



## NEWS RELEASE

Zug, 6 May 2008

### **INTERIM MANAGEMENT STATEMENT AND Q1 PRODUCTION REPORT**

Following a year of record production and profitability in 2007, in the period from 1 January 2008 Xstrata's operating and financial performance continues to be strong and the company's financial position remains robust.

- First quarter copper, semi-soft coking coal, platinum, ferrochrome, mined zinc and lead production increased compared to the same period last year
- Solid production performances at the majority of operations were partially offset by adverse weather conditions in Queensland, Australia and South Africa which impacted all open pit coal producers and ongoing restrictions to electricity supply to the mining industry in South Africa. Lower grades, severe weather and maintenance shutdowns reduced mined production at our nickel operations
- Electricity supply to our South African operations continues to be restricted to approximately 90% of total demand, impacting ferrochrome and vanadium production and, to a lesser extent, South African thermal coal production. Xstrata continues to work closely with Eskom (South Africa's power utility) and is examining a number of alternative options to secure a cost effective supply of electricity to our operations over the medium term
- Constraints to industry supply growth and strong demand for commodities led to higher prices for most of Xstrata's key commodities compared to the first quarter of 2007, including substantial increases in copper, platinum, ferrochrome, thermal and coking coal prices
- The European benchmark ferrochrome price was settled at a record level of \$1.92 per pound for the second quarter
- Thermal coal contracts have been settled with long-term customers in Japan for the 2008/09 Japanese contract year at prices up to \$125 per tonne, an increase of 125% over the prior year
- Xstrata's hard coking coal contracts are yet to be settled, however spot prices for premium coking coal continue to trade at record levels. We are confident that contract prices in 2008 will significantly exceed prices achieved in 2007
- Average LME copper prices rose by 31% and platinum prices increased by 59% compared to the first quarter of 2007
- Nickel and zinc prices have softened from elevated levels in the early part of 2007, but prices remain well in excess of historical levels

- Following an approach by Vale in late 2007, Xstrata announced on 25 March that discussions with Vale regarding a potential combination of the two companies had been terminated by mutual agreement
- The Jubilee Mines nickel and Resource Pacific coal acquisitions announced in late 2007 completed on 22 February and 10 March respectively
- Xstrata Alloys' acquisition of the De Wildt property from Nkwe Platinum Limited was announced on 22 February and is expected to become unconditional during the second quarter of 2008
- In January, Xstrata Copper announced a 28% increase in the total estimated Mineral Resource at the Collahuasi copper mine in Chile. In March, a tonnage increase of 31% in total Mineral Resources was announced at the southern Peru division to over 1.6 billion tonnes of copper mineralisation
- On 3 March, Xstrata Coal announced the restructuring of its Douglas Tavistock Joint Venture (DTJV) with BHP Billiton Energy Coal South Africa (BECSA), resulting in Xstrata acquiring and managing the mining of reserves approximately equivalent to its 16% share of Douglas Tavistock, in an area contiguous to the 100% owned Arthur Taylor Colliery Open-Cast Mine (ATCOM) operations
- On 11 March, Xstrata Coal announced it had received the necessary approvals to commence mining operations at the 4.5 million tonnes per year Glendell open cut operation.

Half-yearly results for the six-month period to 30 June 2008 will be announced on 6 August 2008. The outlook for Xstrata's financial and operating performance in 2008 remains very positive.

#### **Xstrata contacts**

Claire Divver  
 Telephone: +44 20 7968 2871  
 Mobile: +44 7785 964340  
 Email: [cdivver@xstrata.com](mailto:cdivver@xstrata.com)

Pamela Bell  
 Telephone: +44 20 7968 2822  
 Mobile: +44 7799 626715  
 Email: [pbell@xstrata.com](mailto:pbell@xstrata.com)

#### **Investors & analysts**

Hanré Rossouw  
 Telephone: +44 20 7968 2820  
 Mobile: +44 7879 455885  
 Email: [hrossouw@xstrata.com](mailto:hrossouw@xstrata.com)

## Q1 2008 PRODUCTION

### Xstrata Alloys

First quarter chrome production increased by 4% compared to the same period in 2007, following the return of all previously idled capacity to production during 2007. However, the full benefit of returning all furnaces to production has been partially offset by reduced electricity supply to operations from Eskom, as part of a national energy shortage in South Africa. The Lion ferrochrome complex which was commissioned last year has continued its ramp up, using the Premus technology which is approximately 35% more energy efficient than conventional industry ferrochrome smelting processes.

