflation	(42)
Unit cost – foreign exchange	(56)
Other income and expenses	(29)
Depreciation and amortisation (excluding foreign exchange)	(2)
Operating profit 30.06.11	**115**

*Net of commodity price linked costs, treatment and refining charges

Operations

Xstrata Alloys recorded an operating profit of $115 million in the first half of 2011, compared to $227 million for the same period last year. The benefit of higher prices was outweighed by cost pressures from the strength of the South African rand against the US dollar which reduced operating profit by $56 million and the impact of ongoing mining sector inflation, particularly from higher energy costs, which further reduced operating profit by $61 million.

Growth in global demand underpinned a stronger pricing environment for all of Xstrata Alloys' commodities. During the first half of 2011, the ferrochrome price increased by 10% and the average platinum group metals basket increased by 13%.

Other income and expenses of $29 million resulted from increased standing charges and social and labour costs.

Ferrochrome and vanadium

In the first half of 2011, ferrochrome volumes were 581,000 tonnes, 4% lower than the first half of 2010 due to furnace maintenance being brought forward to the end of the second quarter to take advantage of softening market conditions. Maintenance work focussed on the more efficient Premus furnaces, resulting in lower consumption efficiencies and higher production costs.

Increased ore and electricity costs further impacted production costs which increased by 19% in rand terms. Eskom, the South African power utility, increased energy prices by 27% over 2010 and similar annual increases are anticipated for the next three years. Ongoing electrical energy efficiency improvements and prioritising of maintenance during the high-tariff winter months will offset some of this impact on costs. During the past decade, energy efficiency improvement initiatives at Xstrata's ferrochrome operations and the development of Xstrata's proprietary Premus technology have reduced electricity consumption per tonne of ferrochrome

produced by more than 25%. Further improvements will result from the commissioning of Lion phase two and the Tswelopele pelletizing and sintering plant from 2013 onwards.

Ongoing initiatives to optimise reductant mixes to reduce the impact of highly priced metallurgical coke have contributed to a reduction in average reductant prices compared to the same period in 2010, despite a higher pricing environment.

The agreement reached in 2010 with Lonmin to increase and extend the current UG2 off-take agreement from tailings at Lonmin's Marikana operations has provided a lower cost source of chrome ore to the smelters. Two chromite recovery plant modules were erected at Rowland and a third module was constructed at the Karee 4 processing plant at a capital cost of about ZAR 216 million. The recovery plants were successfully commissioned at the end of the first half within budget and on schedule.

Platinum Group Metals (PGM)

PGM volumes were substantially lower than the first half of 2010 due to delays in the award of the section 102 mineral rights extension of the current Eland open pit operation. The mineral rights, expected in October 2010, were awarded in the early part of the year and reef extraction commenced in May 2011. This delay resulted in the mining of lower grade oxidised ore, reducing concentrator throughput and recoveries. Production was also impacted by ongoing blasting restrictions placed on the eastern pit due to its close proximity to a national highway. The Mototolo joint venture maintained nameplate ROM production of around 200,000 tonnes per month throughout the six months. The average mining head grade marginally decreased by 4% as a result of production being increased from the lower grade Lebowa shaft to supplement reduced production at the higher grade Borwa shaft.

At Eland, the development of the underground operation is progressing well with the bulk of the surface infrastructure completed. Initial production from the first operating level of the western decline, the Kukama shaft, is expected during the fourth quarter of 2011.

SUMMARY PRODUCTION DATA	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Ferrochrome (kt)*	**581**	608	1,165
Vanadium**			
Ferrovanadium (k kg)	**1,977**	2,186	4,311
V_2O_5 (k lbs)	**10,093**	10,707	21,874
Platinum Group Metals (oz)**			
Platinum	**50,677**	63,937	117,659
Palladium	**25,237**	32,882	59,584
Rhodium	**8,178**	10,759	19,602
Indicative average published prices (Metal Bulletin)			
Ferrochrome (¢/lb)	**130.0**	118.5	124.3
V_2O_5 ($/lb)	**6.8**	7.0	6.9
Ferrovanadium ($/kg)	**30.3**	30.7	30.1
Average prices ($/oz)			
Platinum (London Platinum and Palladium Market)	**1,789**	1,597	1,611
Palladium (London Platinum and Palladium Market)	**776**	468	527
Rhodium (Johnson Matthey)	**2,307**	2,635	2,406

* Including Xstrata's 79.5% share of the Xstrata-Merafe Chrome Venture
** 100% consolidated

Markets | Coal

Thermal Coal Markets

For the first half of 2011, the thermal coal market was dominated by the impact of the Japanese earthquake and significant rainfall in both Australia and Indonesia, restricting supply and influencing the global pricing market.

The initial estimate of the impact of the earthquake in Japan on Japanese thermal coal demand was 15 million tonnes per annum, however, as recovery efforts continue, operating coal fired power stations have increased their capacity utilisation and a reduction in net thermal demand of 8 million tonnes per annum on 2010 levels has now been forecast. Significantly, Indonesian coal suppliers have been most impacted by the reduced demand with Australian supply marginally increasing its share.

The earthquake and subsequent damage to both nuclear and coal fired facilities in Japan resulted in an increased use of LNG based power generation and increased Japanese LNG imports. Improved spot LNG purchases have eroded the LNG surpluses of 2009 and 2010 more rapidly than previously expected and resulted in stronger gas prices in Europe. Gas prices rose from an average $6.20 per gigajoule during 2010 to nearly $9.0 per gigajoule for the first half of 2011 and supported improved demand for coal. In the first half of 2011, European coal demand rose 8% compared to 2010. Supply disruptions in Colombia due to rainfall were offset by increased thermal exports from the US to take advantage of the higher priced international markets and to meet European demand.

Severe flooding in Queensland, Australia and a prolonged rain season in Indonesia resulted in lower exports from both countries during the first quarter of 2011. Exports from Australia during the first half of the year were at a similar level to the first six months of 2010 due to production recovery and improving weather conditions. In Indonesia, exports grew marginally, increasing by just 7%, or an annualised rate of 9 million tonnes. The supply disruptions reduced availability in line with lower demand from Japan and limited the volumes available for Chinese seaborne imports, underpinning strong prices in the Pacific market. During March, the Japanese fiscal year contracts were settled at $129.75 per tonne while more recently in June, the calendar mid year contract price was agreed at $127.50.

Supply shortfalls, from Indonesia in particular, reduced availability for Chinese imports and comparable quality Chinese domestic supply increased to meet growing local demand. For the first half of 2011, Chinese electricity generation rose 13% period on period, while in the first half coal production increases are averaging 12%. The domestic supply deficit, together with the lower seaborne availability, resulted in Chinese stock decline and rapidly rising domestic spot prices, which further underpinned the Pacific market and API4 prices. As seaborne supply steadily improved through the first half, Chinese consumers imported significant volumes, maintaining a balanced market.

Indian thermal coal demand remained robust, during the first half of the year and imports were 30% higher than the first six months of 2010, which was met by South African and Indonesian producers. During the first half of 2011, 29% of South African exports went to India. Indian seaborne import demand has been further underpinned by weak domestic production, 4% lower than in 2010, and rising thermal electricity generation.

Outlook

The Japanese earthquake and destruction of the nuclear power stations has had a significant impact on the electricity generation landscape, resulting in an increased focus on both coal and gas fired generation capacity to meet growing base load demand. Incremental demand increases for both coal and gas resulting from the shift away from nuclear power is expected to continue to have a positive impact on short and longer term prices for thermal coal. Surging demand in India, together with Chinese price arbitrage, is expected to continue to place a strain on supply chains.

Coking coal markets

During the first half of 2011, coking coal markets were primarily impacted by the extensive flooding in Queensland, the Japanese earthquake and tsunami and increased supply availability from the US.

Coking coal supply from Australia, the market's largest supply source, was severely disrupted as a result of the flooding in Queensland during the first quarter. Towards the end of the first half, signs of recovery were being seen across all operations, although production at a number of sites will continue to be hampered by contained water and flood recovery measures. Coking coal exports from Australia were down 23%, an annualised 35 million tonnes, during the first half of 2011, supporting a strong pricing environment.

Flood damage and disruption in Queensland underpinned a rise in contract hard coking coal prices from $225 per tonne in the first quarter to $330 per tonne during the second quarter of 2011. The supply shortages and strong hard coking coal price also supported a stronger pricing environment for semi-soft coking coal. Starting the year at $182.5 per tonne, the semi-soft coking coal price rose to $254.10 in the second quarter and, due to ongoing supply constraints, settled at $242.55 per tonne for the third quarter.

The Japanese natural disasters caused only minor damage to steel plants, but significantly impacted the manufacturing sector, including the automobile industry that represents over one quarter of Japan's steel consumption. Despite Japanese imports of coking coal declining by 7%, Japanese stock levels increased. However, the reduced demand from Japan far outweighed the impact on supply from flooding in Queensland.

During the first half of 2011, US coking coal exports increased by 17%, or 4.5 million tonnes due to domestic oversupply, weak domestic prices and high international prices. The increased US seaborne coking coal exports supplemented some of the supply shortages from Australia. The increased tonnage came partly from mines with surplus wash plant capacity, enabling coal to be washed to a lower ash and sold as a coking coal, as well as from new capacity investment. A large proportion of the additional supply is high volatile coking coal, an inferior quality to Australian or Canadian hard coking coal.

Pig iron production in coking coal importing countries, excluding China, reached record levels of over 400 million tonnes per annum up 3% on 2010 levels during the first quarter of 2011, with new capacity in Korea and India ramping up operations and further increases in capacity utilisation in the Americas and Europe. The second quarter saw rates moderate slightly due to the impact of the earthquake in Japan. Chinese pig iron production continued to grow throughout the first half of the year, increasing from an annualised rate of 550 million tonnes at the end of 2010 to over 660 million tonnes per annum at the end of the first half of 2011.

Chinese seaborne coking coal demand was impacted by high international prices and increased levels of land-borne coking coal imports from Mongolia. Seaborne imports declined from 33 million tonnes in 2010 to an annualised rate of 23 million tonnes during the first half of 2011.

Outlook

Ongoing supply recovery in Queensland is expected to moderate market supply and enable inventory build during the second half of 2011. The weak macro environment, particularly in Europe, is impacting demand for steel and rising stocks are placing downward pressure on steel prices. Record steel production in China is outpacing domestic coking coal supply capacity and Chinese coking coal imports are expected to support coking coal prices. The development of new supply will continue to lag demand in the medium to longer term.

Xstrata Coal

FINANCIAL AND OPERATING DATA $m	Six months to 30.06.11	Six months to 30.06.10	Year ended 31.12.10
Revenue: operations†	**4,184**	3,440	7,449
Coking Australia	**894**	803	1,596
Thermal Australia	**2,249**	1,881	4,095
Thermal South Africa	**534**	412	998
Thermal Americas	**507**	344	760
Revenue: other	**197**	139	339
Coking Australia	**11**	-	25
Thermal Australia	**151**	139	311
Thermal South Africa	**35**	-	2
Thermal Americas	**-**	-	1
Total revenue	**4,381**	3,579	7,788
Coking Australia	**905**	803	1,621
Thermal Australia	**2,400**	2,020	4,406
Thermal South Africa	**569**	412	1,000
Thermal Americas	**507**	344	761
Operating EBITDA	**1,584**	1,401	3,061
Coking Australia	**440**	459	911
Thermal Australia	**727**	673	1,525
Thermal South Africa	**185**	106	277
Thermal Americas	**232**	163	348
Depreciation and amortisation	**(494)**	(371)	(845)
Coking Australia	**(58)**	(53)	(110)
Thermal Australia	**(279)**	(194)	(466)
Thermal South Africa	**(110)**	(81)	(175)
Thermal Americas	**(47)**	(43)	(94)
Operating profit	**1,090**	1,030	2,216
Coking Australia	**382**	406	801
Thermal Australia	**448**	479	1,059
Thermal South Africa	**75**	25	102
Thermal Americas	**185**	120	254
Share of Group Operating profit	**25.7%**	31.8%	29.0%
Australia	**19.5%**	27.3%	24.4%
South Africa	**1.8%**	0.8%	1.3%
Americas	**4.4%**	3.7%	3.3%
Capital employed	**14,947**	11,069	13,923
Australia	**9,922**	6,887	9,064
South Africa	**3,126**	2,300	2,965
Americas	**1,899**	1,882	1,894
Return on capital employed*	**15.0%**	17.8%	17.4%
Australia	**17.3%**	24.2%	22.8%
South Africa	**4.9%**	2.1%	3.8%
Americas	**19.8%**	12.8%	13.6%
Capital expenditure	**837**	756	1,998
Australia	**659**	590	1,530
South Africa	**121**	150	377
Americas	**57**	16	91
Sustaining	**320**	214	568
Expansionary	**517**	542	1,430

* ROCE % based on average exchange rates for the period
† Includes purchased coal for blending with mine production

OPERATING PROFIT VARIANCES	$m
Operating profit 30.06.10	**1,030**
Sales price*	1,011
Volumes	(170)
Unit cost – real	26
Unit cost – CPI inflation	(77)
Unit cost – mining industry inflation	(68)
Unit cost – foreign exchange	(355)
Other income and expenses	(238)
Depreciation and amortisation (excluding foreign exchange)	(69)
Operating profit 30.06.11	**1,090**

* net of commodity price linked costs, treatment and refining charges

Operations

Xstrata Coal's operating profit for the first half of 2011 increased by $60 million, or 6% compared to the same period in 2010. Higher realised average prices, and real unit cost savings of $26 million realised primarily as a result of the commencement of the low cost Mangoola operation in February 2011 partially offset the impact of severe flooding in Queensland and one-off events in New South Wales, including an underground fire at Blakefield South and water-induced delays to the Ulan longwall, which reduced earnings by $238 million and resulted in 4.7 million tonnes of lost production against budget. Despite the rapid flood recovery at the majority of Xstrata's Queensland mines, damaged rail infrastructure prevented domestic and export sales from the Rolleston operation for two months. Inflationary pressures reduced earnings by $145 million, primarily due to higher fuel prices and wage related inflation across all geographies, in addition to rail price increases in South Africa. Operating profit was further impacted by $355 million due to adverse movements in foreign exchange rates as operating currencies strengthened against the US dollar.

Xstrata Coal realised higher prices across all geographies during the period, with higher average coking coal prices achieved as a result of significant contract price increases in response to supply constraints caused by the Queensland floods. Thermal coal prices improved as a result of continued strong demand across the Atlantic and Pacific thermal markets, supported respectively by generating spreads favouring coal ahead of gas prices in the Atlantic market and the impact of severe weather on supply in the Pacific.

Semi-soft volumes were lower than the comparable period in 2010, due to the planned closure of the United Colliery in New South Wales in February 2010 and reduced market demand following the Japan earthquake. Coking coal sales volumes reduced by 0.7 million tonnes as result of reduced coal availability following longwall moves at both Oaky No. 1 and North mines in Queensland and at the Tahmoor mine in New South Wales. Only one longwall move is scheduled in the second half of the year.

