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Zug, 29 January 2009

NEWS RELEASE

**PROPOSED 2 FOR 1 RIGHTS ISSUE TO RAISE APPROXIMATELY
£4.1 BN (APPROXIMATELY \$5.9 BN)**

PROPOSED ACQUISITION OF PRODECO COAL OPERATIONS

Highlights

- 2 for 1 fully underwritten Rights Issue of approximately 1.96 billion New Shares at £2.10 per share to raise approximately £4.1 billion (approximately \$5.9 billion) (before costs), to repay debt
- One of a series of pro-active measures in response to challenging operating conditions and uncertain near-term outlook to strengthen Xstrata's financial position
- Post Rights Issue net debt to reduce to approximately \$12.6 billion, with gearing of less than 30%, at the lower end of the target range
- Proposed Acquisition of the world-class Prodeco thermal coal assets from Glencore, for a cash consideration of \$2 billion

Commenting, Mick Davis, Xstrata Chief Executive said:

"The significant and extensive range of actions being taken across Xstrata to optimise cash, together with our actions in May and October to refinance short-term debt, have provided the Group with significant headroom, comfortable interest cover and no significant debt refinancing requirements until 2011.

"Nonetheless, it is clear that, while appropriate for market conditions experienced in the first three quarters of 2008 and indeed in the past few years, in the aftermath of an unprecedented financial crisis, Xstrata's absolute level of debt is now perceived as a potential constraint on the Group, given the uncertainty that exists over the near-term outlook for commodities.

“Our announcement today of a proposed 2 for 1 Rights Issue to raise approximately £4.1 billion (approximately \$5.9 billion) excluding costs, will provide a significant injection of capital, mitigate the risks presented by the current uncertainty and remove this potential constraint.

“In addition, the planned Rights Issue, together with Glencore’s ongoing support for Xstrata, have provided Xstrata with an opportunity to acquire Glencore’s world-class, cash generative Prodeco coal operations in Colombia for a consideration of \$2 billion. These low-cost, premier quality operations benefit from significant growth potential and will consolidate Xstrata Coal’s global leadership in thermal coal and strengthen our strategic position in Colombia, to supply both the European and US markets.

“However, Xstrata and Glencore failed to reach full agreement on an appropriate valuation of the Prodeco assets and as a result the transaction includes a Call Option, under which Glencore may buy back the Prodeco assets from Xstrata at any point up to the first anniversary of the closing date, for a total cash consideration of \$2.25 billion, plus the net balance of any cash invested by Xstrata and any profits accrued but not distributed to Xstrata. The Call Option Agreement ensures that, should the option be exercised, Glencore will pay a repurchase price that adequately compensates Xstrata’s Shareholders for the option granted. In my view, these arrangements are fair to both parties and at the same time facilitate an orderly Rights Issue process, which is to the benefit of all of Xstrata’s Shareholders.

“The primary objective of the Rights Issue we have announced today is to ensure that Xstrata remains financially robust during current challenging market conditions and going forward, given the lack of visibility into near-term economic conditions. Looking through the prevailing period of uncertainty to the return of a more benign environment, the proposed capital raising also provides the Group with an enhanced platform from which, at the appropriate time, to initiate the next stage of Xstrata’s growth.

“Xstrata continues to operate a suite of cash generative operations across a broad range of geographies, with excellent growth potential and a strong competitive position in each of its key commodity markets. Against a background of strong medium to longer term fundamentals for the Group’s products and near-term actions to secure Xstrata’s financial position, I am confident that the prospects for Xstrata remain very encouraging.”

Rights Issue

The proceeds of the Rights Issue will be used to repay existing debt, including debt drawn under the Group’s existing facilities to finance the Proposed Acquisition. As a result, net debt is expected to reduce to approximately \$12.6 billion, with gearing (defined as net debt to net debt plus equity) of less than 30%.

The Issue Price of £2.10 per New Share represents a discount of approximately 40% to the theoretical ex-rights price (TERP) of £3.48 per Ordinary Share and a discount of approximately 66% to the Closing Price of £6.23 on 28 January 2009.

