



## NEWS RELEASE

Zug, 21 October 2008

# INTERIM MANAGEMENT STATEMENT AND Q3 PRODUCTION REPORT

## Highlights

- Ferrochrome, thermal coal, platinum, mined nickel, zinc in concentrate and lead production volumes increased in the third quarter compared to the same period in 2007
  - A 19% increase in thermal coal volumes on the comparative third quarter period was achieved through productivity improvements at the New South Wales operations and the ramp-up to 32 million tonnes at the Cerrejón mine in Colombia
  - The ramp up of the Elandsfontein mine increased platinum volumes by 158% during the third quarter of 2008 compared to the same period in 2007
- In the light of lower commodity prices and higher input costs, Xstrata acted quickly to suspend its Falcondo ferronickel operation in the Dominican Republic and closed its Lennard Shelf zinc mine, owned in joint venture with Teck Cominco, in Western Australia
- The European benchmark ferrochrome price was settled at \$1.85 per pound for the fourth quarter. Mid-term coal negotiations with key Japanese generators were concluded in October at prices up to \$145 per tonne
- On 6 August, Xstrata proposed a cash offer for Lonmin plc and acquired 10.68% of Lonmin's issued share capital. Xstrata subsequently announced on 1 October that it did not intend to make an offer for Lonmin, in light of the current unprecedented uncertainty in the financial markets and due to the requirement in the proposed terms of the acquisition debt facility to refinance a significant tranche in the short term. On the same day, Xstrata increased its stake in Lonmin, to bring its total interest to 24.9% of Lonmin's issued share capital
- Xstrata Copper's offer for Indophil Resource NL, its minority partner in its Tampakan project in the Philippines, expired on 29 August. On 5 September, Xstrata Copper acquired from Lion Selection Limited a 17.83% stake in Indophil Resources NL, taking Xstrata's stake to 19.9%
- On 1 October, Xstrata secured a new three-year revolving facility of \$5 billion to refinance existing debt and for general corporate purposes. As a result, Xstrata has no significant debt refinancing requirements until 2011.

In the period from 1 July 2008 Xstrata's operating and financial performance continues to be strong and the company's financial position remains robust. Xstrata's preliminary results for the year ending 31 December 2008 will be announced on 3 March 2009.

### **Xstrata contacts**

Claire Divver

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

Investors & analysts

Hanré Rossouw

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

Pamela Bell

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

*This Interim Management Statement has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules and should not be relied on by any other party or for any other purpose.*

## Q3 2008 PRODUCTION DATA

### Xstrata Alloys

Chrome production increased by 4% in the third quarter compared to the same period in 2007. The increase was achieved as a result of the ramp up of the new energy efficient Lion smelter and the full three month contribution from previously idled capacity, which had been gradually returned to production during the first half of 2008. The full benefit of additional capacity was partially offset by planned and extended furnace shutdowns in response to reduced electricity supply from Eskom (South Africa's power utility), as a result of industry-wide energy restrictions in South Africa. Reduced power supply also affected ferromanganese volumes, which fell by 8% compared to the same quarter in 2007.

Platinum volumes increased by 158% reflecting the ramp up of the Elandsfontein mine and concentrator, which reached steady state phase one production ahead of schedule in June.

<b>Chrome</b>	<b>Q3 2008</b>	Q3 2007	<b>Nine months to 30.09.08</b>	Nine months to 30.09.07
Attributable saleable production (kt)	<b>308</b>	297	<b>923</b>	895
Indicative average published price (US\$/lb) ( <i>Metal Bulletin</i> )	<b>205</b>	99	<b>173</b>	85

<b>Vanadium</b>	<b>Q3 2008</b>	Q3 2007	<b>Nine months to 30.09.08</b>	Nine months to 30.09.07
Consolidated* saleable ferromanganese production (k kg)	<b>1,026</b>	1,120	<b>2,554</b>	3,175
Consolidated* saleable vanadium pentoxide (k lb)	<b>4,803</b>	4,925	<b>11,730</b>	14,173
Indicative average published price ferromanganese (US\$/kg) ( <i>Metal Bulletin</i> )	<b>64.11</b>	37.34	<b>68.42</b>	37.16
Indicative average published price vanadium pentoxide (US\$/lb) ( <i>Metal Bulletin</i> )	<b>15.74</b>	7.50	<b>14.82</b>	7.35
* Consolidated 100%				