Depreciation and amortisation cost increases reduced earnings by $69 million due to capital expenditure associated with commencement of the Mangoola operation in February 2011 and the Liddell operation's transition from a contractor to owner-operated site.

Australian thermal coal

Australian thermal coal's operating profit decreased by 6% to $448 million for the first six months of 2011, as higher average realised prices and unit cost savings from the commencement of the low-cost Mangoola operation were offset by events including the impact of flooding in Queensland and other one-off events in New South Wales such as the temporary cessation of operations at the Blakefield South mine following an underground fire and interruptions at the Ulan longwall operation due to flooding. Despite a rapid recovery at the majority of Queensland mines, damage to rail infrastructure prevented domestic and export sales from the Rolleston operation for two months. Earnings were further impacted by the effect of the stronger Australian dollar against the US dollar.

Australian coking coal

Australian coking coal's operating profit decreased by 6% or $24 million to $382 million. Despite higher average received prices, earnings were impacted by the reduced sales volumes relative to the 2010 volumes which included an element of destocking, related unit cost increases and the impact of the stronger Australian dollar against the US dollar.

South African thermal coal

South Africa's operating profit rose by 200% to $75 million in the first half of the year, primarily due to higher average realised prices offset by inflationary impacts resulting from fuel and rail cost increases and the impact of the stronger South African rand against the US dollar. Domestic sales were impacted by decreased demand and ongoing rail infrastructure restrictions and interruptions throughout the period.

Americas thermal coal

Xstrata Americas' operating profit increased by 54% to $185 million due to higher average realised prices materially offset by the inflationary impacts of increased fuel costs and the impact of a new net worth tax in Colombia. The tax is not income based and therefore does not fall within the scope of income tax under IFRS. As such, it has been recognised as an operating cost and impacts the half year 2011 earnings in comparison to the same period last year.

Iron ore

At the end of the first half, Xstrata had acquired 86.8% of Sphere Minerals Limited (Sphere), which has interests in three iron ore projects in Mauritania, West Africa.

In February 2011, Xstrata elected to exercise its option to acquire 50% plus one share in Jumelles Limited (BVI) in respect to the Zanaga iron ore project in the Republic of Congo (Brazzaville). Xstrata Iron Ore, which is currently managed through Xstrata Coal, is undertaking feasibility studies for the project.

SALES VOLUMES (million tonnes)	Six months to 30.06.11	Six months to 30.06.10	Year ended 31.12.10
Total consolidated sales	**37.2**	40.2	82.1
Consolidated Australian sales total	**24.2**	27.0	53.9
Coking export	**3.4**	4.1	7.7
Semi-soft coking export	**3.0**	3.9	6.6
Thermal export	**13.8**	15.9	32.8
Thermal domestic	**4.0**	3.1	6.8
Consolidated South African sales total	**8.0**	8.2	17.7
Thermal export	**4.9**	4.7	11.1
Thermal domestic	**3.1**	3.5	6.6
Consolidated Americas sales total*	**5.0**	5.0	10.5
Total attributable sales	**33.5**	37.4	74.5
Attributable Australian sales total	**22.0**	25.5	49.2
Coking export	**3.4**	4.1	7.7
Semi-soft coking export	**2.7**	3.5	5.9
Thermal export	**13.1**	14.8	30.8
Thermal domestic	**2.8**	3.1	4.8
Attributable South African sales total	**6.5**	6.9	14.8
Thermal export	**3.9**	3.9	9.2
Thermal domestic	**2.6**	3.0	5.6
Attributable Americas sales total*	**5.0**	5.0	10.5
Average received export FOB coal price ($/t)			
Australian coking	**259.6**	193.7	204.3
Australian semi-soft coking	**187.1**	123.1	137.3
Australian thermal	**104.0**	80.3	85.7
South African thermal	**95.5**	69.9	74.4
Americas thermal	**101.4**	68.5	72.6

SUMMARY PRODUCTION DATA (million tonnes)	Six months to 30.06.11	Six months to 30.06.10	Year ended 31.12.10
Total consolidated production	**38.5**	38.6	79.9
Total thermal coal	**32.4**	30.9	65.6
Australian thermal	**18.9**	17.4	37.8
South African thermal	**8.4**	8.2	17.7
Americas thermal*	**5.1**	5.3	10.1
Australian coking	**3.1**	3.8	7.7
Australian semi-soft coking	**3.0**	3.9	6.6

* Excludes Prodeco

Markets | Copper

The anticipation of a shortfall in copper supply this year, coupled with growing investor appetite for commodities, lifted copper prices to new highs during the first six months of 2011. LME cash copper averaged $4.26 per pound during the first half of the year, compared with an average of $3.23 per pound over the same period in 2010. Macro-economic concerns generated considerable market volatility and copper prices ranged from a peak of $4.60 per pound in mid-February to a low of $3.87 per pound in May. The price at the end of the period was $4.22 per pound and has continued to strengthen into the second half.

Global exchange stocks rose steadily through the first quarter, reaching a peak of 689,000 tonnes in late March; before improved demand conditions saw stocks decline to 619,000 tonnes by the end of the first half, 51,000 tonnes above levels at the end of 2010.

In China, government measures to limit inflation, combined with high copper prices, encouraged destocking throughout the supply chain, resulting in softer than expected demand for refined copper during the opening months of the year. Chinese refined copper imports fell during the first half of the year to 1.08 million tonnes, 30% lower than in the first half of 2010, although this decline was partly offset by increased domestic refined copper production and greater consumption of secondary copper. End-use demand growth rates remained firm and refined copper consumption began to improve during the second quarter as inventory levels declined.

Western copper demand continued to recover during the opening months of the year. A strong manufacturing sector supported robust domestic consumption in the US and consumption growth in Europe was largely driven by demand for exports. However, growth slowed during the second quarter as sovereign debt concerns, government spending cuts and the Japanese earthquake limited the recovery in copper demand from OECD countries.

On the supply side, although there were few major disruptions to production from operating mines, falling ore grades and adverse weather conditions in Chile limited supply growth during the first half of the year. High copper prices encouraged new investment and the reactivation of some mothballed mines, although lengthy ramp-up periods limited their contribution to supply during the first half of the year.

Disruption to Japanese smelter production following the March earthquake eased tightness in the copper concentrate market, leading spot treatment and refining charges to peak at $115 per dry metric tonne and 11.5¢ per pound. Mid-year contract negotiations have concluded with a benchmark settlement of $85 per dry metric tonne and 8.5¢ per pound – substantially higher than annual contract terms of $56 per dry metric tonne and 5.6¢ per pound.

Outlook

The decrease in inventory levels in China and reduced availability of secondary copper is likely to support increased refined copper demand during the second half of the year, lending support to prices. Urbanisation and industrialisation in developing markets are expected to continue to drive strong global copper demand growth over the medium term.

Following several years of minimal growth in mine supply, high copper prices have encouraged investment and there are now many new green- and brownfield projects under consideration. However, falling output from existing mines and lengthy development timeframes for new projects indicate that supply growth will continue to lag demand. Sovereign risk and access to infrastructure are increasingly impeding new mine development timelines and, as more new projects enter the construction commitment phase, growing competition for labour and consumables are likely to further constrain mine development and production schedules.

Xstrata Copper

FINANCIAL AND OPERATING DATA $m	Six months to 30.06.11	Six months to 30.06.10	Year ended 31.12.10
Revenue	**7,705**	5,879	14,004
Alumbrera, Argentina	**820**	795	1,590
North Queensland, Australia	**1,171**	885	2,205
Canada*	**2,048**	1,566	3,948
Collahuasi††, Chile	**1,014**	847	1,978
Chile	**1,661**	1,006	2,594
Antamina‡, Peru	**615**	467	932
Tintaya, Peru	**376**	313	757
Operating EBITDA	**2,550**	1,789	4,693
Alumbrera, Argentina	**366**	331	770
North Queensland, Australia	**603**	269	1,034
Canada*	**178**	113	307
Collahuasi††, Chile	**573**	565	1,230
Chile	**205**	113	299
Antamina‡, Peru	**401**	211	576
Tintaya, Peru	**224**	187	477
Depreciation and amortisation	**(485)**	(412)	(873)
Alumbrera, Argentina	**(47)**	(52)	(100)
North Queensland, Australia	**(189)**	(102)	(315)
Canada*	**(20)**	(27)	(24)
Collahuasi††, Chile	**(93)**	(103)	(178)
Chile	**(50)**	(51)	(104)
Antamina‡, Peru	**(45)**	(46)	(85)
Tintaya, Peru	**(41)**	(31)	(67)
Operating profit	**2,065**	1,377	3,820
Alumbrera, Argentina	**319**	279	670
North Queensland, Australia	**414**	167	719
Canada*	**158**	86	283
Collahuasi††, Chile	**480**	462	1,052
Chile	**155**	62	195
Antamina‡, Peru	**356**	165	491
Tintaya, Peru	**183**	156	410
Share of Group Operating profit	**48.6%**	42.6%	49.9%
Capital Employed†	**18,030**	15,449	16,887
ROCE	**30.1%**	22.5%	27.1%
Capital Expenditure	**1,290**	555	1,734
Argentina	**31**	18	63
North Queensland, Australia	**256**	214	549
Canada*	**44**	43	108
Collahuasi††, Chile	**125**	95	257
Chile	**47**	74	185
Antamina‡, Peru	**83**	44	128
Tintaya, Peru	**704**	67	444
Sustaining	**207**	230	572
Expansionary	**1,083**	325	1,162

† Includes goodwill allocation on acquisition of Falconbridge
†† Xstrata's 44% share of Collahuasi
* Canada includes Xstrata Recycling that operates businesses in Canada, the United States of America and Asia
‡ Xstrata Copper's pro rata share of Xstrata's 33.75% interest in Antamina

OPERATING PROFIT VARIANCES	
	$m
Operating profit 30.06.10	**1,377**
Sales price*	1,117
Volumes	(124)
Unit cost – real	20
Unit cost - CPI inflation	(37)
Unit cost - mining industry inflation	(88)
Unit cost - foreign exchange	(170)
Other income and expenses	(15)
Depreciation and amortisation (excluding foreign exchange)	(15)
Operating profit 30.06.11	**2,065**

* Net of commodity price linked costs, treatment and refining charges

Xstrata Copper's operating profit increased by 50% to $2.1 billion as a result of improved commodity prices and a disciplined cost performance in a challenging environment. Provisional price settlements reduced earnings in the first half of 2011 by $12 million, compared to $20 million in the same period of 2010. As at 30 June 2011, provisionally priced sales amounted to 196,147 tonnes, valued at an average of $9,432 per tonne.

Mined copper production of 434,000 tonnes was in line with the corresponding period of the previous year with strong performances at Ernest Henry and Lomas Bayas compensating for difficult operating conditions at Collahuasi, Tintaya and Alumbrera.

Mined copper sales volumes were higher compared to the same period last year. However, overall total copper sales volumes, which include custom copper sales, were lower as a result of reduced custom copper sales following the closure of the Kidd Metallurgical facility in May 2010 and a temporary plant shutdown at the Townsville refinery due to a severe tropical cyclone in February 2011

Real unit cost savings of $20 million were driven by operating efficiencies at Lomas Bayas; a positive impact from deferred stripping in line with the mine plan at Antamina and improved grades at Ernest Henry. These benefits were partially offset by increased material movements to compensate for lower grades at Collahuasi, higher costs at Ernest Henry where operations are moving underground as the open pit mine approaches the end of its life and lower grades at Minera Alumbrera, Collahuasi, Tintaya and Kidd. In addition, unit costs were impacted by the decision to incur additional logistics costs at Collahuasi to maximise sales whilst the Patache port shiploader was being repaired.

In addition to higher CPI inflation of $37 million, inflation specific to the mining industry impacted operating profit by a further $88 million mainly from increased prices of fuel and energy in Argentina and Chile.

The weaker US dollar on average against the Australian and Canadian currencies reduced operating profit by $170 million.

Other income and expenses reduced operating profit by $15 million as a result of higher export tax at Alumbrera based on increased turnover due to higher commodity prices and exploration expenditure in Canada.

Operations

Argentina

Minera Alumbrera achieved an operating profit of $319 million, a 14% improvement compared to the same period in 2010, as higher commodity prices, increased molybdenum sales and lower freight rates more than offset reduced volumes, higher fuel and energy costs and increased treatment and refining charges. Volumes were impacted by lower head grades and recoveries and a geotechnical event in the pit in the fourth quarter of 2010 that required a redesign around a higher grade ore zone in the pit. Copper in concentrate production decreased by 22% compared to the same period last year due to lower head grades and recoveries, while gold production decreased by 5% due to lower gold head grades in line with the revised mine plan.

In March 2011, Xstrata Copper and Goldcorp Inc. entered into a Letter of Intent (LOI) with Yamana Gold Inc. that grants Minera Alumbrera an exclusive option with respect to Yamana's 100% interest in the Agua Rica copper gold project, located 35 kilometres from the Alumbrera mining operation. The LOI outlines an agreement in which Minera Alumbrera will be granted an exclusive four-year option to acquire Yamana's interest in the Agua Rica project. During this period, Minera Alumbrera will manage the Agua Rica project and fund the completion of a final feasibility study.

Australia

Operating profit from the North Queensland division improved by 148% to $414 million due to higher copper prices and a notable improvement in head grades at Ernest Henry, offset by increased operating costs associated with the transition from open pit to underground mining.

The North Queensland copper mining operations, comprising the Mount Isa and Ernest Henry mines, produced around 122,000 tonnes of copper in concentrate in the first six months of 2011, a 38% improvement compared to the same period in 2010. Production from Ernest Henry was significantly higher compared to the previous year as the operation commenced mining the final high grade ore zone of the open pit. This was offset by lower production at Mount Isa operations as a result of restricted access to some areas of the mine due to planned maintenance activities.

The Mount Isa smelter produced 110,000 tonnes of anode, a 23% improvement on the corresponding period in 2010. The Townsville refinery produced nearly 130,000 tonnes of cathode from a mixture of North Queensland mined production and Altonorte anode, 7% lower than the first half of 2010, due to a temporary plant shutdown due to a severe tropical cyclone event in the first quarter of 2011. The scoping study for the Mount Isa Open Pit has been completed and is currently under review. A feasibility study into potential leaching of residual copper and cobalt from the Mount Isa concentrator will commence in the second half of 2011 following a successful pilot plant trial. Detailed engineering works are expected to be completed in early 2012.

Canada

The Canadian division achieved an operating profit of $158 million in the first half of 2011, 84% higher than the corresponding period of the previous year. Stronger commodity prices, recovering treatment charges, cost savings at all sites and lower depreciation resulting from the closure and write down of the Kidd metallurgical assets contributed to the improvement in the division's profitability. This improvement was partially offset by reduced production at the Kidd mine and a stronger Canadian dollar relative to the US dollar.

Copper in concentrate production at Kidd mine decreased by 9% to 22,200 tonnes as a result of lower copper head grades compared to the previous year. Zinc in concentrate production of 50,200 tonnes was in line with the first half of 2010. Building demolition activities at the Kidd metallurgical facility commenced in February 2011 and rehabilitation of the jarosite pond facility and surrounding area is scheduled to commence in the fourth quarter of 2011.