Glencore, Xstrata’s major Shareholder with an interest of approximately 34.5%, has provided irrevocable undertakings to take up its rights in full, and the remainder of the Rights Issue has been fully underwritten. The issue of New Shares will be subject to Shareholder approval, in respect of which Glencore has also irrevocably undertaken to vote in favour.

The Rights Issue is one of a series of ongoing, decisive measures taken by Xstrata management to strengthen its financial position in response to the financial crisis and ensuing economic downturn. These initiatives include:

- suspending or closing higher cost or unprofitable production, including the Lennard Shelf zinc-lead joint venture and the Falcondo ferronickel operation;
- reducing production at existing operations to respond to weaker demand, including the suspension of 80% of the Xstrata-Merafe Chrome Venture's annual production capacity and suspending longwall operations at Oaky No. 1 coking coal mine;
- continuing to drive down operating costs across Xstrata's commodity businesses through restructurings, productivity improvements and commencement of lower cost supply;
- improved working capital management, with approximately \$1 billion of cash released in the second half of 2008; and
- substantially reducing discretionary sustaining and expansionary capital expenditure, with approximately \$3 billion identified for 2009, whilst retaining the Group's growth options.

In addition to these commodity-business led initiatives, on 1 October 2008, Xstrata entered into a \$5 billion Club Facility to refinance and extend the maturity of the Group's existing debt portfolio and provide further headroom. On 2 January 2009, the Club Facility was increased by an additional \$459 million to approximately \$5.46 billion.

In light of the proposed capital raising, the Board has decided not to declare a final dividend for 2008. The total dividend for the year is therefore 18 cents per share, paid as the interim dividend on 10 October 2008. The Board intends to resume dividend payments to Shareholders at the earliest opportunity, while seeking to maintain a prudent capital structure against the backdrop of the macroeconomic climate and the Group's cash flow, capital requirements and dividend cover.

Including the proceeds from the Rights Issue, after the acquisition of Prodeco, the combined impact of the actions taken by the Group to conserve cash and reduce operating and capital costs will add over \$7 billion and ensure that Xstrata maintains a robust financial position, even in the event of an unexpectedly prolonged period of depressed commodity prices. This is in line with the Xstrata Group's firm commitment to retain an investment grade balance sheet throughout the economic cycle.

Xstrata's management will continue to focus on taking decisive action with a view to ensuring that Xstrata's businesses remain cash positive and financially robust, including, where necessary, further reductions in capital expenditure, the suspension or closure of unprofitable or high cost operations and the optimisation of operating costs and working capital.

Acquisition of Prodeco

Xstrata has conditionally agreed to acquire the Prodeco Business from Glencore, for a consideration of \$2 billion, to be satisfied in cash on the Prodeco Closing Date. The Prodeco Business is a strategically attractive asset with excellent growth potential that will add significant long-term value to Xstrata.

As part of the Proposed Acquisition, Xstrata has conditionally agreed to grant Glencore a Call Option to repurchase the Prodeco Business at any time up to the business day following the first anniversary of the Prodeco Closing Date. The aggregate consideration payable by Glencore on exercise of the Call Option is \$2.25 billion, plus all profits of the Prodeco Business accrued and not distributed to the Xstrata Group and any cash paid into the Prodeco Business by Xstrata, less any amounts distributed by Prodeco to the Xstrata Group, in each case in the period since 1 January 2009.

The Prodeco Business comprises Glencore's Colombian high grade thermal coal mining operations and associated infrastructure. The acquisition of the Prodeco Business will provide Xstrata with access to a high quality, low cost thermal coal complex with excellent growth potential in a strategically attractive region with the ability to supply the European and North American energy markets.

