



Media Release 10 April 2007

XSTRATA COAL ANNOUNCES A\$391 MILLION RECOMMENDED OFFER FOR GLOUCESTER COAL

Highlights:

- Cash offer of A\$4.75 per share
- Premium of 33% to the one month volume weighted average price of Gloucester Coal shares
- Unanimously recommended by the Gloucester Coal Board of Directors
- Unique synergy potential with Xstrata Coal's existing NSW coal operations, enabling Gloucester Coal shareholders to receive an attractive cash premium in a strong pricing environment
- Increases Xstrata's exposure to thermal and metallurgical coal and provides access to the Gloucester Basin, 100km east of the Hunter Valley
- Consolidates Xstrata's position as the world's largest export thermal coal producer and a significant producer of coking coal

Xstrata Coal ("Xstrata") announces that it has entered into a Merger Implementation Agreement (the "MIA") with Gloucester Coal Ltd ("Gloucester Coal") for the proposed acquisition of all of the shares in Gloucester Coal by Xstrata via a Scheme of Arrangement (the "Scheme"). Under Xstrata's proposal, Gloucester Coal shareholders will receive A\$4.75 cash per share (the "Offer"), valuing Gloucester Coal's fully diluted equity at A\$391 million.

The Gloucester Coal Board of Directors has advised Xstrata that it has formed the view that the Offer is in the interests of the Gloucester Coal shareholders and unanimously recommends that, in the absence of a superior proposal, all Gloucester Coal shareholders vote in favour of the Scheme. Furthermore, the Directors of Gloucester Coal have also advised that, in the absence of a superior proposal, they intend to vote all shares held or controlled by them at the time of the Scheme meeting in favour of the Scheme.

The Xstrata Offer represents a significant cash premium of:

- 33% to the one month volume weighted average price of A\$3.59;
- 27% to the closing price of A\$3.73 on 3 April 2007, being the last full day of trading before this announcement; and
- 11% to the all time trading high price of A\$4.27.

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Peter Coates, Xstrata Coal Chief Executive, said, "The Gloucester Coal management team and employees have done an excellent job in establishing sustainable coal mining operations in the Gloucester Basin. We look forward to working with the Gloucester Coal team, customers and other stakeholders to continue this work and to develop the full potential of these operations.

"Gloucester Coal's operations further extend the life of Xstrata's New South Wales mines, with good potential to add to the resource and reserve base through near-mine exploration and further resource conversion. Our ability to blend thermal coal production from Xstrata's existing Hunter Valley mines with Gloucester Coal's thermal coal product, together with the addition of a high-fluidity coking coal to our portfolio, diversifies our coal product offering further and presents significant synergy potential. These unique benefits enable us to make an attractive cash offer to Gloucester Coal shareholders."

Andy Hogendijk, Chairman of Gloucester Coal, said "The Board of Gloucester Coal welcomes Xstrata's offer. Xstrata's offer, during a time of sustained robust coal prices, confirms the value that Gloucester Coal has created in recent years by developing a leading Australian coal business. The Gloucester Coal share price has performed strongly since the refloat of the business via a book build at 69 cents on 5 April 2004, almost three years ago to the day. The Board believes the offer recognises the potential future growth of coal mining operations in the Gloucester Basin and in the Board's opinion represents an excellent outcome for the Gloucester Coal shareholders.

"If the Scheme is approved by shareholders, the Board and management of Gloucester Coal will work closely with the company's customers, community and employees to ensure a smooth transition to ownership by Xstrata.

"The Board believes that Xstrata Coal's proven track record of investment in Australian coal operations to optimise resource potential and mine life, together with an excellent history of community involvement, health, safety and environmental management, will benefit our stakeholders."

The transaction, by way of a Scheme of Arrangement, is subject to regulatory, Court and Gloucester Coal shareholder approvals, together with other conditions. An explanatory memorandum setting out the terms and rationale for the transaction, an independent expert's opinion and the reasons for the directors' recommendation will be circulated to all Gloucester Coal shareholders in early June 2007. A general meeting of Gloucester Coal shareholders to approve the Scheme is expected to be held in early July 2007 with transaction completion anticipated in mid July 2007.

The MIA between Gloucester Coal and Xstrata contains non-solicit provisions on the part of Gloucester Coal, subject to customary "fiduciary out" provisions. Gloucester Coal has agreed to pay Xstrata a break fee of 1% of the value of the Offer in certain circumstances, as set out in Annexure A.