The Horne smelter produced 88,600 tonnes of copper anodes, a 3% decrease over the corresponding period in 2010, due to equipment availability issues that were subsequently resolved through an early maintenance shutdown in June. The volume of recycled material processed by the Horne Smelter increased by 19% over the previous year to 61,800 tonnes.

Production from the CCR refinery decreased by 9% compared to the first half of 2010 to 126,800 tonnes, mainly due to lower output from the Horne smelter.

Exploration activities in British Columbia, Ontario and Quebec continued during the first half of 2011 along with a scoping study into the potential development of the former Bell/Granisle mine. Drilling also continued at Mt. Porphyre in Quebec to further delineate the resource model.

Chile

Collahuasi

Xstrata's 44% share in Collahuasi generated an operating profit of $480 million, an increase of 4% compared to the first half of 2010, due to higher realised metal prices, partially offset by lower sales volumes and higher operating and freight costs.

Attributable production from Collahuasi decreased by 12% to 103,200 tonnes compared to the corresponding period in 2010 mainly due to abnormally high rainfall in the first quarter of 2011 that resulted in mining lower than anticipated grades and negatively impacted throughput and concentrate recoveries.

The shiploader failure at the Patache port in December 2010 had a minimal impact on sales volumes as copper concentrate was shipped via alternative ports in Arica, Iquique and Antofagasta due to the successful implementation of a mitigation plan. Concentrate sales for the balance of the year will be managed through the recommissioned shiploader, which is now back in operation.

Lomas Bayas

Lomas Bayas generated an operating profit of $127 million, an increase of 67% compared to the first half of 2010 due to higher realised copper prices, higher cathode sales volumes and a favourable real unit cost performance driven by favourable inventory movements, the renegotiation of energy rates and fuel efficiencies.

Cathode production of 37,100 tonnes was 7% higher than the corresponding period in 2010 due to higher recoveries and increased throughput as a result of improved water and acid supply and equipment availability respectively, that was partially offset by lower head grades.

Altonorte

The Altonorte smelter increased concentrate throughput by 14% compared to the corresponding period in 2010, due to improved equipment availability and concentrate quality. Copper anode production increased by 26% to 155,600 tonnes. Sulphuric acid production was 23% higher than the same period in 2010 in line with copper anode production.

Operating profit of $28 million was an increase of 300% on the first half of 2010 due to higher acid prices, increased acid and anode sales volumes, improved treatment and refining charges and real unit cost savings as a result of an organisational restructuring in 2010. These improvements were partially offset by increased energy, fuel and oxygen purchase costs, the impact of adverse exchange rates, CPI inflation and increased freight charges.

Peru

Antamina

Xstrata's 33.75% attributable share of Antamina's financial performance is divided between Xstrata Copper and Xstrata Zinc. Xstrata Copper's share of Antamina's operating profit increased by 116% to $356 million compared to the first half of 2010 due to higher realised commodity prices, increased sales volumes due to delayed shipments from 2010 and real unit cost improvements that were marginally offset by a higher depreciation and amortisation charge in the first half of 2011.

Attributable copper in concentrate production of 49,100 tonnes was in line with the first half of 2010 as the impact of lower head grades was offset by improved throughput and higher recoveries compared to the previous year.

Tintaya

Tintaya's operating profit increased by 17% to $183 million due to higher realised copper, gold and silver prices compared to the first half of 2010 partially offset by lower sales volumes.

Copper cathode production of 12,200 tonnes was 3% higher compared to the previous year mainly due to higher recoveries. This was partly offset by the planned processing of lower grade stockpiled ore, which together with lower recoveries and heavy rainfall in the first quarter, also impacted copper in concentrate production, which was 9% lower compared to the corresponding period in 2010.

Gold in concentrate production rose by 7% to 13,700 tonnes compared to the first half of 2010 due to higher grades.

SALES VOLUMES

	Six months to 30.06.11	Six months to 30.06.10	Year ended 31.12.10
Argentina – Alumbrera †			
Copper in concentrate (t) inter-company (payable metal)	**-**	-	4,815
Copper in concentrate (t) third-parties (payable metal)	**57,800**	73,754	129,592
Total copper (t) (payable metal)	**57,800**	73,754	134,407
Gold in concentrate (oz) inter-company (payable metal)	**-**	-	13,217
Gold in concentrate (oz) third-parties (payable metal)	**175,906**	179,479	333,279
Gold in doré (oz) (payable metal)	**14,324**	27,665	45,009
Total gold (oz) (payable metal)	**190,230**	207,144	391,505
Australia – North Queensland			
Refined copper – mined copper (t)	**111,207**	80,782	211,265
Refined copper – inter-company and third party sourced (t)	**17,773**	55,412	74,572
Copper in concentrate (t) (payable metal)	**5,049**	-	16,075
Other products (payable metal)	**-**	-	-
Total copper (t) (payable metal)	**134,029**	136,194	301,912
Gold in concentrate and slimes (oz) (payable metal)	**48,617**	19,279	89,004
Canada			
Refined copper – mined copper (t)	**20,938**	24,043	54,278
Refined copper – inter-company sourced (t)	**41,233**	143,360	156,134
Refined copper – third party sourced (t)	**64,595**	11,387	106,894
Other products third-parties (t) (payable metal)	**-**	-	-
Total copper (t) (payable metal)	**126,766**	178,790	317,306
Gold in concentrate and slimes (oz) (payable metal)	**173,212**	306,498	600,869
Chile – Collahuasi ††			
Copper in concentrate (t) inter-company (payable metal)	**21,731**	6,531	29,064
Copper in concentrate (t) third-parties (payable metal)	**64,980**	94,687	167,531
Copper cathode (t) (payable metal)	**7,886**	8,723	16,934
Total copper (t) (payable metal)	**94,597**	109,941	213,529
Chile – Lomas Bayas and Altonorte			
Copper cathode (t) (payable metal)	**37,094**	33,951	71,676
Copper anode (t) inter-company (payable metal)	**29,654**	55,858	60,830
Copper anode (t) third parties (payable metal)	**117,830**	63,893	212,623
Total copper (t) (payable metal)	**184,578**	153,702	345,129
Gold in concentrate and slimes (oz) (payable metal)	**24,836**	18,709	45,255
Peru – Antamina ‡			
Copper in concentrate (t) inter-company (payable metal)	**-**	5,475	8,375
Copper in concentrate (t) third-parties (payable metal)	**49,622**	39,198	85,749
Total copper (t) (payable metal)	**49,622**	44,673	94,124
Peru Tintaya			
Copper in concentrate (t) third-parties (payable metal)	**27,438**	29,974	63,835
Copper cathode – mined copper (t)	**11,387**	11,856	25,481
Copper cathode – third-party sourced (t)	**-**	-	-
Total copper (t) (payable metal)	**38,825**	41,830	89,316
Gold in concentrate (oz) (payable metal)	**10,783**	12,329	24,429

SALES VOLUMES

	Six months to 30.06.11	Six months to 30.06.10	Year ended 31.12.10
Mined copper sales (t) (payable metal)	**415,132**	408,974	884,670
Custom copper sales (t) (payable metal)	**271,085**	329,910	611,052
Inter-company copper sales (t) (payable metal)	**(51,385)**	(67,864)	(103,084)
Total copper sales (t) (payable metal)	**634,832**	671,020	1,392,638
Total gold sales (oz) (payable metal)	**447,678**	563,959	1,137,846
Average LME copper cash price ($/t)	**9,399**	7,130	7,536
Average LBM gold price ($/oz)	**1,444**	1,152	1,225

† 100% consolidated figures
†† Including Xstrata's 44% share of Collahuasi
‡ Including Xstrata Copper's pro rata share of Xstrata's 33.75% interest in Antamina

SUMMARY PRODUCTION DATA

	Six months to 30.06.11	Six months to 30.06.10	Year ended 31.12.10
Total mined copper (t) (contained metal)	**434,046**	434,147	913,469
Total mined gold (oz) (contained metal)	**275,165**	234,206	524,791
Total copper cathode (t) (from mined and third party material)	**313,641**	371,173	715,499
Consolidated C1 cash cost – post by-product credits (US¢/lb)	**96.4**	91.2	89.4

Markets | Nickel

Demand for nickel increased in the first half of 2011 largely as a result of continued growth in the developing world, led by China where estimated consumption grew by more than 25%. LME stocks reflected this increased demand coupled with the impact of supply disruptions and the delayed ramp-up of a number of new projects, falling by more than 20% from a peak of 137,766 tonnes in mid-January to 106,836 tonnes at the end of June.

The nickel price advanced 15% in the first two months of 2011 to a high of $29,030 per tonne on 21 February, before falling 26% to a seven-month low of $21,410 per tonne on 20 June. The average LME cash price for the period was $25,565 per tonne, 21% higher than the average price in the first half of 2010.

Global stainless steel output in the first half of 2011 rose to a record level of 17 million tonnes. China continued to grow stainless steel production and having become a net exporter of stainless steel during the second half of 2010, further increased net stainless steel exports in the first half of 2011. In Europe, the second largest producing region after China, stainless steel melt rates increased during the first quarter of 2011, but subsequently slowed on renewed concerns over sovereign debt and lower order intake levels as a result of the softer nickel price which prompted stockists and distributors to run down inventory levels. Japan's major stainless steel mills were largely undamaged by the earthquake in March and stainless steel melt rates in Japan remained steady for the first half of 2011. During the first half of 2011, global consumption of nickel-bearing austenitic stainless steels was higher than for the first half of 2010, again supported by strong growth in China.

Demand for nickel in non-stainless steel applications also increased in the first half of 2011 as a result of higher industrial production and ongoing recovery in key sectors such as aerospace, power generation, and oil and gas.

Global production of refined nickel during the first half of 2011 fell due to a number of planned and unplanned disruptions, including a matte run-out at one of Vale's furnaces at Sudbury in Canada and gas supply disruptions at BHP Billiton's Kwinana nickel refinery in Australia. Several new nickel projects, forecast to start or ramp-up production during the first half of 2011, continued to encounter delays during the period. Chinese output of nickel in nickel pig iron increased considerably during the first half of 2011 as producers responded to strong demand from Chinese stainless steel producers and nickel prices which supported higher cost production.

Outlook

Lower production of stainless steel is expected during the seasonally slow summer months of the third quarter, after which melt rates are expected to recover during the fourth quarter to meet continued demand growth. Global primary nickel consumption in 2011 is consequently expected to surpass the record consumption in 2010.

The resumption of full nickel production at facilities impacted by disruptions during the first half of 2011 and continued ramp-up of production from new nickel supply projects during the next six months is expected to increase nickel supply sufficient to meet demand during the second half of 2011, maintaining a balanced market.

Xstrata Nickel

FINANCIAL AND OPERATING DATA $m	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Revenue	**1,667**	1,297	2,738
INO†	**1,547**	1,297	2,738
Dominican Republic	**120**	-	-
Operating EBITDA	**743**	436	973
INO†	**720**	444	993
Dominican Republic	**23**	(8)	(20)
Depreciation and amortisation	**(310)**	(210)	(470)
INO†	**(303)**	(208)	(466)
Dominican Republic	**(7)**	(2)	(4)
Operating profit/(loss)	**433**	226	503
INO†	**417**	236	527
Dominican Republic	**16**	(10)	(24)
Share of Group Operating profit	**10.2%**	7.0%	6.6%
INO†	**9.8%**	7.3%	6.9%
Dominican Republic	**0.4%**	(0.3)%	(0.3)%
Capital employed	**10,364**	9,246	9,624
ROCE*	**14.3%**	7.8%	8.9%
Capital expenditure	**756**	700	1,556
INO†	**192**	165	372
Dominican Republic	**9**	3	10
South America	**1**	1	1
Africa	**4**	3	6
New Caledonia	**550**	528	1,167
Sustaining	**135**	89	237
Expansionary	**621**	611	1,319

† Integrated Nickel Operations (INO) includes Canadian mines, Xstrata Nickel Australasia (XNA) mines in Western Australia, Sudbury smelter and Nikkelverk refinery

* ROCE % based on average exchange rates for the period

OPERATING PROFIT VARIANCES	**$m**
Operating profit 30.06.10	**226**
Sales price*	262
Volumes	141
Unit cost – real	(5)
Unit cost - CPI inflation	(14)
Unit cost – mining industry inflation	(17)
Foreign exchange	(49)
Other income and expense	(11)
Depreciation and amortisation (excluding foreign exchange)	(100)
Operating profit 30.06.11	**433**

* net of commodity price linked costs, treatment and refining charges

Operations

Higher nickel prices and improved volumes drove first half operating profit 92% higher to $433 million. Average LME nickel prices increased by 21% and, combined with by-product price increases, contributed $262 million to operating profit. Volumes were positively impacted by the planned 50% capacity restart of the Falcondo ferronickel operations in the Dominican Republic, which achieved its targeted 14,000 tonne per annum run rate in March 2011, and increased copper and by-product production at Sudbury's Nickel Rim South and Fraser mines following their ramp-up in 2010.

The weaker US dollar against local currencies and inflationary pressures impacted operating profit by $49 million and $31 million, respectively. Despite this, average INO C1 cash costs fell by 25% to $2.14 per pound in the first half of 2011. This improvement was driven by the successful delivery and ramp up of the low cost polymetallic Nickel Rim South mine. A 20% increase in total ore mined at INO compared to the first half of 2010 and the associated unit cost savings had a positive impact of $36 million on real unit costs. However, this was more than offset by lower grades at Raglan and Xstrata Nickel Australasia (XNA) which impacted costs by $41 million, resulting in a real cost increase of $5 million.

Depreciation and amortisation increased significantly by $100 million compared to the first half of 2010, as the Falcondo operation restarted and INO accelerated its production volumes. Other income and expense included a negative variance of $11 million, mainly associated with the mark-to-market adjustment of energy contracts at Nikkelverk.

Integrated Nickel Operations (INO)

INO comprise the Sudbury mines and smelter and Raglan mines in Canada, XNA in Australia and the Nikkelverk refinery in Norway. Refined nickel and copper sales volumes from the refinery in the first half were comparable to the same period last year despite an incident at the roaster plant in the first quarter of 2011 that temporarily suspended operations. Copper in concentrate sales to Xstrata Copper increased 55% from the same period in 2010 due to higher copper head grade from Nickel Rim South and improved ore volumes from the Fraser mine copper zone.

Nickel production from INO mines increased by 10% from the first half of 2010, driven by higher volumes from Sudbury and XNA, partially offset by an overall decrease in head grade, primarily at Raglan due to a move to new ore zones, and at XNA where mining activity is transitioning to lower grade, disseminated ore.

Sudbury

Total mined nickel production from the Sudbury operations increased by 33% to 9,702 tonnes of nickel in concentrate compared to the first half of 2010, reflecting strong performance from the Nickel Rim South mine and the restart of the Fraser mine's copper zone. A period of increased copper volume and head grade from Nickel Rim South and improved volume from the Fraser mine also contributed to a 53% increase in copper in concentrate production from the Sudbury operations.