<b>Platinum Group Metals</b>	<b>Q3 2008</b>	Q3 2007	<b>Nine months to 30.09.08</b>	Nine months to 30.09.07
Consolidated** saleable production (oz)				
Platinum	<b>36,250</b>	14,068	<b>100,767</b>	35,687
Palladium	<b>16,818</b>	8,295	<b>47,444</b>	21,068
Rhodium	<b>4,850</b>	2,449	<b>12,906</b>	6,133
Average LBM prices (\$/oz)				
Platinum	<b>1,542</b>	1,292	<b>1,822</b>	1,261
Palladium	<b>331</b>	348	<b>407</b>	353
Rhodium	<b>6,831</b>	6,068	<b>8,167</b>	6,013
** Consolidated 100% of Eland and 50% of Mototolo				

## Xstrata Coal

In the third quarter of 2008, total consolidated production of 23.5 million tonnes was up by 12% on the same quarter in 2007. Thermal coal volumes increased by 19%, benefiting from enhanced productivity at the New South Wales operations, specifically Ulan and Mount Owen. Coking and semi-soft coal production declined slightly over the same period due to pit sequencing and the timing of longwall moves.

Production from the South African operations remained consistent with the comparable period in 2007. Production at Cerrejón in Colombia continues to increase, as the operation ramps up to an annual run rate of 32 million tonnes per annum.

<b>Production Data</b>	<b>Q3 2008</b>	Q3 2007	<b>Nine months to 30.09.08</b>	Nine months to 30.09.07
Total consolidated production (million tonnes)	<b>23.5</b>	20.9	<b>63.1</b>	59.0
Australian coking	<b>1.8</b>	2.1	<b>5.0</b>	4.4
Australian semi-soft coking	<b>1.4</b>	1.8	<b>4.7</b>	4.5
Australian thermal	<b>11.4</b>	8.5	<b>28.3</b>	25.9
South African thermal*	<b>6.1</b>	6.0	<b>17.1</b>	17.0
Americas thermal	<b>2.8</b>	2.5	<b>8.0</b>	7.2
Average received export FOB coal price (\$/t)				
Australian coking	<b>313.8</b>	93.9	<b>208.3</b>	99.3
Australian semi-soft coking	<b>245.8</b>	63.4	<b>149.0</b>	61.6
Australian thermal	<b>107.6</b>	53.1	<b>89.6</b>	50.0
South African thermal	<b>87.4</b>	52.7	<b>79.9</b>	50.6
Americas thermal	<b>86.0</b>	50.9	<b>76.2</b>	51.8

\* For production reporting DTJV is included for the full nine months to September 2008.

## Xstrata Copper

Third quarter production improved by 5% compared to the second quarter as planned production improvements started to flow through. Mined copper production was 8% lower than the strong production achieved in the same period in 2007. Production was affected by lower volumes from Collahuasi due to a number of reasons including maintenance issues at the filter plant, an unplanned 14 day shutdown at the SAG mill and metallurgical difficulties in the concentrator, as well as lower grades from Minera Alumbraera, which together offset the improving performance of the majority of Xstrata Copper's operations.

Total refined copper production increased by 17% as the Townsville refinery treated a higher tonnage of mined copper processed at Mount Isa, while the Horne smelter and CCR refinery in Canada received and treated higher levels of custom feed.