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Key Terms

Price:	A\$4.75 per share in cash	
Indicative Dates:	Gloucester Coal First Court Hearing (convene Scheme meetings)	early June 2007
	Mail out of Explanatory Memorandum	early June 2007
	Gloucester Coal Scheme Meeting	early July 2007
	Second Court Hearing (approval of Scheme)	early July 2007
	Expected Date of Completion	mid-July 2007

Ends

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Notes to editors

Xstrata Coal is the world's largest producer of export thermal coal and a significant producer of coking coal. Headquartered in Sydney, Australia, Xstrata Coal has interests in 32 operating coal mines in New South Wales, Queensland, South Africa and Colombia. Xstrata Coal is part of Xstrata plc, a major global diversified mining company, listed on the London and Swiss stock exchanges with a market capitalisation of approximately US\$50 billion.

Xstrata plc maintains a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with a smaller aluminium business, recycling facilities, additional exposures to gold, cobalt, lead and silver and a suite of global technologies, many of which are industry leaders.

The Group's operations and projects span 19 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, Jamaica, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, South Africa, Spain, Tanzania, the USA and the UK. Xstrata is headquartered in Zug, Switzerland, and employs over 43,000 people including contractors.

Gloucester Coal Ltd is a coal mining company, listed on the Australian Securities Exchange. Gloucester Coal has two mining operations, Stratford and Duralie, both located in the New South Wales Gloucester geological basin. The company also holds coal exploration licenses A311 and A315 which cover a large proportion of the basin and include a number of known coal deposits. In the year ended 30 June 2006 Gloucester Coal produced 1.9mt of saleable thermal and coking coal and reported a net profit of A\$40.4 million.

Gloucester Coal is focused on the production of both coking and thermal coal products. These products are produced through the efficient blending of coal from its Stratford, Duralie and satellite operations. All product coal is transported by rail to Newcastle for export, or to New South Wales power stations.

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**ANNEXURE A
SUMMARY OF MERGER IMPLEMENTATION AGREEMENT TERMS**

Gloucester Coal and Xstrata have entered into a Merger Implementation Agreement (the "MIA" or the "Agreement") in relation to a proposed scheme of arrangement for Xstrata to acquire all the shares in Gloucester Coal (the "Scheme"). Xstrata is proposing to acquire Gloucester Coal through a subsidiary, Helios Australia Pty Limited ("Helios"). If the Scheme is approved by Gloucester Coal's shareholders, Xstrata will pay A\$4.75 cash for each share in Gloucester Coal.

The MIA outlines the obligations of Gloucester Coal and Xstrata in respect of the Scheme and a copy of the MIA will be included in the Scheme Booklet that will be mailed to Gloucester Coal shareholders prior to the Scheme meeting. The key terms of the MIA are set out below.

<p>Conditions Precedent to Scheme</p>	<ul style="list-style-type: none"> ▪ Approvals from all relevant Australian regulatory bodies such as FIRB, ASIC, ACCC and ASX ▪ Gloucester Coal shareholders' approval of the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act ▪ Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act ▪ The issue of an Independent Expert report which concludes that the Scheme is in the best interest of Gloucester Coal shareholders ▪ No 'Gloucester Coal Prescribed Event' has occurred as defined in the Agreement ▪ No 'Gloucester Coal Material Adverse Change' has occurred as defined in the Agreement. Material Adverse Change is defined by reference to an impact on consolidated net assets Gloucester of at least A\$10 million or an impact on annual net profit after tax of at least A\$3 million, subject to certain exclusions ▪ The parties representations and warranties under the Agreement remaining true and correct in all material respects, subject to materiality thresholds ▪ No person (other than Helios or its Associates) acquires a Relevant Interest in, or becoming the holder of 26% or more of Gloucester Coal shares ▪ All outstanding Gloucester Coal options are exercised, cancelled or acquired by Helios on or before the First Court Date ▪ Completion by 17 April 2007 of a due diligence investigation of the Gloucester Group by Helios in accordance with the terms of the Agreement, and such due diligence investigation not disclosing one or more changes, events, occurrences or matters which have or are likely to have the effect of: <ul style="list-style-type: none"> – the value of consolidated net assets of the Gloucester Group being reduced by at least A\$10 million; or – the ongoing consolidated annual net profit after tax of the Gloucester Group being reduced by at least A\$3 million
<p>No-talk, no-shop and notification obligations</p>	<p>Gloucester Coal must ensure that during the period from the date of the Agreement to the earlier of the termination of the Agreement and 30 September 2007:</p>