Production from the Strathcona Mill increased by 60% to 917,038 tonnes in the first half of 2011. Nickel in matte output from the Sudbury smelter fell 6% to 31,086 tonnes in the first half of 2011 compared to the same period last year due to a one-week maintenance shutdown in January 2011.

Raglan

A planned transition to new ore zones at Raglan reduced mined ore by 17% in the first half of 2011 to 565,329 tonnes and resulted in a lower nickel head grade, which fell to 2.32% from 2.40% in the first half of 2010. As a result, nickel in concentrate production declined 6% to 12,809 tonnes. Tonnage and head grade is expected to improve in the second half of 2011 bringing Raglan in line with its targeted annual production rate of 1.3 million tonnes.

Xstrata Nickel Australasia (XNA)

Total mined ore from XNA increased 62% as the Sinclair operation ramped up to reach full production. This increased volume was offset by a decline in average head grade to 2.89% from 3.77% in the prior period as mining activity is transitioning to lower grade, disseminated ore. Nickel in concentrate production from XNA increased 17% in the first half of 2011 to 8,286 tonnes from 7,054 tonnes the previous year.

The commissioning of the Cosmos mill expansion was completed during the first half of the year, enabling processing of the disseminated AM5 deposit at Cosmos. Sinclair recovered from adverse weather impacts in the first half of 2011 and is now producing at its full production rate of 6,000 tonnes of nickel in concentrate. XNA continues to focus on near mine exploration targets around Cosmos and Sinclair and is currently delineating the recently discovered AM6 and Odysseus deposits to an inferred resource category.

Nikkelverk

Nickel metal production from the Nikkelverk refinery was stable at 46,000 tonnes. With a diversified feed profile ahead, full year production is expected to reach 92,000 tonnes of capacity. Cobalt production decreased 11%, mainly due to lower cobalt content from third-party feed.

The Nikkelverk refinery continues to enhance its capability to handle impurities in feed as well as processing nickel-copper mattes of different consistency, enabling greater flexibility in source feed. A project to bring the already low acid plant SO_2 emissions close to zero was successfully commissioned during the period and is expected to be completed in the third quarter of 2011.

Falcondo

The Falcondo ferronickel operation in the Dominican Republic successfully reached the production target of 50% of installed capacity in March 2011 and is now producing at an annual rate of 14,000 tonnes of nickel in ferronickel. For the first half of 2011, Falcondo produced 5,912 tonnes of nickel in ferronickel. Despite its higher operating cost structure, Falcondo continues to deliver attractive cash margins at current nickel prices.

Falcondo's conversion to utilise procured electricity is near completion. Falcondo's own power plant will shortly be decommissioned and the operation will draw its full power requirements from the grid, further reducing operating costs. The project to convert the long-term energy source for Falcondo's process plant from oil to natural gas, which will enable the operation to reach 100% production capacity, remains in the feasibility stage. Resettlement of the La Manaclita community from the Loma Miranda potential new mining area was successfully completed in the first half of 2011, in accordance with IFC/World Bank guidelines.

SALES VOLUMES	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
INO - Europe – Nikkelverk			
Refined nickel from own mines (t) (payable metal)	**28,696**	29,224	57,259
Refined nickel from third parties (t) (payable metal)	**16,496**	16,154	34,880
Refined copper from own mines and third parties (t) (payable metal)	**17,899**	17,841	36,133
Refined cobalt from own mines and third parties (t) (payable metal)	**1,326**	1,542	3,104
INO – North America			
Nickel in concentrate (t) inter-company (payable metal)	**51**	-	-
Copper in concentrate (t) inter-company (payable metal)	**16,765**	10,807	26,166
Falcondo – Dominican Republic			
Ferronickel (t) (payable metal)	**5,005**	-	-
Total nickel sales (t) (payable metal)	**45,243**	45,378	92,139
Total ferronickel sales (t) (payable metal)	**5,005**	-	-
Total copper sales (t) (payable metal)	**34,664**	28,648	62,299
Total cobalt sales (t) (payable metal)	**1,326**	1,542	3,104
Average LME nickel cash price ($/t)	**25,565**	21,212	21,809
Average LME copper cash price ($/t)	**9,399**	7,130	7,536
Average Metal Bulletin cobalt low grade price ($/lb)	**17.23**	18.83	17.91

SUMMARY PRODUCTION DATA	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Total mined nickel production (t) (contained metal) – INO	**30,797**	27,960	60,670
Total mined copper production (t) (contained metal) – INO	**26,673**	18,264	42,697
Total mined cobalt production (t) (contained metal) – INO	**617**	520	1,094
Total nickel production (t)	**51,436**	45,458	92,185
- Total refined nickel production (t)	**45,524**	45,458	92,185
- Total ferronickel production (t)	**5,912**	-	-
Consolidated nickel cash cost (C1) – post by-product credits ($/lb)	**2.14**	2.84	2.16
Consolidated ferronickel cash cost (C1) ($/lb)	**8.65**	n/a	n/a

Markets | Zinc

Zinc

During the first half of the year, global refined zinc demand increased by 2% compared to the first six months of 2010. Automobile sales started the year strongly but fell in the second quarter as consumer confidence was dampened by high fuel costs and inflation warnings, and vehicle production was impacted by the Japanese earthquake. Robust construction growth in emerging economies was partly offset by a lacklustre performance in developed countries. Despite government measures to control inflation which impacted consumer confidence and spending, China remained the world's largest consumer of zinc, as the construction of affordable housing and infrastructure projects continued through the period.

Global zinc mine and smelter production expanded in the first half of 2011 by around 3% mainly due to increased Chinese volumes. China continues to be the world's largest producing country, despite reports that some smelters operate below cost. Expectations of higher commodity prices, offset to some extent by the weak US dollar and escalating input costs, especially energy and labour costs, supported production growth. China's smelting industry continued to import concentrates to meet its domestic zinc consumption needs, albeit at a slightly reduced rate compared to 2010, importing 1.4 million tonnes of zinc concentrate during the first six months of 2011, 9% lower than the prior year.

Lower treatment and refining charge settlements resulted from strong competition for concentrates as a result of the continued smelting over-capacity and resultant low capacity utilisation rates, especially in China. Average benchmark treatment charges for 2011 settled at $229 per tonne of concentrate on a $2,500 per tonne zinc price basis against $272.5 per tonne of concentrate on the same basis in 2010. Spot treatment charges started the year at around $120 per tonne of concentrate and reduced to $90 per tonne of concentrate by the end of the first half.

A surplus in refined zinc increased zinc stocks at London Metal Exchange and Shanghai Futures Exchange warehouses by 250,000 tonnes to total 1,261,000 tonnes at the end of June. Despite higher stocks, average LME zinc prices rose to $2,323 per tonne compared to an average of $2,155 per tonne in the same period of 2010. Refined metal premia were relatively steady in most regions, but increased in the US where demand could not be satisfied by local refineries.

Outlook

Demand for zinc is expected to increase in line with continued urbanisation and industrialisation in developing countries and slowly improving economic conditions in mature economies. While supply is expected to stay slightly ahead of demand in the short term, a number of near-term mine closures, the potential for supply disruptions to mined production and the prospect of a more vigorous recovery in the global economy, could support tighter metal supply.

Lead

Global lead demand during the first half of 2011 rose by over 5% as a result of strong demand growth in China. Over 80% of lead is used in the production of lead-acid batteries, most of which are installed in vehicles as original or replacement batteries. Global vehicle sales started the year strongly, but then softened as a result of economic uncertainty, the Japanese earthquake, China's fiscal tightening and higher energy and food costs. In other end-use sectors, growth was solid for mobile power applications, such as forklift machinery, but weaker for standby power applications such as telecommunication networks.

Global supply of refined lead increased by just over 5% in response to strong demand growth. China continued to be the largest contributor to lead mine and smelter volumes, despite having insufficient domestic supplies of concentrates to feed its smelters. China's significant import volumes of concentrates continued to maintain downward pressure on spot treatment charges. In the first six months of 2011, imports of lead concentrate into China were 572,000 million tonnes, 18% higher than the same period in 2010.

A small surplus of refined lead in the first half of 2011 resulted in a 43% increase in stocks at London Metal Exchange and Shanghai Futures Exchange warehouses to around 366,000 tonnes at the end of June. Despite higher exchange inventories, average LME lead prices rose on positive expectations of demand, averaging $2,581 per tonne during the first half compared to an average of $2,084 per tonne in the same period of 2010. Refined metal premia weakened slightly in most regions except in the US and Mexico, where metal demand remained strong from battery manufacturers. Average benchmark treatment charges in the first half of 2011

were unchanged from the same period of 2010 at a basis of $2,000 per tonne lead concentrate, while silver refining charges increased. Spot treatment charges for imports into China varied between $80-110 per tonne.

Outlook

Demand for battery powered vehicles and equipment is expected to improve over the medium term, underpinning strong demand for lead. Supply and demand are expected to be balanced by early 2012, leading to a drawdown on exchange inventories and a modest deficit for the entire year.

Xstrata Zinc

FINANCIAL AND OPERATING DATA $m	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Revenue	**1,937**	1,868	3,922
Zinc lead Australia	**250**	251	600
Lead Europe	**310**	271	590
Zinc Europe	**820**	769	1,545
Zinc North America	**498**	513	1,078
Zinc Peru**	**59**	64	109
Operating EBITDA	**750**	600	1,327
Zinc lead Australia	**208**	183	437
Lead Europe	**9**	7	17
Zinc Europe	**159**	159	288
Zinc North America	**318**	191	471
Zinc Peru**	**56**	60	114
Depreciation and amortisation	**(213)**	(200)	(410)
Zinc lead Australia	**(93)**	(75)	(167)
Lead Europe	**(1)**	(1)	(2)
Zinc Europe	**(24)**	(21)	(42)
Zinc North America	**(74)**	(87)	(167)
Zinc Peru**	**(21)**	(16)	(32)
Operating profit	**537**	400	917
Zinc lead Australia	**115**	108	270
Lead Europe	**8**	6	15
Zinc Europe	**135**	138	246
Zinc North America	**244**	104	304
Zinc Peru**	**35**	44	82
Share of Group Operating profit	**12.6%**	12.4%	12.0%
Australia	**2.7%**	3.3%	3.5%
Europe	**3.4%**	4.5%	3.4%
North America	**5.7%**	3.2%	4.0%
Zinc Peru**	**0.8%**	1.4%	1.1%
Capital employed†	**6,140**	4,966	5,576
ROCE*	**24.1%**	22.0%	24.0%
Capital expenditure	**276**	137	493
Australia	**232**	102	338
Europe	**16**	13	88
North America	**28**	22	67
Sustaining	**172**	88	316
Expansionary	**104**	49	177

* **ROCE % based on average exchange rates for the period**
** **Xstrata Zinc's pro-rata share of Xstrata's 33.75% interest in Antamina**
† **Includes goodwill allocation on acquisition of Falconbridge**

OPERATING PROFIT VARIANCES	$m
Operating profit 30.06.10	**400**
Sales price*	367
Volumes	(64)
Unit cost – real	33
Unit cost – CPI inflation	(26)
Unit cost – mining industry inflation	(24)
Unit cost – foreign exchange	(135)
Other income and expenses	(3)
Depreciation and amortisation (excluding foreign exchange)	(11)
Operating profit 30.06.11	**537**

* net of commodity price linked costs, treatment and refining charges

Operations

Xstrata Zinc's operating profit increased to $537 million in the first half of 2011 from $400 million in the same period of 2010. The negative impact of a weaker US dollar against local currencies was more than compensated by higher LME prices, which contributed $367 million, and actions taken by Xstrata Zinc to achieve sustainable cost savings at its operations delivered a further $33 million. Total zinc in concentrate production decreased by 4% in the first half of 2011 compared to the same period of 2010 as improved volumes from the Australian mining operations were offset by planned lower zinc production at Antamina. Zinc metal production was 10% lower than in the first half of 2010 as a result of the closure of the Kidd Creek Metallurgical site in May 2010. Despite a 16% increase in ore treated at the Mount Isa operations and 5% at McArthur River, total lead in concentrate production decreased by 4% compared to the first half of 2010 due to a fall in lead grades at all Xstrata Zinc mines.

C1 cash costs improved further from 43¢ per pound in the first half of 2010 to 32¢ per pound in the first half of 2011. Negative pressure from a weak US dollar against Australian and Canadian operating currencies was more than offset by higher bi-product revenues as a result of improved recoveries and prices. Xstrata Zinc's position as a fully integrated zinc producer allowed it to significantly reduce integrated mine and smelter C1 costs in the first half of 2011 compared with the same period of 2010 by around one-third from 36¢ per pound to 23¢ per pound.

Zinc Lead Australia

Operating profit for the Australian operations of $115 million was 6% higher than in the same period of 2010, as a result of higher revenue from steady sales volumes, moderately higher metal prices and realised unit cost reductions.

Mount Isa's operations performed better than the comparable period of 2010 with a 11% increase in ore mined to 4.5 million tonnes and a 16% increase in concentrator throughput to 4.6 million tonnes. Strong mining volumes and throughput were partially offset by lower head grades and recoveries which resulted in a 4% increase in zinc metal in concentrate produced and a 7% decrease in lead metal in concentrate produced.

The George Fisher underground complex produced 1.6 million tonnes of ore in the first half of 2011, a similar level to the same period in 2010. Black Star Open Cut achieved record volumes of 2.4 million tonnes of ore, up 16% on the first half of 2010. The Handlebar Hill Open Cut increased ore tonnes by 86% on the same period of 2010 and increased zinc head grades by 24% and pre-strip development of the Stage 3 cutback to expand production is progressing well.

Record throughput was achieved by the Mount Isa zinc and lead concentrator, partially offsetting lower recovery rates, resulting in a 4% increase in zinc metal in concentrate. Production of crude lead was 10% lower than the first half of 2010 due to reduced volumes of concentrate available for smelting and lower lead grades.

At McArthur River Mine, ore mining and milling activities increased by 5% compared with the first half of 2010, resulting in an increase of 3% in zinc metal in concentrate, despite production difficulties caused by weather

related issues. There has been an increase in bulk concentrate sales to internal customers as metallurgical test work continues as part of the ongoing development of Xstrata's proprietary hydrometallurgy technology.

Planning and engineering design work has begun for the heavy medium separation facility at McArthur River Mine, with contracts being awarded for long lead time components. Construction of associated infrastructure commenced in the second quarter of 2011 with the main plant construction works scheduled to commence in the third quarter of 2011 and commissioning at the end of first quarter of 2012.

Zinc Lead Europe

Operating profit for the European operations of $143 million is in line with the first half of 2010. Higher metal prices and costs savings and improvements in efficiencies were offset by the negative impact of a weak US dollar against the Euro.

At the San Juan de Nieva plant, saleable zinc production in the first half of 2011 was in line with the same period of last year, and the plant is producing at its maximum annualised production rate of 511,000 tonnes. Production of silver concentrate was 11,400 tonnes, with silver content of 27,728 kilograms, 27% less than in the first half of 2010 due to lower silver grade in zinc concentrate purchased. San Juan de Nieva smelter also produced 330,000 tonnes of saleable sulphuric acid, in line with the same period of 2010.