Platinum group metals (PGM) volumes increased by 128% as a result of the Eland Platinum acquisition and the successful commissioning of the Elandsfontein operation in the fourth quarter of 2007.

### Chrome

	Q1 2008	Q1 2007	Year ended 31.12.07
Attributable saleable production (kt)	<b>305</b>	292	1,219
Indicative average published price (US¢/lb) ( <i>Metal Bulletin</i> )	<b>121.0</b>	75.0	89.3

### Vanadium

	Q1 2008	Q1 2007	Year ended 31.12.07
Consolidated* saleable ferrovandium production (k kg)	<b>1,057</b>	1,003	4,280
Consolidated* saleable vanadium pentoxide (k lb)	<b>4,520</b>	4,148	18,870
Indicative average published price ferrovandium (US¢/kg) ( <i>Metal Bulletin</i> )	<b>68.05</b>	34.64	37.17
Indicative average published price vanadium pentoxide (US¢/lb) ( <i>Metal Bulletin</i> )	<b>12.65</b>	6.64	7.40

\* Consolidated 100%

### Platinum Group Metals

	Q1 2008	Q1 2007	Year ended 31.12.07
Consolidated** saleable production (oz)			
Platinum	<b>27,161</b>	10,803	57,303
Palladium	<b>13,066</b>	6,408	32,618
Rhodium	<b>3,158</b>	1,814	9,294
Average LBM prices (\$/oz)			
Platinum	<b>1,892</b>	1,190	1,337
Palladium	<b>447</b>	343	355
Rhodium	<b>8,151</b>	5,848	6,201

\*\* Consolidated 100% of Eland and 50% of Mototolo

## Xstrata Coal

Total consolidated production of 18.5 million tonnes was 4% lower than the first quarter of 2007, primarily due to lower thermal coal production in Australia. In Queensland, thermal coal production from open pit operations was impacted by flooding and heavy rains from February. Force majeure was declared on a number of contracts from the Newlands-Collinsville-Abbots Point (NCA) complex and Rolleston operations in mid-February. By 8 March, Rolleston had lifted force majeure on all contracts and production has now returned to normal levels. The situation remains under review at the NCA complex. Production was switched from thermal to higher value semi-soft coking coal production in New South Wales to take advantage of strong prices, resulting in an increase of over 40% in semi-soft production and a slight decline in thermal production compared to the first quarter last year.

Lower production of thermal coal at the South African operations due to heavy rains in January was more than offset by increased production at the Cerrejón mine in Colombia as this operation ramps up to reach an annual rate of 32 million tonnes per annum by mid 2008. Australian coking production was 0.2 million tonnes lower than in the previous year, predominantly due to the timing of longwall moves at the Oaky Creek complex.

### PRODUCTION DATA

	Q1 2008	Q1 2007	Year ended 31.12.07
Total consolidated production (million tonnes)	<b>18.5</b>	19.2	82.8
Australian coking	<b>1.0</b>	1.2	6.8
Australian semi-soft coking	<b>1.7</b>	1.2	6.4
Australian thermal	<b>7.8</b>	9.0	35.0
South African thermal*	<b>5.4</b>	5.6	24.7
Americas thermal	<b>2.6</b>	2.2	9.9
Average received export FOB coal price (\$/t)			
Australian coking	<b>132.8</b>	104.5	98.1
Australian semi-soft coking	<b>71.4</b>	60.2	62.5
Australian thermal	<b>65.3</b>	46.0	51.2
South African thermal	<b>68.4</b>	49.5	51.7
Americas thermal	<b>65.1</b>	52.0	52.3

\* For production reporting DTJV is included for the full 3 months. For financial reporting DTJV will be excluded from Xstrata Coal's ex-mine results as a result of the DTJV re-structuring announced on 3 March 2008.