The Proposed Acquisition will add significant value to the Xstrata Group by:

- enhancing the Xstrata Group's industry leading thermal coal portfolio through the addition of long-life high-quality thermal coal assets;
- consolidating the Xstrata Group's strategic position in Colombia, enhancing Xstrata's competitive position in the important European market and positioning the business for growth in the United States market for low-sulphur, high-quality thermal coal imports;
- offering significant further brownfield growth potential from the purchased assets and optionality through future growth opportunities in the region; and
- leveraging Xstrata Coal's management expertise and operational experience to deliver operational upside through productivity and technical enhancements.

The Effective Date for the acquisition will be 1 January 2009.

Since Xstrata's substantial Shareholder, Glencore, is the vendor of the Prodeco Business, the Proposed Acquisition is a related party transaction for the purposes of the Listing Rules, and requires independent Shareholder approval. The Rights Issue and the Proposed Acquisition are inter-conditional. Shareholder approval for the Proposed Acquisition and for the resolutions required for the Rights Issue will be sought at an Extraordinary General Meeting to be held in early March 2009. A Circular including the notice convening the Extraordinary General Meeting and a Prospectus in connection with the Rights Issue and the Proposed Acquisition are expected to be published within the next week.

JPMorgan Cazenove and Deutsche Bank are acting as joint sponsors, joint financial advisers and joint brokers to Xstrata and J.P. Morgan Securities Ltd. and Deutsche Bank are joint underwriters of the Rights Issue. Rothschild is acting as independent financial adviser to Xstrata in connection with the Proposed Acquisition.

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Capitalised terms used in this announcement have the meanings ascribed to them in the Appendix – “Definitions”.

Background and market conditions

Xstrata continues to believe that the long-term positive trend for increased demand for metals and energy remains intact, driven by the ongoing industrialisation of developing economies and the urbanisation of over 20 million people per annum in China and India and over 65 to 70 million people globally at current rates. Long-term positive demand trends of this nature result in higher average commodity prices than historical averages in real terms, as new supply struggles to keep pace with increasing demand from emerging economies.

Against this background of a medium to longer term positive demand trend in commodity prices, economic growth in the western world has been slowing since late 2007 and is widely expected to continue to slow in 2009, impacting short-term demand growth for commodities. However, the additional impact of the financial crisis, which escalated rapidly in mid-September 2008 with the failure of several major financial institutions and a severe liquidity shortage in global financial markets, has caused an unexpectedly sudden and severe slowdown in developed economies, many of which are now widely agreed to be in recession. Demand for exports from Asia into these western economies has also been impacted, causing gross domestic product growth to slow in many emerging economies, including China, albeit from historically high double digit growth rates. These conditions have led to a lack of visibility and consequent destocking and production curtailments amongst key consumers of basic commodities, leading in turn to a steep decline and pronounced volatility in the price of most commodities, in particular LME-traded base metals.

Current trading and prospects

Robust demand for commodities and stable economic conditions in the first half of 2008 were interrupted by the severe and sudden impact of the global financial crisis on the availability of liquidity and expectations for global economic growth.

While zinc and nickel prices were markedly lower in the first half of 2008 compared to the record high levels of 2007, copper prices traded at or near historic highs in the early part of 2008 and very tight coking and thermal coal markets supported record spot and contract settlements. As the full scale of the global crisis became evident, ultimately culminating in the failure of several financial institutions and a paralysis of credit markets in the autumn, commodity prices declined dramatically.

Overall, unaudited revenue in Xstrata's 2008 Preliminary Results for the year to 31 December 2008 declined marginally compared to 2007 to \$28 billion. Unaudited earnings before interest, tax, depreciation and amortisation decreased by 11% to \$9.7 billion compared to the record profits achieved in 2007, with unaudited earnings before interest and tax from operations 17% lower at \$7.3 billion. The impact of lower prices on Xstrata's earnings was contained to \$49 million, as lower base metal prices were largely offset by the benefit of record coal contracts in 2008 and strong prices for Xstrata Alloys' products. The US dollar strengthened against most currencies, with particularly material increases against the currencies of commodity-based economies, adding \$304 million to EBIT compared to the prior year. However, as with prior years, the headwinds of higher industry input costs together with consumer price inflation continued to erode earnings by \$702 million compared to 2007, as cost depreciation lagged the sharp declines in commodity prices and economic conditions.