The industrial scale demonstration plant at San Juan de Nieva, which utilises Xstrata´s proprietary hydrometallurgy technology, was commissioned in 2010 to treat McArthur River Mine bulk concentrates, providing an alternative option to the imperial smelting process. The plant will allow the viability of the process to be assessed on an industrial scale, which is expected to be operating in 2015.

Nordenham produced 74,000 tonnes of saleable zinc, 10% higher than in the same period of 2010 as a direct benefit of January's commissioning of the new 20,000 tonnes-per-year direct leaching stage utilising Xstrata´s Hydrometallurgy Technology. Planning continues for the Nordenham plant expansion, which will allow production of 300,000 tonnes per year of saleable zinc.

Britannia Refined Metals produced 69,000 tonnes of lead and lead alloys, 13% lower than the equivalent period of 2010, due to lower bullion supply. Silver production of 2.4 million ounces was also lower than the first half of the previous year, mainly as a result of a lower average silver content in the unrefined lead feed.

Zinc Lead Americas

Operating profit for American operations was $244 million in the first half of 2011 compared with $104 million in the same period of 2010, as a result of higher commodity prices and a strong cost-cutting performance, partially offset by the negative impact of the strong Canadian dollar.

At Brunswick Mine, tonnage processed in the first half of 2011 was 1.64 million tonnes in line with the first half of 2010. Mine head grades and zinc metallurgical recoveries were slightly lower at 8% and 86% respectively, resulting in a production of 113,000 tonnes of zinc in concentrate which was 7% lower than in the comparable period in 2010. Declining head grades were partially offset by improved copper and silver metallurgical recoveries, which together with increased by-products prices and cost saving initiatives reduced Brunswick's C1 cash cost by 91% relative to the first half of 2010. The underground diamond drilling campaign was completed in the second quarter and is currently being analysed to determine the final ore reserves and validate a closure date in the first quarter of 2013.

The Brunswick smelter improved performance in the second quarter after a difficult first quarter due to mechanical failures in the sinter plant. The smelter treated 5% less feed than the first half of 2010 and a number of initiatives are now in place to improve recovery during the second half. Silver production of 205 tonnes for the first half of the year was in line with the equivalent period of 2010. Lead production was 11% lower than in 2010 due to the mechanical issues and lower lead grade in the feed mix.

At Perseverance mine, tonnage processed in the first half of 2011 was 545,000 tonnes, a slight increase on the same period in 2010. Despite the lower throughput from the mine and lower zinc feed grade, the mill achieved a recovery rate of 94% and produced 69,000 tonnes of zinc metal, slightly up on the first half of 2010. Improvements to the metallurgical process allowed for copper recovery rates to be maintained at 4,890 tonnes of copper, despite lower copper head grades and lower feed grade.

The development of the Bracemac-McLeod mine is progressing on schedule and on budget and will allow a smooth transition from the Perseverance mine as it reaches the end of its life. The main ramp development has progressed at a faster rate than planned and surface infrastructure, including a pumping station and electrical substation, is complete.

At Antamina, Xstrata Zinc´s share of zinc metal in concentrate decreased by 29% in the first half of 2011 compared to the same period of 2010, due to planned reduction in zinc volumes, where the mine plan progressed into higher copper but lower zinc grade ore.

During the first half of 2011, exploration activities continued in the northern Quebec area, which have the potential to complement Bracemac-McLeod lenses and maximise production at Matagami.

SALES VOLUMES	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Australia – Mount Isa			
Zinc in concentrate (t) third party sales (payable metal)	**90,961**	104,226	220,427
Zinc in concentrate (t) inter-company sales (payable metal)	**62,982**	37,614	70,857
Total zinc (t) (payable metal)	**153,943**	141,840	291,284
Lead in concentrate (t) third party sales (payable metal)	**2,139**	-	4,277
Lead in dross (t) third party sales (payable metal)	**3**	-	3,469
Lead in bullion (t) inter-company sales (payable metal)	**65,510**	78,836	147,888
Total lead (t) (payable metal)	**67,652**	78,836	155,634
Silver in concentrate (koz) inter-company sales (payable metal)	**164**	-	-
Silver in concentrate (koz) third party sales (payable metal)	**92**	126	436
Silver in bullion (koz) inter-company sales (payable metal)	**2,887**	4,029	7,313
Total silver (koz) (payable metal)	**3,143**	4,155	7,749
Australia – McArthur River			
Zinc in concentrate (t) third party sales (payable metal)	**39,732**	63,398	143,201
Zinc in concentrate (t) inter-company sales (payable metal)	**28,782**	8,665	8,665
Lead in concentrate (t) third party sales (payable metal)	**8,662**	10,237	19,643
Silver in concentrate (koz) third party sales (payable metal)	**118**	161	279
Europe – San Juan de Nieva			
Refined zinc (t)	**243,101**	246,589	480,103
Europe – Nordenham			
Refined zinc (t)	**75,800**	73,780	151,109
Europe – Northfleet			
Refined lead (t)	**64,360**	74,763	156,118
Refined silver (koz)	**2,512**	3,750	7,817
North America – Brunswick			
Zinc in concentrate (t) third party sales (payable metal)	**6,686**	17,143	41,201
Zinc in concentrate (t) inter-company sales (payable metal)	**80,376**	71,770	120,697
Total zinc (t) (payable metal)	**87,062**	88,913	161,898
Lead concentrate (t) inter-company sales (payable metal)	**24,307**	25,637	45,371
Zinc in bulk concentrate (t) third party sales (payable metal)	**5,530**	6,695	13,278
Lead in bulk concentrate (t) third party sales (payable metal)	**3,720**	4,366	9,391
Silver in bulk concentrate (koz) third party sales (payable metal)	**155**	205	465
Refined lead and alloys (t)	**37,726**	41,879	80,579
Silver doré (koz) inter-company sales	**6,203**	7,066	13,328
North America – CEZ **			
Refined zinc (t)	**34,236**	34,282	67,281
Perseverance			
Zinc in concentrate (t) third-party sales (payable metal)	**4,858**	8,013	19,272
Zinc in concentrate (t) inter-company sales (payable metal)	**54,377**	47,609	98,302
Total zinc (t) (payable metal)	**59,235**	55,622	117,574
North America – Kidd Creek			
Refined zinc (t)	**-**	47,405	48,560

SALES VOLUMES	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Peru - Antamina zinc* **			
Zinc in concentrate (t) third party sales (payable metal)	**44,050**	67,067	116,525
Total zinc (t) (payable metal)	**44,050**	67,067	116,525
Total zinc metal third party sales (t)	**353,138**	402,056	747,053
Total zinc in concentrate third party sales (t)	**191,816**	267,152	553,904
Total lead metal third party sales (t)	**102,086**	116,642	236,697
Total lead in concentrate third party sales (t)	**12,385**	14,603	32,503
Total silver metal third party sales (koz)	**2,512**	3,750	7,817
Total silver in concentrate third party sales (koz)	**374**	492	1,180
Average LME zinc price($/t)	**2,323**	2,155	2,159
Average LME lead price $/t)	**2,581**	2,084	2,148

* Xstrata Zinc's pro rata share of Lennard Shelf sales volumes (50%)
** Xstrata Zinc's pro rata share of CEZ sales volumes (25%)
*** Xstrata Zinc's pro rata share of zinc sales from Xstrata's 33.75% interest in Antamina
† Includes goodwill allocation on acquisition of Falconbridge

SUMMARY PRODUCTION DATA	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Total zinc in concentrate production (t)	**500,137**	521,563	1,022,252
Total zinc in metal production (t)*	**366,339**	404,871	765,867
Total lead in concentrate production (t)	**115,874**	121,071	235,616
Total lead in metal production (t)	**107,997**	123,206	238,735
Total copper in concentrate production (t)	**9,659**	9,747	18,205
Consolidated Zinc cash cost (C1) - post by-product credits (U¢/lb)	**32.47**	43.34	40.50

* The Kidd Creek zinc smelter was closed in May 2010

Xstrata Technology Services

FINANCIAL AND OPERATING DATA $m	**Six months to 30.06.11**	Six months to 30.06.10	Year ended 31.12.10
Revenue	**95**	65	153
Operating EBITDA	**14**	12	32
Depreciation and amortisation	**(4)**	(3)	(6)
Operating profit	**10**	9	26
Capital expenditure	**2**	1	2

Xstrata Technology Services provides expertise and technology to support the processes involved in mining and metallurgy. It comprises Xstrata Technology, based in Brisbane, a specialist technology solutions provider, and Xstrata Process Support, based in Sudbury, a separate division that provides highly specialised technological support both to Xstrata's operations and to third party customers.

Revenue for Xstrata Technology Services was $95 million, a 46% increase on the first half of 2010, due to increased implementation of its technology by external customers.

Xstrata Technology

Albion Process™

The Albion Process™ is a leaching technology that combines fine grinding in the IsaMill™ with leaching under atmospheric conditions to provide a robust method of treating refractory concentrates at low capital costs. In addition, the Albion Process business supplies specialist leaching equipment to enable the successful adoption of the technology, including the Albion Process™ technology, the HyperSparge™ oxygen injection lance technology and the ZipaTank™ and ALR modular tank supply systems.

Xstrata Zinc is currently utilising leaching technology at its plants at Nordenham in Germany and at its San Juan de Nieva operation in Spain. These two plants support improved zinc recovery from McArthur River Mine's bulk zinc-lead concentrates. An Albion Process™ plant to treat refractory gold concentrates will be commissioned by Envirogold in the Dominican Republic in late 2011. Other projects are in advanced design phases and involve application to refractory gold and base metals for clients in Armenia, Canada, Peru, New Zealand and Australia.

IsaMill™

IsaMill™ Technology was originally developed for ultra-fine grinding applications and is now being successfully used for mainstream tertiary and regrind applications with wide industrial and global applications. The first half of 2011 saw strong repeat business in the platinum and copper concentrators market as well as new demand from nickel and magnetite applications, highlighting the broad appeal of the technology.

Sales of IsaMill™ grinding plants, rather than just the mill itself, are contributing to revenue growth.

ISASMELT™

The ISASMELT™ technology package combines Top Submerged Lance smelting technology with comprehensive engineering, equipment supply and technology transfer services to provide efficient and clean smelting to both existing (brownfield) and new (greenfield) clients. ISASMELT™, has been operating in the Mount Isa Mines copper smelter for more than 20 years and is distinguished from alternative technologies by its low capital cost, rapid start up, high plant availability and low operating cost of installations. The technology is used by a number of external customers around the world.

Currently, a new copper ISASMELT™ plant is commissioning in Kazakhstan and a second plant is under construction in India. Two lead smelters are under construction, one in Kazakhstan and the other in China.

During the first six months of 2011, interest in ISASMELT™ technology has increased significantly and engineering studies are currently being completed for new plants in Canada, Zambia and India.

BBOC

The Bottom Blown Oxygen Cupel (BBOC) is a silver refining technology developed and used at Xstrata's Britannia Refined Metals refinery in England. The technology is a more intensive, cost-effective way of refining the silver than conventional technology. Xstrata Technology is now actively marketing the BBOC and related lead refining

technologies. Currently one BBOC is being built for a client in India and a number of studies are investigating options for other global external customers.

Jameson Cell

Jameson Cell Flotation Technology, a high intensity flotation technology, has traditionally been very successful in fine coal flotation. In the first six months of 2011, there has been a resurgence of demand from base metal applications in cleaner scalper duties in copper and gold processing, which have complimented the growing coal business. Opportunities have been indentified in industrial minerals applications and a sale has been made to a Canadian potash producer.

Tankhouse Technology (ISA Process™ and KIDD Process™)

Tankhouse Technology consists of the Isa Process™ and Kidd Process™ technologies. Recent innovations in cathode and machine developments, utilising both technologies, has enabled Xstrata Technology to offer improved and more comprehensive technology packages for electro-refining and electro-winning. Xstrata Technology now supplies technology for full solvent-extraction/electro-winning plants and has further strengthened its solvent-extraction technology offering through an agreement with Miller Metallurgical Services.

Revenue for the first half 2011 was primarily from equipment and cathode supply to sites in Africa, China and South America.

Xstrata Process Support

Xstrata Process Support provides expert technical services to the minerals sector through four separate groups. Interest in the services has continued to recover and revenues from external customers for 2011 represented 45% of total revenue compared to 35% in the first half of 2010.

Process Mineralogy

Process Mineralogy is a mineral processing and mineral science group that utilises quantitative mineralogy, sampling, statistics and ore beneficiation test work to improve concentrate grade and maximise metal recoveries for new mine projects and existing operations. In the first six months of 2011, Process Mineralogy continued to provide ore characterisation, plant optimisation and process design services to Xstrata Nickel, Xstrata Copper and Xstrata Zinc's operations in Canada and Australia. Demand from external companies, which re-emerged in the second half of 2010, continued to improve through the first half of 2011.

Extractive Metallurgy

Extractive Metallurgy provides expertise in pyrometallurgy and hydrometallurgy to smelters and refineries. Extractive Metallurgy's engineering service, combined with its laboratory testing and piloting facilities, is used to optimise process design and support environmental compliance projects. It identifies opportunities in the nickel, copper, ferro-alloy and gold industries to match available technologies to specific ore types in order to enable and assist in the development of commercially viable processes. The group continued to see demand for its fluid bed roasting, thermal analysis and process modelling expertise and is expanding its pyrometallurgical capabilities through installation of a 300kW DC furnace for smelter piloting campaigns. Hydrometallurgical services are focused on leaching testwork which is currently in high demand.

Process Control

Process Control is a group of highly experienced engineers based in Sudbury, Canada, and at various Xstrata operations and demand for their services continues to be strong. Process Control's engineers are delivering best-practice control solutions to Xstrata operations including Xstrata Alloys' Eland platinum concentrator in South Africa, Xstrata Copper's Kidd mine and concentrator in Canada and Xstrata Nickel's Strathcona concentrator in Canada. In Sudbury, at Xstrata Nickel's new Nickel Rim South mine and Fraser mine projects, Process Control is helping to improve automation and control, particularly for energy savings in ventilation systems. In South America, Process Control is part of Xstrata Copper's Standard Concentrator Design team, based in Santiago Chile, which is designing and building replicable copper concentrators and site facilities for the Antapaccay and Las Bambas growth projects in Peru.

Materials Technology

Materials Technology provides asset integrity management services at the development and implementation stages of capital projects and through the full equipment lifecycle. The services include materials selection,

equipment construction specifications, quality assurance, plant inspections and equipment life assessment, root cause failure analyses, risk based inspection (RBI) and life-cycle cost analysis. Plant inspections are specialised and are vital to minimise unexpected plant shutdowns. In the first half of 2011, Materials Technology worked with Xstrata Nickel in support of the Sudbury concentrator and smelter as well as the Horne smelter for Xstrata Copper. One smelter acid plant inspection was completed for an external client during the first six months of 2011 and several other are planned for the second half.

Materials Technology continues to experience strong demand for its services from external clients and has expanded its workforce and services in 2011.