## Xstrata Copper

Total mined copper production increased by 2% across the five operating divisions compared to the corresponding period last year. Despite difficult weather conditions, production increased at Collahuasi due to the full operation of the milling circuits, compared to the first quarter of 2007 during which major repairs to the main SAG mill motor impacted ore throughputs. Higher grades and increased mill throughput increased production at Ernest Henry mine. These production improvements more than compensated for slightly lower production at all other operations. Gold production increased as a result of higher ore grades at Minera Alumbra and improved performance at Ernest Henry. Lower concentrate processing at Mount Isa resulted in slightly lower cathode production.

**PRODUCTION DATA**

(tonnes)	Q1 2008	Q1 2007	Year ended 31.12.07
Total mined copper production (t) (contained metal)	<b>219,978</b>	216,190	986,663
Total mined gold production (oz) (contained metal)	<b>177,172</b>	146,620	777,257
Total copper cathode (t)	<b>204,808</b>	206,498	802,271
Average LME copper price (US\$/t)	<b>7,796</b>	5,933	7,139
Average LBM gold price (US\$/t)	<b>927</b>	650	697

**Xstrata Nickel**

Total mined production in the first quarter of 2008 decreased by 15% compared to the same period last year. Reduced mined production was more than offset by the purchase of third party custom feeds, which led to a slight increase in refined nickel production compared to the same period in 2007. In Northern Canada, production was impacted by severe weather conditions and a planned shutdown at Raglan in the first quarter. The Sudbury operations were impacted by a planned hoist changeover at Fraser mine and lower grades as some operations approach the end of mine life. Planned maintenance shutdowns in early 2008 at Falcondo reduced ferronickel production.

Xstrata Nickel Australasia, a new operating division following the acquisition of Jubilee Mines NL in February 2008, accounted for around 800 tonnes of mined nickel in the first quarter of 2008. The integration of the acquisition is proceeding well with the main focus being the optimisation of the mine planning schedule and increased drilling activity to enable production to ramp up to the targeted annual rate of 30,000 tonnes by 2012.

**PRODUCTION DATA**

(tonnes)	Q1 2008	Q1 2007	Year ended 31.12.07
Total mined nickel production (t) (contained metal)	<b>11,785</b>	13,847	52,108
Total mined ferronickel production (t) (contained metal)	<b>6,866</b>	7,237	29,130
Total mined copper production (t) (contained metal)	<b>6,789</b>	7,991	31,425
Total mined cobalt production (t) (contained metal)	<b>315</b>	363	1,412
Total refined nickel production (t) (payable metal)	<b>28,531</b>	28,482	116,720
Average LME nickel price(US\$/t)	<b>28,957</b>	41,440	37,089
Average LME copper price (US\$/t)	<b>7,796</b>	5,933	7,139
Average Metal Bulletin cobalt low grade price (US\$/lb)	<b>45.63</b>	25.14	27.70

**Xstrata Zinc**

Zinc in concentrate and lead metal production was maintained at a similar level to the first quarter of 2007. Zinc metal production decreased by 4% due to the failure of one transformer at San Juan de Nieva plant. Lead in concentrate production increased by 21%, primarily due to higher mill throughput, increased grades and improved lead concentrator recoveries at Mount Isa compared to the same period of 2007.

**PRODUCTION DATA**

(tonnes)	<b>Q1 2008</b>	Q1 2007	Year ended 31.12.07
Total zinc in concentrate production (t)	<b>182,702</b>	181,807	735,555
Total zinc metal production (t)	<b>205,682</b>	214,623	843,726
Total lead in concentrate production (t)	<b>64,572</b>	53,551	213,735
Total lead metal production (t)	<b>57,374</b>	57,734	190,168
Average LME zinc price (US\$/t)	<b>2,426</b>	3,460	3,257
Average LME lead price (US\$/t)	<b>2,891</b>	1,787	2,594