The financial crisis has produced a marked lack of visibility into future economic activity, and as such, the outlook for 2009 is uncertain. The Directors believe that there will be increased investment in infrastructure in 2009 compared with the second half of 2008, reflecting the significant stimulus packages announced by many major governments. These stimulus packages, in particular in China, the US and Germany, include substantial allocations to infrastructure development, a particularly commodity intensive form of investment.

In the medium term, the current shortage of capital and poor short-term visibility is delaying further the introduction of new production capacity to replace ageing mines with falling grades and increasingly difficult mining conditions due to the delay and cancellation of organic growth projects by major producers and the inability of the junior sector — which traditionally identifies new supply— to raise new finance. The Company believes that, when OECD economies return to a growth phase, the impact of synchronised demand growth from developed and emerging economies, coupled with greater commodity supply constraints resulting from lower inventories and a lack of investment during the financial crisis, has the potential to lead to a rapid increase in the demand for and prices of commodities, resulting in substantial cash flows and margin expansion for those metals and mining companies which have weathered the current challenging conditions.

Xstrata's near-term strategy is to:

- use the current downturn to reposition its operations lower on the cost curve;
- optimise cash in the short term to ensure the Company remains financially robust with an investment grade balance sheet even under a scenario in which the period of uncertainty is unexpectedly prolonged; and
- position Xstrata to emerge from the current downturn in a position of strength and, at the appropriate time, seize the most value-accretive growth opportunities presented by the current dislocation of market values and underlying valuations.

Xstrata's Board continues to believe that demand for commodities, and consequently commodity prices, are experiencing a long term positive secular trend, driven by the ongoing industrialisation of a number of developing Asian economies and in particular China. Given the positive medium to longer term outlook for commodity demand and prices and in view of the actions taken by Xstrata management to optimise cash and enhance the Group's financial flexibility, the Directors believe that the prospects for Xstrata remain very encouraging.

Benefits and financial impact of the Rights Issue and the Proposed Acquisition

The Rights Issue

The proceeds of the Rights Issue will enable Xstrata to repay existing debt and debt associated with the Proposed Acquisition. The drawn amount under the Group's recently increased \$5.46 billion revolving Club Facility will be repaid in full. The balance of the net proceeds of the Rights Issue will be used to repay in part the drawn amount under the Group's \$4.68 billion Syndicated Facility.

Including the proceeds from the Rights Issue net of the Prodeco acquisition, the combined impact of the actions taken by the Group to conserve cash and reduce operating and capital costs will add over \$7 billion and ensure that Xstrata maintains a robust financial position, even in the event of an unexpectedly prolonged period of depressed commodity prices, in line with the Xstrata Group's firm commitment to retain an investment grade balance sheet. Following the Rights Issue Xstrata's gearing is expected to decline to less than 30% (on a net debt to net debt plus equity basis), at the lower end of Xstrata's long-term target range of 30% to 35%.

Equally, these actions position Xstrata to emerge from the current downturn with a strengthened balance sheet and an enhanced platform from which, at the appropriate time, to initiate the next stage of the Group's growth. A number of opportunities are beginning to emerge as a result of the dislocation of market values from underlying company valuations and the distressed or forced sale of attractive, cash generative assets or projects. Once visibility into the outlook for commodity prices and cash flows improves, Xstrata will continue to use its proven ability to identify and execute the most value-accretive acquisition opportunities, seeking to improve the strategic positioning of its business units and the Group as a whole. Xstrata will continue to take a highly disciplined approach to any future acquisition, in which the creation of Shareholder value and a prudent approach to funding and capital structure will remain the Xstrata Board's primary considerations.