Operations data

Name of Operation		Ownership	Annual Production Capacity (Full plan/time basis)	Accounting Status	Location
Xstrata Alloys					
Boshoek plant		79.5%	240kt	Joint venture	Boshoek, South Africa
Lion plant		79.5%	360kt	Joint venture	Steelpoort, South Africa
Lydenburg plant		69.6%	396kt	Joint venture	Lydenburg, South Africa
Rustenburg plant		79.5%	430kt	Joint venture	Rustenburg, South Africa
Wonderkop plant		79.5%	553kt	Joint venture	Marikana, South Africa
Horizon mine		79.5%	260kt	Joint venture	Pilansberg, South Africa
Kroondal mine		79.5%	850kt	Joint venture	Rustenburg, South Africa
Thorncliffe mine		79.5%	995kt	Joint venture	Steelpoort, South Africa
Helena mine		79.5%	825kt	Joint venture	Steelpoort, South Africa
Waterval mine		79.5%	650kt	Joint venture	Rustenburg, South Africa
Rhovan	V_2O_5	74%	22,000k lbs	Joint venture	Brits, South Africa
	FeV	74%	6,000k kg		
Char Technologies		100%	112kt	Subsidiary	Witbank, South Africa
African Carbon Manufacturers		100%	150kt	Subsidiary	Witbank, South Africa
African Carbon Producers		100%	156kt	Subsidiary	Witbank, South Africa
African Fine Carbon		100%	156kt	Subsidiary	Middelburg, South Africa
African Carbon Union		74%	126kt	Subsidiary	Witbank, South Africa
Mototolo		37%	240k oz	Joint venture	Steelpoort, South Africa
Eland		73.99%	240k oz	Joint venture	Brits, South Africa

Name of Operation	Ownership	Annual Production Capacity (Full plan/time basis)	Accounting Status	Location
Xstrata Coal				
Americas				
Cerrejón	33.3%	32,000kt	Joint venture	Colombia
Australia				
Cumnock*	90%	-	Joint venture	Hunter Valley
Liddell	67.5%	6,000kt	Joint venture	Hunter Valley
Macquarie Coal JV				
– West Wallsend	80%	3,300kt	Joint venture	Newcastle
– Westside	80%	800kt	Joint venture	Newcastle
Mt Owen	100%	9,000kt	Subsidiary	Hunter Valley
Ravensworth operations	100%	4,500kt	Subsidiary	Hunter Valley
Ravensworth Underground	70.2%	3,000kt	Joint venture	Hunter Valley
Oakbridge Group				
– Baal Bone	74.1%	1,800kt	Subsidiary	Western Coal Fields
– Beltana	68.3%	5,000kt	Joint venture	Hunter Valley
– Bulga	68.3%	6,000kt	Joint venture	Hunter Valley
Tahmoor	100%	2,000kt	Subsidiary	Southern Coal Fields
Ulan		6,200kt		
– Ulan Underground	90%		Joint venture	Western Coal Fields
Mangoola	100%	8,000kt	Subsidiary	Hunter Valley
United*	95%	-	Joint venture	Hunter Valley
Oaky Creek	55%	10,200kt	Joint venture	Bowen Basin
Newlands				
– Thermal	55%	8,600kt	Joint venture	Bowen Basin
– Coking	55%	1,400kt	Joint venture	Bowen Basin
Collinsville				
– Thermal	55%	3,600kt	Joint venture	Bowen Basin
– Coking	55%	1,700kt	Joint venture	Bowen Basin
Rolleston	75%	8,000kt	Joint venture	Bowen Basin
South Africa				
Southstock Division				
– Opencast*	79.8%	-	Subsidiary	Witbank
– Underground	79.8%	5,000kt	Subsidiary	Witbank
Mpumalanga Division				
– Spitzkop	79.8%	1,400kt	Subsidiary	Ermelo
– Tselentis	79.8%	1,400kt	Subsidiary	Breyten
Impunzi Division		5,400kt		
- Opencast	79.8%		Subsidiary	Witbank
Tweefontein				
- Opencast	79.8%	3,500kt	Subsidiary	Witbank
- Underground	79.8%	2,700kt	Subsidiary	Witbank
Goedgevonden	74%	7,000kt	Joint venture	Witbank

* Current operations completed, decision on remaining reserves pending

Name of Operation	Ownership	Annual Production Capacity (Full plan/time basis)	Accounting Status	Location
Xstrata Copper				
Argentina				
Alumbrera	50%	40mt ore 150kt Cu in conc 400koz Au in conc 50koz Au in dore	Subsidiary	Catamarca, Argentina
Australia				
Mount Isa	100%	6.2mt ore 170kt Cu in conc 290kt Cu in anode	Subsidiary	North West Queensland, Australia
Ernest Henry	100%	11mt ore 115kt Cu in conc 120koz Au in conc	Subsidiary	North West Queensland, Australia
Townsville Refinery	100%	300kt Cu cathode	Subsidiary	North Queensland, Australia
Canada				
CCR	100%	370kt Cu cathode	Subsidiary	Quebec, Canada
Horne	100%	205kt Cu in anode	Subsidiary	Quebec, Canada
Kidd Creek	100%	50kt Cu in conc	Subsidiary	Ontario, Canada
Chile				
Altonorte	100%	300kt Cu in anode	Subsidiary	Antofagasta Region, Chile
Collahuasi	44%	62mt ore 429kt Cu in conc 60kt Cu cathode	Joint venture	Tarapacá Region, Chile
Lomas Bayas	100%	14.2mt ore 35mt ROM ore 75kt Cu cathode	Subsidiary	Antofagasta Region, Chile
Peru				
Antamina (joint with Xstrata Zinc)	33.75%	43mt ore 409kt Cu in conc	Joint venture	Ancash Region, Peru
Tintaya	100%	10mt ore 85kt Cu in conc 35kt Cu cathode	Subsidiary	Espinar Province, Peru

Name of Operation	Ownership	Annual Production Capacity (Full plan/time basis)	Accounting Status	Location
Xstrata Nickel				
Australia				
Cosmos	100%	350kt ore 13kt Ni in conc	Subsidiary	Mt Keith-Leinster, Western Australia
Sinclair	100%	300kt ore 6kt Ni in conc	Subsidiary	Mt Keith-Leinster, Western Australia
Canada				
Sudbury	100%	1.5mt ore 18kt Ni in conc 48kt Cu in conc	Subsidiary	Ontario, Canada
Raglan	100%	1.3mt ore 30kt Ni in conc	Subsidiary	Quebec, Canada
Dominican Republic				
Falcondo	85.3%	4.0mt ore 28.5kt Ni in FeNi	Subsidiary	Bonao, Dominican Republic
Norway				
Nikkelverk	100%	92kt Ni 38kt Cu 5.2kt Co	Subsidiary	Kristiansand, Norway

Name of Operation	Ownership	Annual Production Capacity (Full plan/time basis)	Accounting Status	Location
Xstrata Zinc				
Australia				
McArthur River	100%	2.5mt ore 200kt Zn in conc	Subsidiary	Northern Territory, Australia
Mount Isa	100%	9.4mt ore 400kt Zn in conc 170kt Pb in bullion 300t Ag in bullion	Subsidiary	North West Queensland, Australia
Canada				
Brunswick Mine	100%	3.4 mt ore 205kt Zn in conc 70 kt Pb in conc 200t Ag in conc 8kt Cu in conc	Subsidiary	New Brunswick, Canada
Brunswick Smelting	100%	110kt refined Pb 435t Ag doré	Subsidiary	New Brunswick, Canada
CEZ Refinery	25%	296kt Zn	Associate	Quebec, Canada
Perseverance Mine	100%	1,076 Kt ore 128kt Zn in conc 10kt Cu in conc	Subsidiary	Quebec, Canada
General Smelting	100%	27kt Zn and Pb foundry products	Subsidiary	Quebec, Canada
Germany				
Nordenham	100%	157kt Zn 150kt saleable Zn	Subsidiary	Nordenham, Germany
Peru				
Antamina (joint with Xstrata Copper)	33.75%	39mt ore 456kt Zn	Joint venture	Ancash, Peru
Spain				
San Juan de Nieva	100%	510kt Zn 490kt saleable Zn	Subsidiary	Asturias, Spain
Hinojedo	100%	47kt calcine 31kt SO_2	Subsidiary	Cantabria, Spain
Arnao	100%	24kt ZnO	Subsidiary	Asturias, Spain
UK				
Northfleet	100%	180kt primary Pb 360t refined Ag	Subsidiary	Northfleet, UK

Statement of directors' responsibilities

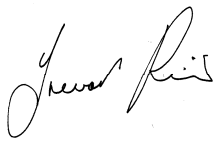
The directors confirm to the best of their knowledge:

a) the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

b) the half-yearly report includes a fair review of the information required by DTR 4.2.7 (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the interim report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and

c) the half-yearly report includes a fair review of the information required by DTR 4.2.8 (being disclosure of related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the Group during the period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year).

By order of the board



T L Reid

Director

Chief Financial Officer

2 August 2011

Independent Review Report to Xstrata plc

Introduction

We have been engaged by Xstrata plc (the company) to review the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2011 which comprises the condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of financial position, condensed interim consolidated statement of changes in equity, condensed interim consolidated cash flow statement, and related notes 1 to 16. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As noted in note 2, the annual financial statements of the Group are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRSs). The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

London

2 August 2011

The maintenance and integrity of the Xstrata plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed Interim Consolidated Income Statement

For the six months ended 30 June 2011

US$m	Notes	(Unaudited) Before exceptional items	(Unaudited) Exceptional items†	(Unaudited) 6 months 30.06.11	(Unaudited) Before exceptional items	(Unaudited) Exceptional items†	(Unaudited) 6 months 30.06.10	(Audited) Before exceptional items	(Audited) Exceptional items†	(Audited) 12 months 31.12.10
Revenue		**16,777**	**-**	**16,777**	13,608	-	13,608	30,499	-	30,499
Operating costs*		**(10,957)**	**-**	**(10,957)**	(9,114)	-	(9,114)	(20,113)	-	(20,113)
Other exceptional items*	7	**-**	**57**	**57**	-	-	-	-	7	7
Operating profit before interest, taxation, depreciation and amortisation		**5,820**	**57**	**5,877**	4,494	-	4,494	10,386	7	10,393
Depreciation and amortisation		**(1,574)**	**-**	**(1,574)**	(1,258)	-	(1,258)	(2,732)	-	(2,732)
Impairment of assets	7	**-**	**-**	**-**	-	-	-	-	(559)	(559)
Operating profit		**4,246**	**57**	**4,303**	3,236	-	3,236	7,654	(552)	7,102
Share of results from associates		**8**	**-**	**8**	(2)	(4)	(6)	15	(6)	9
Profit before interest and taxation		**4,254**	**57**	**4,311**	3,234	(4)	3,230	7,669	(558)	7,111
Finance income		**61**	**-**	**61**	232	-	232	152	-	152
Finance costs		**(273)**	**-**	**(273)**	(240)	(9)	(249)	(620)	(35)	(655)
Profit before taxation		**4,042**	**57**	**4,099**	3,226	(13)	3,213	7,201	(593)	6,608
Income tax (charge)/credit	13	**(1,044)**	**(6)**	**(1,050)**	(800)	2	(798)	(1,782)	129	(1,653)
Profit/ (loss) for the period		**2,998**	**51**	**3,049**	2,426	(11)	2,415	5,419	(464)	4,955
Attributable to:										
Equity holders of the parent		**2,865**	**51**	**2,916**	2,299	(11)	2,288	5,152	(464)	4,688
Non-controlling interests		**133**	**-**	**133**	127	-	127	267	-	267
		2,998	**51**	**3,049**	2,426	(11)	2,415	5,419	(464)	4,955
Earnings per share (US$)										
- basic	15	**0.98**	**0.02**	**1.00**	0.79	-	0.79	1.77	(0.16)	1.61
- diluted	15	**0.96**	**0.02**	**0.98**	0.78	-	0.78	1.74	(0.16)	1.58

† Exceptional items are significant items of income and expense, presented separately due to their nature or the expected infrequency of the events giving rise to them

* Before depreciation, amortisation and impairment charges.

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

US$m	**(Unaudited) 6 months 30.06.11**	(Unaudited) 6 months 30.06.10	(Audited) 12 months 31.12.10
Profit for the period	**3,049**	2,415	4,955
Income and expenses recognised directly in equity:			
Actuarial losses on defined benefit pension plans	**(25)**	(234)	(301)
Income tax	**6**	63	76
(Losses)/gains on available-for-sale financial assets	**(9)**	(35)	118
Income tax	**(12)**	(4)	(13)
Gains/(losses) on cash flow hedges	**26**	(140)	88
Income tax	**(7)**	34	(41)
Foreign currency translation differences	**933**	(1,496)	2,459
Income tax	**(18)**	21	(48)
	894	(1,791)	2,338
Transfers to the income statement:			
Gains on cash flow hedges	**(74)**	(60)	(115)
Income tax	**25**	19	45
Gains on available-for-sale financial assets	**(29)**	-	(73)
Other comprehensive income	**816**	(1,832)	2,195
Total comprehensive income for the period	**3,865**	583	7,150
Attributable to:			
Equity holders of the parent	**3,734**	475	6,896
Non-controlling interests	**131**	108	254
	3,865	583	7,150

Condensed Interim Consolidated Statement of Financial Position

As at 30 June 2011

US$m	Notes	**(Unaudited) 30.06.11**	(Unaudited) 30.06.10	(Audited) 31.12.10
Assets				
Non-current assets				
Intangible assets	9	**8,446**	8,258	8,400
Property, plant and equipment	10	**49,361**	39,492	45,884
Biological assets		**23**	19	23
Inventories		**4**	31	45
Trade and other receivables		**197**	85	168
Investments in associates		**1,926**	1,609	1,786
Available-for-sale financial assets		**311**	319	347
Derivative financial assets		**474**	622	570
Other financial assets		**625**	338	514
Pension asset		**2**	4	1
Prepayments		**14**	14	32
Deferred tax assets		**213**	235	299
		61,596	51,026	58,069
Current assets				
Inventories		**5,562**	4,227	4,763
Trade and other receivables		**4,135**	2,691	4,463
Derivative financial assets		**168**	69	236
Other financial assets	6	**-**	238	-
Prepayments		**231**	114	270
Cash and cash equivalents	12	**1,354**	1,369	1,722
Assets classified as held for sale		**285**	118	183
		11,735	8,826	11,637
Total assets		**73,331**	59,852	69,706

Condensed Interim Consolidated Statement of Financial Position (continued)