<b>Production Data</b>	<b>Q3 2008</b>	Q3 2007	<b>Nine months to 30.09.08</b>	Nine months to 30.09.07
Total mined copper production (t) (contained metal)	<b>234,615</b>	255,806	<b>674,999</b>	704,942
Total mined gold production (oz) (contained metal)	<b>141,478</b>	219,952	<b>473,166</b>	541,152
Total copper cathode (t) (from mined and third party material)	<b>212,635</b>	182,398	<b>626,642</b>	586,414
Average LME copper price (US\$/t)	<b>7,680</b>	7,713	<b>7,973</b>	7,096
Average LBM gold price (US\$/t)	<b>869</b>	681	<b>898</b>	666

## Xstrata Nickel

Total mined nickel production in the third quarter of 2008 increased by 17% compared to the third quarter of 2007, mainly due to the inclusion of Xstrata Nickel Australasia, formed following the acquisition of Jubilee Mines in January 2008. A slight decrease in mined production at the Sudbury and Raglan operations in the third quarter was due to lower grades from Sudbury as some operations approach the end of mine life and anticipated lower grades at Raglan. Craig Mine in Sudbury will be replaced by the new Nickel Rim South mine, which is on track to commence production in 2009. Grades at Raglan are expected to improve in early 2009. Increased volumes of third party feed offset lower mined production from the Canadian operations and led to a 3% increase in nickel production at the Nikkelverk refinery.

In August, the Falcondo operation in the Dominican Republic announced a temporary maintenance shutdown due to the combination of high oil prices, which represent the majority of the site's costs, and lower nickel prices. As a result, ferronickel production in the third quarter decreased by 42% compared to the same period in 2007.

<b>Production Data</b>	<b>Q3 2008</b>	Q3 2007	<b>Nine months to 30.09.08</b>	Nine months to 30.09.07
Total mined nickel production (t) (contained metal)	<b>13,620</b>	11,665	<b>40,230</b>	40,014
Total mined ferronickel production (t) (contained metal)	<b>4,387</b>	7,595	<b>18,782</b>	22,344
Total mined copper production (t) (contained metal)	<b>6,935</b>	7,547	<b>22,150</b>	24,668
Total mined cobalt production (t) (contained metal)	<b>323</b>	318	<b>1,006</b>	1,073
Total refined nickel production (t) (payable metal)	<b>22,621</b>	21,905	<b>66,195</b>	64,776
Average LME nickel price(US\$/t)	<b>18,961</b>	30,205	<b>24,533</b>	39,900
Average LME copper price (US\$/t)	<b>7,680</b>	7,713	<b>7,973</b>	7,096
Average Metal Bulletin cobalt low grade price (US\$/lb)	<b>31.65</b>	25.47	<b>40.86</b>	26.03

## Xstrata Zinc

Zinc in concentrate production increased by 30% during the third quarter of 2008 due to the expansion of the Australian operations and the commencement, on 1 July, of production at the new Perseverance mine in Canada. Increased production was achieved despite the announcement on 14 July of the closure of the Xstrata Zinc-Teck Cominco joint venture Lennard Shelf mine in Western Australia. The operation was closed due to the decline in zinc and lead prices, the appreciation of the Australian dollar and increased energy and labour costs which made the operation uneconomic. Lennard Shelf's mining and milling operations ceased in early August.

Total zinc metal production was slightly reduced due to the failure of a transformer at the San Juan de Nieva smelter.

Expansions, higher grades and improved concentrator recoveries at the Australian operations led to higher lead in concentrate production during the third quarter of 2008. Increased volumes of Mount Isa lead concentrate refined at Northfleet in turn contributed to higher lead metal production, up 18% on the comparable period in 2007.

<b>Production Data</b>	<b>Q3 2008</b>	Q3 2007	<b>Nine months to 30.09.08</b>	Nine months to 30.09.07
Total zinc in concentrate production (t)	<b>241,881</b>	185,634	<b>622,659</b>	562,678
Total zinc metal production (t)	<b>208,818</b>	210,595	<b>620,761</b>	631,193
Total lead in concentrate production (t)	<b>64,392</b>	51,745	<b>192,145</b>	161,532
Total lead metal production (t)	<b>46,273</b>	39,177	<b>159,745</b>	138,710
Average LME zinc price (US\$/t)	<b>1,773</b>	3,238	<b>2,101</b>	3,452
Average LME lead price (US\$/t)	<b>1,913</b>	3,142	<b>2,366</b>	2,373

*Ends*