The Proposed Acquisition

The total consideration payable by the Xstrata Group in respect of the Proposed Acquisition is \$2 billion, plus interest at LIBOR plus 1.5% for the period from the Effective Date to Prodeco Closing. The profits and losses of the Prodeco Business from the Effective Date to Prodeco Closing are for the account of the Xstrata Group. The Prodeco Business is being purchased on a debt-free basis and the consideration will be funded from the Xstrata Group's existing Club Facility.

As part of the Proposed Acquisition, the Xstrata Group has conditionally agreed to grant Glencore a Call Option to repurchase the Prodeco Business which can be exercised at any time up to the business day following the first anniversary of the Prodeco Closing Date. The aggregate consideration payable by Glencore International under the Call Option Agreement upon exercise of the Call Option is \$2.25 billion, plus all profits of the Prodeco Business accrued and not distributed to the Xstrata Group and any cash paid into the Prodeco Business by the Xstrata Group less any amounts distributed by the Prodeco Target Companies to the Xstrata Group, in each case in the period since the Effective Date. The Xstrata Group will retain the economic benefit of profits generated by the Prodeco Business, prior to exercise of the Call Option, should this take place.

During the period in which the Call Option may be exercised, under IFRS the Prodeco Business will, due to the existence of certain restrictive covenants governing Xstrata's management of the Prodeco Business, be accounted for by the Enlarged Group as a financial asset. As a result, until the expiration of the Call Option, any income generated by the Prodeco Business will be recognised in the Enlarged Group's consolidated income statements as finance income and, accordingly, will not contribute to EBITDA and will not, therefore, be taken into account for purposes of assessing the Enlarged Group's compliance with the covenants contained in the Debt Facilities Agreements. Following the expiration of the Call Option, the Prodeco Business's

earnings will be consolidated into Xstrata Coal's (and hence, the Enlarged Group's) earnings. Should Glencore exercise the Call Option, the amount in excess of the purchase consideration will constitute finance income.

Information on Prodeco

The Prodeco Business comprises Glencore's Colombian high-grade thermal coal mining operations and associated infrastructure. It consists of two open pit coal mining operations (the Calenturitas and La Jagua complexes), export port facilities and a 39.8% share in a railway.

As at 1 September 2008 the Prodeco Business had a saleable reserve base in excess of 250 Mt. The Prodeco Business is currently the third largest producer of export thermal coal in Colombia, in 2008 producing 9 Mt of export thermal coal predominantly for the European and United States power generation markets. It plans to increase export thermal coal production to 17 Mtpa by 2013.

The consolidated gross assets of the Prodeco Business as at 31 October 2008 were \$1,049 million and as at 31 December 2007 were \$872 million. In the 10-month period ended 31 October 2008, the Prodeco Business recorded consolidated profit of \$41 million and, in the 12 months ended 31 December 2007, the Prodeco Business recorded consolidated profit of \$46 million. The Prodeco Business financial information presented above has been extracted without material adjustment from the unaudited interim accounts prepared under IFRS as at and for the 10-month period ended 31 October 2008 and audited accounts prepared under IFRS as at and for the 12 months ended 31 December 2007.

The following persons are key individuals, important to the Prodeco Business:

Gary Nagle, Chief Executive (born 1975)

Mr Nagle was appointed as Chief Executive of Prodeco in December 2007. Mr Nagle joined Glencore International in 2000 in the coal department in Switzerland, where he managed all Glencore's coal assets worldwide.

Darren Bowden, Chief Operating Officer (born 1969)

Mr Bowden was appointed as Chief Operating Officer of Prodeco in July 2007. Previously, Mr Bowden was the Mine Manger of Minera San Cristóbal in Bolivia and the Apex Silver project and worked for Ok Tedi, Anglo Coal Australia, Griffin Coal and Newlands Coal.

Chris Phillips, Chief Financial Officer (born 1963)

Mr Phillips was appointed as Chief Financial Officer of Prodeco in May 2002. Prior to joining Prodeco he held positions with Barloworld (South African CAT dealership) at their Zambian Operation as Finance Manager and in Angola as the Chief Financial Officer.