As at 30 June 2011

US$m	Notes	**(Unaudited)** 30.06.11	(Unaudited) 30.06.10	(Audited) 31.12.10
Equity and liabilities				
Capital and reserves - attributable to equity holders of Xstrata plc				
Issued capital		**1,482**	1,469	1,482
Share premium		**15,458**	15,096	15,458
Own shares		**(1,143)**	(1,198)	(1,181)
Convertible borrowings - equity component	11	**-**	56	-
Other reserves		**8,876**	3,964	8,039
Retained earnings		**18,824**	14,212	16,478
		43,497	33,599	40,276
Non-controlling interests		**2,036**	1,624	1,762
Total equity		**45,533**	35,223	42,038
Non-current liabilities				
Trade and other payables		**80**	55	88
Interest-bearing loans and borrowings	12	**7,515**	7,732	7,154
Convertible borrowings	11, 12	**-**	337	-
Derivative financial liabilities		**264**	582	366
Other financial liabilities		**689**	568	656
Provisions		**3,467**	2,786	3,368
Pension deficit		**626**	583	625
Deferred tax liabilities		**6,676**	5,635	6,348
Other liabilities		**9**	8	9
		19,326	18,286	18,614
Current liabilities				
Trade and other payables		**4,536**	3,259	4,802
Interest-bearing loans and borrowings	12	**2,280**	1,507	2,318
Derivative financial liabilities		**25**	523	383
Provisions		**736**	611	711
Income taxes payable		**592**	337	654
Other liabilities		**40**	25	30
Liabilities classified as held for sale		**263**	81	156
		8,472	6,343	9,054
Total liabilities		**27,798**	24,629	27,668
Total equity and liabilities		**73,331**	59,852	69,706

Condensed Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2011

US$m	Notes	**(Unaudited) 6 months 30.06.11**	(Unaudited) 6 months 30.06.10	(Audited) 12 months 31.12.10
Profit before taxation		**4,099**	3,213	6,608
Adjustments for:				
Finance income		**(61)**	(232)	(152)
Finance cost		**273**	249	655
Share of results from associates		**(8)**	6	(9)
Net profit on disposal of property, plant and equipment		**(25)**	(2)	(1)
Liability fair value adjustments	7	**-**	-	(19)
Profit on sale of operations	5	**(58)**	-	-
Depreciation and amortisation		**1,574**	1,258	2,732
Impairment of assets	7	**-**	-	559
Share-based compensation plans		**40**	15	178
Decrease/(increase) in trade and other receivables		**370**	609	(1,178)
Increase in other assets		**(241)**	(101)	(414)
(Increase)/decrease in inventories		**(699)**	232	(38)
(Decrease)/increase in trade and other payables		**(333)**	(409)	691
(Decrease)/increase in provisions		**(34)**	(53)	332
Other non-cash movements		**(6)**	(7)	5
Cash generated from operations		**4,891**	4,778	9,949
Income tax paid		**(881)**	(919)	(1,442)
Interest paid		**(172)**	(203)	(332)
Interest received		**42**	14	34
Dividends received		**7**	2	4
Net cash flow from operating activities		**3,887**	3,672	8,213
Purchase of property, plant and equipment		**(3,385)**	(2,093)	(5,819)
Proceeds from sale of property, plant and equipment		**30**	22	22
Purchase of intangible assets		**(16)**	(4)	(11)
Purchase of available-for-sale financial assets		**(29)**	-	-
Proceeds from the sale of available-for-sale financial assets		**51**	-	135
Proceeds from the disposal of other financial assets	6	**-**	2,250	2,250
Acquisition of assets	10	**(216)**	-	-
Acquisition of interest in associates		**-**	(58)	(58)
Acquisition of subsidiaries, net of cash acquired		**(69)**	-	(365)
Proceeds from disposal of joint ventures, net of disposal costs and cash disposed		**-**	463	463
Proceeds from disposal of subsidiaries, net of disposal costs and cash disposed		**-**	3	3
Distributions from other financial assets		**-**	73	184
Net cash flow from (used in) investing activities		**(3,634)**	656	(3,196)
Purchase of own shares		**(18)**	(11)	(11)
Disposal of own shares		**14**	8	14
Proceeds from interest-bearing loans and borrowings		**1,688**	70	79
Repayment of interest-bearing loans and borrowings		**(1,564)**	(3,808)	(3,930)
Payment of finance lease liabilities		**(42)**	(28)	(51)
Dividends paid to equity holders of the parent	16	**(586)**	(232)	(379)
Dividends paid to non-controlling interests		**(122)**	(121)	(243)
Net cash flow from (used in) financing activities		**(630)**	(4,122)	(4,521)
Net increase/(decrease) in cash and cash equivalents		**(377)**	206	496
Net foreign exchange difference		**13**	(21)	49
Cash and cash equivalents at 1 January		**1,710**	1,165	1,165
Cash and cash equivalents at period end	12	**1,346**	1,350	1,710

Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to equity holders of the parent							Non-controlling interests	Total equity
US$m	Issued capital	Share premium	Own shares	Convertible Borrowings - equity component	Other Reserves	Retained earnings	Total		
At 1 January 2010	1,469	15,096	(1,306)	56	5,606	12,361	33,282	1,637	34,919
Comprehensive income	-	-	-	-	(1,642)	2,117	475	108	583
Own share purchases	-	-	(11)	-	-	-	(11)	-	(11)
Own share disposals	-	-	119	-	-	(111)	8	-	8
Cost of IFRS 2 equity settled share-based compensation plans	-	-	-	-	-	77	77	-	77
Dividends paid (refer note 16)	-	-	-	-	-	(232)	(232)	(121)	(353)
At 30 June 2010 (unaudited)	1,469	15,096	(1,198)	56	3,964	14,212	33,599	1,624	35,223
Comprehensive income	-	-	-	-	4,075	2,346	6,421	146	6,567
Issue of share capital	13	362	-	(56)	-	20	339	-	339
Own share disposals	-	-	17	-	-	(11)	6	-	6
Cost of IFRS 2 equity settled share-based compensation plans	-	-	-	-	-	58	58	-	58
Acquisition of subsidiaries	-	-	-	-	-	-	-	114	114
Dividends paid (refer note 16)	-	-	-	-	-	(147)	(147)	(122)	(269)
At 31 December 2010 (audited)	1,482	15,458	(1,181)	-	8,039	16,478	40,276	1,762	42,038
Comprehensive income	-	-	-	-	837	2,897	3,734	131	3,865
Own share purchases	-	-	(18)	-	-	-	(18)	-	(18)
Own share disposals	-	-	56	-	-	(42)	14	-	14
Cost of IFRS 2 equity settled share-based compensation plans	-	-	-	-	-	77	77	-	77
Acquisition of subsidiaries	-	-	-	-	-	-	-	265	265
Dividends paid (refer note 16)	-	-	-	-	-	(586)	(586)	(122)	(708)
At 30 June 2011 (unaudited)	1,482	15,458	(1,143)	-	8,876	18,824	43,497	2,036	45,533

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

1. Corporate information

The ultimate parent entity of the Group, Xstrata plc, is a publicly traded limited company incorporated in England and Wales and domiciled in Switzerland. Its ordinary shares are traded on the London and Swiss stock exchanges.

The condensed interim consolidated financial statements do not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 2 August 2011.

The financial information for the full preceding financial year is based on statutory accounts for the financial year ended 31 December 2010. These statutory accounts upon which the auditors issued an unqualified opinion, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006, have been delivered to the registrar.

2. Basis of preparation

The condensed interim consolidated financial statements of Xstrata plc and its subsidiaries (the Group) for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. Accordingly, the condensed interim consolidated financial statements do not include all of the information or disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010. The interim financial report for the six months ended 30 June 2011 has been prepared on a going concern basis as the directors believe there are no material uncertainties that lead to significant doubt the entity can continue as a going concern in the foreseeable future.

The impact of seasonality or cyclicality on operations is not regarded as significant to the condensed interim consolidated financial statements.

The following exchange rates to the US dollar (US$) have been applied:

	As at 30 June 2011	**Average 6 months to 30 June 2011**	As at 30 June 2010	Average 6 months to 30 June 2010	As at 31 December 2010	Average 12 months to 31 December 2010
Argentine pesos (US$:ARS)	**4.1085**	**4.0457**	3.9325	3.8689	3.9759	3.9119
Australian dollars (AUD:US$)	**1.0722**	**1.0346**	0.8407	0.8936	1.0233	0.9208
Canadian dollars (US$:CAD)	**0.9634**	**0.9766**	1.0638	1.0344	0.9983	1.0302
Chilean pesos (US$:CLP)	**469.00**	**475.49**	545.95	525.18	468.00	510.19
Colombian pesos (US$:COP)	**1,770**	**1,837**	1,917	1,947	1,920	1,898
Euros (EUR:US$)	**1.4501**	**1.4049**	1.2240	1.3278	1.3387	1.3266
Great Britain pounds (GBP:US$)	**1.6054**	**1.6173**	1.4945	1.5256	1.5613	1.5456
Peruvian Nuevo sol (US$:PEN)	**2.7480**	**2.7809**	2.8255	2.8451	2.8063	2.8245
South African rand (US$:ZAR)	**6.7627**	**6.8934**	7.6714	7.5266	6.6276	7.3159
Swiss francs (US$:CHF)	**0.8405**	**0.9049**	1.0774	1.0833	0.9346	1.0424

3. Significant accounting policies

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the following new amendments to existing standards as of 1 January 2011:

- IAS 24 Related Party Disclosures
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of these amendments has no impact on Group earnings or equity in the current or prior periods. The annual financial statements of the Group for the year ended 31 December 2010 were prepared in accordance with IFRSs as adopted by the European Union.

Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

4. Acquisitions

Business combinations

Zanaga

In February 2011 the Group exercised its call option over Jumelles Limited (Jumelles), the owner of the Zanaga iron ore project in the Republic of Congo, whereby the Group acquired a 50% plus one share interest in Jumelles in return for a commitment to fund a feasibility study, estimated to cost US$250 million and US$22 million for outstanding shareholder loans.

The provisional fair values of the identifiable assets and liabilities acquired were as follows:

US$m	IFRS carrying value	Fair value adjustments	Provisional fair value at acquisition
Property, plant and equipment	105	392	497
Prepayments	1	-	1
Trade and other receivables	1	250	251
	107	642	749
Trade and other payables	(8)	-	(8)
Deferred tax liabilities	-	(118)	(118)
Net assets	99	524	623
Non-controlling interests	-	(317)	(317)
Net attributable assets	99	207	306
Goodwill arising on acquisition	-	59	59
	99	266	365
Consideration:			
Net cash acquired with the subsidiary			(12)
Cash paid			22
Pre-feasibility costs incurred to date			105
Contingent consideration			250
			365

The fair value adjustments principally relate to the recognition of the reserves and resources as well as the estimated cost of the feasibility study which the Group will fund. The goodwill balance is the result of the requirement to recognise a deferred tax liability calculated as the difference between the tax effect of the fair value of the assets and liabilities acquired and their tax bases.

4. Acquisitions (continued)

Sphere Minerals Limited
Prior year business combinations

On 3 November 2010, the Group made a AUD3.00 cash offer to acquire all of the shares in Sphere Minerals Limited (Sphere). The Group declared the offer free from all conditions, and obtained control of Sphere, following the receipt of acceptances in respect of more than 50% of Sphere's share capital. By 17 December 2010 the Group held 75% of Sphere. Under IFRS 3 the acquisition has been accounted for as one transaction occurring on 16 November 2010. The total cost of the acquisition was US$391 million. Sphere is a West-Africa focused iron ore company, with interests in three iron ore projects in Mauritania.

The final fair values of the identifiable assets and liabilities acquired were as follows:

US$m	Provisional fair value as reported at 31.12.10	Fair value adjustments	Fair value at acquisition
Property, plant and equipment	494	-	494
Trade and other receivables	2	-	2
	496	-	496
Trade and other payables	(4)	-	(4)
Deferred tax liabilities	(122)	20	(102)
Net assets	370	20	390
Non-controlling interests	(97)	(17)	(114)
Net attributable assets	273	3	276
Goodwill arising on acquisition	92	(3)	89
	365	-	365
Consideration:			
Net cash acquired with the subsidiary	(26)	-	(26)
Cash paid	391	-	391
	365	-	365

The goodwill balance is the result of the requirement to recognise a deferred tax liability calculated as the difference between the tax effect of the fair value of the assets and liabilities acquired and their tax bases.

The cash offer of AUD3.00 for each Sphere share remained open until 13 May 2011 and a further 12% was acquired for a total consideration of US$59 million. At 30 June 2011 the Group held 87% of Sphere at a total consideration of US$450 million excluding net cash acquired with the subsidiary.

5. Disposals

Bakwena Ba Magopa Community Trust

In February 2011, the Group finalised a black empowerment agreement in respect of the Group's Rhovan vanadium operations (Rhovan) in South Africa. The Bakwena Ba Magopa Community Trust (Bakwena) acquired a 26% interest in the Rhovan business for US$65 million. The Group facilitated the transaction by providing vendor financing and the loan will be repayable from a portion of Bakwena's share of free cash flows. A profit of US$58 million has been recognised on the finalisation of the transaction (refer to note 7) reflecting the change from control to joint control.

6. Other financial assets

Prodeco coal assets

On 4 March 2010, the Group received formal notification from Glencore of the exercise of its option to acquire the Prodeco coal operations for US$2.25 billion plus the balance of any profits accrued but not distributed to the Group during the period 1 January 2009 to the completion date and the net balance of any cash invested by the Group. The profits of Prodeco were recognised as finance income in the period earned and the call option premium was included in finance income proportionately over the life of the option.

7. Exceptional items and impairment of assets

US$m	**at 30.06.11**	at 30.06.10	at 31.12.10
Other exceptional items:			
Acquisition costs	**(1)**	-	(7)
Liability fair value adjustments	**-**	-	19
Profit on sale of operations	**58**	-	-
Restructuring and closure costs	**-**	-	(5)
Other exceptional items	**57**	-	7
Impairment of assets	**-**	-	(559)
Share of results from associates	**-**	(4)	(6)
Loan issue costs written-off on facility refinancing	**-**	(9)	(35)
	57	(13)	(593)

Acquisition costs

During the first half of 2011 the Group incurred acquisition costs of US$1 million (31 December 2010 US$7 million) in relation to offers made to acquire companies.

Liability fair value adjustments

The Group is required to recognise as a liability at fair value a partner's interest in its South African coal operations. During the current period, there has been no change in the liability. In 2010 the liability decreased by US$19 million due to decreasing coal prices and foreign exchange movements.

Profit on sale of operations

The Group recognised a profit on the disposal of an interest in its Rhovan vanadium operations upon the finalisation of a black empowerment agreement in South Africa (refer to note 5).

Restructuring and closure costs

During the period there have been no restructuring and closure costs. In 2010, additional restructuring and closure costs of US$5 million were recognised in relation to the closure of the Kidd metallurgical plants.

Impairment of assets

During the year ended 31 December 2010, Nickel assets were impaired by US$559 million (US$437 million after tax), including goodwill of US$201 million, following a review of the Araguaia nickel project in Brazil (refer to pages 172 to 175 of the Group's Annual Report 2010). At 30 June 2011, an updated assessment was undertaken across the Group which did not identify any indicators of further impairment.

Share of results from associates

During the period there have been no exceptional items recorded by the Group's associates. In 2010 an amount of US$6 million (30 June 2010 US$4 million) was recognised in relation to the Group's share of exceptional items recognised by Lonmin.