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	<ul style="list-style-type: none"> ▪ neither it nor any related persons, directly or indirectly, solicit, invite, facilitate, encourage, or initiate any enquiries, negotiations or discussions or communicate any intention to do any of these things with any view to obtaining any offer, proposal or expression of interest, from any person in relation to any Competing Transaction (no shop obligations); ▪ neither it nor any related persons negotiate or enter into, or participate in any negotiations or discussions with any other person regarding, a Competing Transaction (no talk obligations); ▪ it promptly informs Helios if it receives an unsolicited approach with respect to a Competing Transaction, or any request for information which it has reasonable grounds to suspect may relate to a Competing Transaction (Approach); <p>Subject to the Directors' fiduciary and statutory duties, the Board of Gloucester Coal must not change its recommendation in favour of the Scheme in response to an Approach unless it first uses reasonable endeavours to provide Helios with 5 Business Days within which to match the terms of the Approach.</p>
<p>Limitations to no-talk obligation</p>	<p>No-talk obligations do not apply if Gloucester Coal's Board of Directors has determined that:</p> <ul style="list-style-type: none"> ▪ the Competing Transaction is from a person of reputable commercial standing and could reasonably be expected to become a superior proposal; and ▪ based on legal advice a failure to respond would involve a breach of fiduciary duties or would otherwise be unlawful.
<p>Break fee</p>	<p>A break fee of \$3.91 million (equivalent to 1% of Gloucester Coal's market capitalisation at the offer price) is payable by Gloucester Coal to Helios if:</p> <ul style="list-style-type: none"> ▪ a person (other than Helios) acquires a Relevant Interest of at least 50% of Gloucester Coal shares as a result of a takeover offer or other merger or similar transaction; or ▪ a person (other than Helios) directly or indirectly acquires all or a substantial part of Gloucester Coal's business (including by way of sale of assets, sale of shares or joint venture); or ▪ a person (other than Helios) acquires control of Gloucester Coal within the meaning of section 50AA of the Corporations Act or otherwise acquires or merges with Gloucester Coal; or ▪ a person (other than Helios) acquires or merges (including by a reverse takeover bid or dual listed company structure) with Gloucester Coal; or ▪ at any time before the Scheme Meeting, the Gloucester Coal Board makes a public statement withdrawing or adversely modifying their support or recommendation of the Scheme, other than in circumstances where: <ul style="list-style-type: none"> — Gloucester Coal validly terminates, or is entitled to terminate, the Agreement; — where the Scheme has not become effective due to non-fulfilment of conditions with respect to FIRB or competition approvals; or — an Independent Expert concludes in its report in relation to the Scheme (including any updates to such report) that the Scheme is not in the best

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	<p>interest of the Gloucester Coal shareholders; or</p> <ul style="list-style-type: none"> ▪ Gloucester Coal is in material breach of the Agreement which is not remedied in accordance with the Agreement; or ▪ all of the following are satisfied <ul style="list-style-type: none"> – a Gloucester Coal Prescribed Event or a Gloucester Coal Material Adverse Change occurs prior to 8.00am on the Second Court Date. – all of the following apply in relation to the Gloucester Coal Prescribed Event or the Gloucester Coal Material Adverse Change: <ul style="list-style-type: none"> • the prevention of the Gloucester Coal Prescribed Event or Gloucester Coal Material Adverse Change was within the control of Gloucester Coal; and • had the Gloucester Coal Prescribed Event or Gloucester Coal Material Adverse Change occurred prior to the date of the Agreement, the Gloucester Coal Prescribed Event or Gloucester Coal Material Adverse Change might reasonably be expected to have resulted in Helios not entering into the Agreement; and • Gloucester Coal has failed to rectify the Gloucester Coal Prescribed Event or Gloucester Coal Material Adverse Change within 10 Business Days after receipt of notice from Helios requiring Gloucester Coal to do so.
<p>Termination Rights</p>	<p>The MIA may be terminated at any time by:</p> <p>(a) either party if:</p> <ul style="list-style-type: none"> ▪ at any time prior the Second Court Date there is an unremedied material breach in respect of the other party; ▪ the Scheme has not become Effective on or before the End Date (other than as a result of a breach by that party of its obligations under the Agreement); ▪ the resolution submitted to the Scheme Meeting is not approved by the relevant majorities; ▪ the independent expert opines that the Scheme is not in the best interest of Gloucester shareholders; ▪ a court or other regulatory authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme taking effect; or ▪ the other party or any of their related bodies corporate becomes insolvent, <p>(b) by Helios if at any time prior to 8.00 am on the Second Court Date all the Gloucester directors change their recommendation that Gloucester shareholders vote in favour of the Scheme or otherwise make a public statement indicating that they no longer support the Scheme, and</p> <p>(c) by Gloucester if Helios ceases to be a subsidiary of Xstrata plc</p>



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