Loan issue costs written off on facility refinancing

In 2010 the Group refinanced its bank facilities and wrote off related issue costs of US$35 million (30 June 2010 US$9 million).

8. Segmental analysis

Operating segments

Xstrata's business is organised into five global commodity businesses, each of which operates with a high degree of autonomy. In addition to the five global segments, the Technology and Iron Ore segments, which are not significant parts of the business, are also included below for disclosure purposes.

Management monitors the operating results of each business as a standalone entity. Segment performance is evaluated based on a number of measures including return on capital employed and operating profit before interest and tax. Finance income and costs, and income tax, are managed on a Group basis.

Transfer prices between business segments are set on an arms-length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information and certain asset information regarding the Group's operating segments.

For the period ended

US$m	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.11	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.10	(Audited) Before exceptional items	(Audited) Exceptional items	(Audited) 12 months 31.12.10
Revenue									
External parties:									
Coal - Thermal	**3,476**	-	**3,476**	2,776	-	2,776	6,167	-	6,167
Coal - Coking	**905**	-	**905**	803	-	803	1,621	-	1,621
Coal	**4,381**	-	**4,381**	3,579	-	3,579	7,788	-	7,788
Alloys	**992**	-	**992**	920	-	920	1,894	-	1,894
Copper	**7,705**	-	**7,705**	5,879	-	5,879	14,004	-	14,004
Nickel	**1,667**	-	**1,667**	1,297	-	1,297	2,738	-	2,738
Zinc Lead	**1,937**	-	**1,937**	1,868	-	1,868	3,922	-	3,922
Technology	**95**	-	**95**	65	-	65	153	-	153
Revenue (from continuing operations)	**16,777**	-	**16,777**	13,608	-	13,608	30,499	-	30,499

8. Segmental analysis (continued)

US$m	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.11	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.10	(Audited) Before exceptional items	(Audited) Exceptional items	(Audited) 12 months 31.12.10
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)									
Coal - Thermal	**1,144**	**-**	**1,144**	942	-	942	2,150	16	2,166
Coal - Coking	**440**	**-**	**440**	459	-	459	911	-	911
Coal	**1,584**	**-**	**1,584**	1,401	-	1,401	3,061	16	3,077
Alloys	**182**	**58**	**240**	287	-	287	477	-	477
Copper	**2,550**	**-**	**2,550**	1,789	-	1,789	4,693	-	4,693
Nickel	**743**	**-**	**743**	436	-	436	973	-	973
Zinc Lead	**750**	**-**	**750**	600	-	600	1,327	(5)	1,322
Iron ore	**(4)**	**(1)**	**(5)**	-	-	-	(1)	(4)	(5)
Technology	**14**	**-**	**14**	12	-	12	32	-	32
Segment EBITDA (continuing operations)	**5,819**	**57**	**5,876**	4,525	-	4,525	10,562	7	10,569
Unallocated	**1**	**-**	**1**	(31)	-	(31)	(176)	-	(176)
Operating EBITDA	**5,820**	**57**	**5,877**	4,494	-	4,494	10,386	7	10,393
Share of results from associates (net of tax, continuing operations):									
Coal	**1**	**-**	**1**	2	-	2	4	-	4
Alloys	**7**	**-**	**7**	(4)	(4)	(8)	5	(6)	(1)
Zinc Lead	**-**	**-**	**-**	-	-	-	6	-	6
Total	**5,828**	**57**	**5,885**	4,492	(4)	4,488	10,401	1	10,402
Depreciation and amortisation									
Coal	**494**	**-**	**494**	371	-	371	845	-	845
Alloys	**67**	**-**	**67**	60	-	60	124	-	124
Copper	**485**	**-**	**485**	412	-	412	873	-	873
Nickel	**310**	**-**	**310**	210	-	210	470	-	470
Zinc Lead	**213**	**-**	**213**	200	-	200	410	-	410
Technology	**4**	**-**	**4**	3	-	3	6	-	6
Depreciation and amortisation (from continuing operations)	**1,573**	**-**	**1,573**	1,256	-	1,256	2,728	-	2,728
Unallocated	**1**	**-**	**1**	2	-	2	4	-	4
Total	**1,574**	**-**	**1,574**	1,258	-	1,258	2,732	-	2,732
Impairment of assets									
Nickel	**-**	**-**	**-**	-	-	-	-	559	559
Total	**-**	**-**	**-**	-	-	-	-	559	559

8. Segmental analysis (continued)

US$m	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.11	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.10	(Audited) Before exceptional items	(Audited) Exceptional items	(Audited) 12 months 31.12.10
Profit before interest and taxation (EBIT)									
Coal - Thermal	**708**	**-**	**708**	624	-	624	1,415	16	1,431
Coal - Coking	**382**	**-**	**382**	406	-	406	801	-	801
Coal	**1,090**	**-**	**1,090**	1,030	-	1,030	2,216	16	2,232
Alloys	**115**	**58**	**173**	227	-	227	353	-	353
Copper	**2,065**	**-**	**2,065**	1,377	-	1,377	3,820	-	3,820
Nickel	**433**	**-**	**433**	226	-	226	503	(559)	(56)
Zinc Lead	**537**	**-**	**537**	400	-	400	917	(5)	912
Iron ore	**(4)**	**(1)**	**(5)**	-	-	-	(1)	(4)	(5)
Technology	**10**	**-**	**10**	9	-	9	26	-	26
Segment EBIT before exceptional items (continuing operations)	**4,246**	**57**	**4,303**	3,269	-	3,269	7,834	(552)	7,282
Unallocated	**-**	**-**	**-**	(33)	-	(33)	(180)	-	(180)
Operating profit	**4,246**	**57**	**4,303**	3,236	-	3,236	7,654	(552)	7,102
Share of results from associates (net of tax, continuing operations):									
Coal	**1**	**-**	**1**	2	-	2	4	-	4
Alloys	**7**	**-**	**7**	(4)	(4)	(8)	5	(6)	(1)
Zinc Lead	**-**	**-**	**-**	-	-	-	6	-	6
EBIT (continuing operations)	**4,254**	**57**	**4,311**	3,234	(4)	3,230	7,669	(558)	7,111
Finance income	**61**	**-**	**61**	232	-	232	152	-	152
Finance expense	**(273)**	**-**	**(273)**	(240)	(9)	(249)	(620)	(35)	(655)
Profit before taxation	**4,042**	**57**	**4,099**	3,226	(13)	3,213	7,201	(593)	6,608
Income tax (charge)/credit	**(1,044)**	**(6)**	**(1,050)**	(800)	2	(798)	(1,782)	129	(1,653)
Profit/(loss) for the period	**2,998**	**51**	**3,049**	2,426	(11)	2,415	5,419	(464)	4,955

8. Segmental analysis (continued)

US$m	**6 months 30.06.11**	6 months 30.06.10	12 months 31.12.10
Capital expenditure			
Sustaining:			
Coal	**320**	214	568
Alloys	**68**	47	126
Copper	**207**	230	572
Nickel	**135**	89	237
Zinc Lead	**172**	88	316
Technology	**2**	1	2
Total sustaining (from continuing operations)	**904**	669	1,821
Unallocated	**1**	-	2
Total	**905**	669	1,823
Expansionary:			
Coal	**517**	542	1,430
Alloys	**115**	59	141
Copper	**1,083**	325	1,162
Nickel	**621**	611	1,319
Zinc Lead	**104**	49	177
Iron Ore	**78**	26	67
Total	**2,518**	1,612	4,296
Total capital expenditure:			
Coal	**837**	756	1,998
Alloys	**183**	106	267
Copper	**1,290**	555	1,734
Nickel	**756**	700	1,556
Zinc Lead	**276**	137	493
Iron Ore	**78**	26	67
Technology	**2**	1	2
Total (from continuing operations)	**3,422**	2,281	6,117
Unallocated	**1**	-	2
Total	**3,423**	2,281	6,119

9. Goodwill

The value of goodwill at 30 June 2011 was US$6,593 million (30 June 2010 US$6,471 million, 31 December 2010 US$6,505 million). The increase in the carrying value during the period ended 30 June 2011 is due to acquisitions and foreign currency translation adjustments.

Refer to note 7 for impairment considerations at 30 June 2011.

10. Property, plant and equipment

During the period ended 30 June 2011, the Group acquired assets with a cost of US$3,407 million (30 June 2010 US$2,277 million, 31 December 2010 US$6,108 million), not including property, plant and equipment acquired through business combinations, asset additions and additions to deferred stripping costs. Capital expenditure (refer to note 8) comprises additions to intangible assets and property, plant and equipment excluding deferred stripping costs capitalised during the year.

During the period ended 30 June 2011, the Group acquired copper tenements in Queensland, Australia for US$186 million and the remaining 25% interest in the Lady Loretta project in Queensland, Australia for US$30 million. This was treated as an asset purchase rather than a business combination as no associated activities or workforce was acquired.

The Group has made commitments to acquire property, plant and equipment totalling US$1,582 million at 30 June 2011 (30 June 2010 US$611 million, 31 December 2010 US$730 million). A portion of these commitments have been incurred with other venturers.

Refer to note 7 for impairment considerations at 30 June 2011.

11. Capital and reserves

During 2010, the US$375 million convertible borrowings were converted at the option of the holders into 25,680,456 ordinary shares in Xstrata plc.

12. Interest-bearing loans and borrowings

US$m	**at 30.06.11**	at 30.06.10	at 31.12.10
Current:			
At amortised cost:			
Bank overdrafts	**8**	19	12
Bank loans - other unsecured	**20**	40	40
Capital market notes	**2,133**	1,381	2,192
Non controlling interests loan	**81**	-	-
Other loans	**-**	1	-
Obligations under finance leases and hire purchase contracts	**38**	66	74
	2,280	1,507	2,318
Non-current:			
At amortised cost:			
Syndicated bank loans - unsecured	**1,300**	100	-
Bank loans - other unsecured	**172**	193	173
Capital market notes	**5,654**	7,082	6,550
Non-controlling interests loans	**192**	81	243
Obligations under finance leases and hire purchase contracts	**182**	153	177
Other loans	**15**	123	11
	7,515	7,732	7,154
Non-current:			
At amortised cost:			
Convertible borrowings	**-**	337	-
Total	**9,795**	9,576	9,472
Less cash and cash equivalents	**(1,354)**	(1,369)	(1,722)
Net debt excluding hedges*	**8,441**	8,207	7,750
Hedges**	**(310)**	170	(112)
Net debt including hedges*	**8,131**	8,377	7,638
For the purpose of the Condensed Consolidated Cash Flow Statement, cash and cash equivalents comprise the following:			
Cash and cash equivalents	**1,354**	1,369	1,722
Bank overdrafts	**(8)**	(19)	(12)
	1,346	1,350	1,710

* Net debt is defined as loans and borrowings net of cash and cash equivalents.

** Derivative financial instruments that have been used to provide an economic hedge of capital market notes have been included above to reflect a more accurate net debt position of the Group at period end.

Cash and cash equivalents

During the 6 months ended 30 June 2011, the Group entered into new finance leases and hire purchase contracts to purchase various items of plant and equipment for US$2 million (six months ended 30 June 2010 US$58 million, year ended 31 December 2010 US$68 million) which did not require the use of cash and cash equivalents. As such, these items are not included in the net cash flow used in investing and financing activities in the Condensed Consolidated Cash Flow Statement.

13. Income taxes

Significant components of income tax expense for the periods ended:

US$m	**6 months 30.06.11**	6 months 30.06.10	12 months 31.12.10
Consolidated income statement			
Current tax:			
Based on taxable income for the current period	**869**	706	1,590
Prior year adjustment	**(20)**	(15)	(47)
Total current taxation charge for the period	**849**	691	1,543
Deferred taxation:			
Origination and reversal of temporary differences	**249**	134	205
Change in tax rates	**(8)**	1	3
Deferred tax (credit)/charge arising from write-down, or reversal of previous write-down, of a deferred tax asset	**(43)**	-	(96)
Prior year adjustment	**3**	(28)	(2)
Total deferred taxation charge/(credit) for the period	**201**	107	110
Total taxation charge	**1,050**	798	1,653

The amounts above include the tax charge attributable to exceptional items.

14. Related parties

The list of principal subsidiaries, joint ventures and associates as at 30 June 2011 is consistent with those disclosed in the Group's annual financial statements for the year ended 31 December 2010 as outlined on pages 200 to 202.

The Group entered into the following transactions, in the ordinary course of business, with Glencore International plc (Glencore):

US$m	**6 months 30.06.11**	6 months 30.06.10	12 months 31.12.10
Glencore*:			
Sales**	**4,614**	**4,323**	**9,319**
Purchases	**613**	**352**	**745**
Treatment and refining charges	**108**	**148**	**301**
Treatment and refining revenue	**-**	**5**	**13**
Agency and other charges	**45**	**42**	**89**
Interest and other revenue	**-**	**1**	**4**
Call option premium (refer to note 6)	**-**	**42**	**42**
Earnings from other financial assets (refer to note 6)	**-**	**79**	**29**
Amounts payable	**149**	**103**	**78**
Amounts receivable	**613**	**535**	**842**
Other financial assets (refer to note 6)	**-**	**238**	**-**

* Includes share of joint ventures

** No provision for doubtful debts has been raised in respect of transactions with Glencore

Included in the transactions with Glencore are US$146 million (30 June 2010 US$552 million, 31 December 2010 US$980 million) of back to back sales whereby the title to the goods has passed to Glencore but the goods are then on-sold to customers at the same sales price that the Group received.

Refer to note 6 for details of the Group's acquisition and subsequent disposal of the Prodeco coal assets.

There were no significant changes in the terms of the long-term contracts with Glencore as outlined on pages 203 to 206 of the Group's annual financial statements for the year ended 31 December 2010.

15. Earnings per share

US$m	**6 months 30.06.11**	6 months 30.06.10	12 months 31.12.10
Continuing operations:			
Profit before exceptional items attributable to ordinary equity holders of the parent from continuing operations	**2,865**	2,299	5,152
Exceptional items from continuing operations	**51**	(11)	(464)
Profit attributable to ordinary equity holders of the parent from continuing operations	**2,916**	2,288	4,688
Interest in respect of convertible borrowings	**-**	9	14
Profit attributable to ordinary equity holders of the parent for diluted earnings per share	**2,916**	2,297	4,702
Weighted average number of shares (000s) excluding own shares:			
For basic earnings per share	**2,930,862**	2,902,329	2,910,942
Effect of dilution:			
- Share based payments (000s)	**39,790**	29,466	35,613
- Convertible borrowings	**-**	25,673	17,941
For diluted earnings per share	**2,970,652**	2,957,468	2,964,496

16. Dividends per share

US$m	**6 months 30.06.11**	6 months 30.06.10	12 months 31.12.10
Declared and paid*	**586**	232	379
Proposed	**381**	147	586
	967	379	965

* This only includes amounts paid to the parent equity holders and not non-controlling interest holders.

The Group has proposed an interim 2011 dividend of 13.0 cents per ordinary share (2010 - 5.0 cents per ordinary share) to be paid on 7 October 2011. The 2010 final dividend of 20.0 cents per ordinary share was paid on 13 May 2011.