María Margarita Zuleta, General Counsel (born 1965)

Ms Zuleta was appointed as General Counsel of Prodeco in October 2005. Previously she worked as a partner at Brigard & Urrutia and with the Colombian Government, during the presidency of Alvaro Uribe, as Deputy Minister of Justice and as Director of President Uribe's Anti-corruption Program.

Principal terms of the Proposed Acquisition

Pursuant to the Acquisition Agreement, Glencore International and certain of its subsidiaries have conditionally agreed to sell and Xstrata Coal South America has conditionally agreed to buy the Prodeco Business for an aggregate consideration of \$2 billion. Glencore International and Xstrata Coal South America will enter into an offtake arrangement in relation to the sale of coal produced by the Prodeco Operating Companies with effect from the Effective Date.

Closing of the Proposed Acquisition of the Prodeco Business is conditional upon the satisfaction (or, if permissible, waiver) of each of the following conditions in the Acquisition Agreement: (i)

the passing of the Proposed Acquisition Resolution; (ii) all or any applicable waiting periods under the HSR Act having expired, lapsed or been terminated as appropriate; (iii) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission and Swiss Admission (in each case, nil paid), and not having been terminated prior to Prodeco Closing; and (iv) the consent of the Bermuda Monetary Authority and any other relevant mandatory governmental approvals having been obtained.

In addition, the Acquisition Agreement may be terminated prior to Prodeco Closing if any fact, matter or event comes to the notice of Xstrata Coal South America at any time prior to Prodeco Closing which: (i) constitutes a material breach by Glencore of the Acquisition Agreement, which, if capable of rectification, has not been rectified within 7 days following notification or by Prodeco Closing (whichever occurs first); (ii) would constitute a breach of any warranty if the warranties were repeated on or at any time prior to Prodeco Closing by reference to the facts and circumstances then existing and which may constitute or constitutes a material adverse change to the Prodeco Business; (iii) constitutes a material adverse change to the Prodeco Business; (iv) involves any financial institutions which have pledges over Glencore's or its associates' shares in Xstrata enforcing their rights by taking beneficial ownership of such shares; or (v) would cause any of the conditions to the Acquisition Agreement to be incapable of fulfilment.

The Call Option under the Call Option Agreement may be exercised by notice from Glencore International to Xstrata (Schweiz) AG given at any time up to the business day following the first anniversary of Prodeco Closing. The exercise of the Call Option is conditional upon the satisfaction (or, if permissible, waiver) of each of the conditions in the Call Option Agreement, which are: (i) completion of the Acquisition Agreement; (ii) all or any applicable waiting periods under the HSR Act having expired, lapsed or been terminated as appropriate; and (iii) the consent of the Bermuda Monetary Authority and any other relevant mandatory governmental approvals having been obtained.

Details of the consideration due under each of the Acquisition Agreement and the Call Option Agreement are set out under "Benefits and financial impact of the Rights Issue and the Proposed Acquisition" above.

Major Shareholder and irrevocable undertakings

Glencore has irrevocably undertaken to vote in favour of the Rights Issue Resolutions and to take up its full entitlements under the Rights Issue and has also agreed to a lock up which, subject to certain exceptions, will expire six months after the latest time for acceptance and payment in full of entitlements to subscribe for the New Shares. Approximately 34.45% of the New Shares to be issued under the Rights Issue are subject to Glencore's irrevocable undertakings.

So far as Xstrata is aware, Glencore owns (indirectly through its wholly-owned subsidiary Finges) approximately 34.45% of the issued ordinary share capital of Xstrata. Xstrata understands that a substantial portion of this holding is subject to collateral or similar arrangements related to the provision of finance to Glencore (or affiliates thereof), which may be documented as loans, derivative transactions (including repurchase agreements or forward sales contracts) or otherwise. One of the exceptions to the lock up contained in the Glencore Undertaking permits Glencore to dispose of interests in Ordinary Shares in the event of any default under Glencore's financing arrangements. As a result, a substantial portion of its holdings in Xstrata may become subject to sale, transfer or other disposal and any such sale, transfer or other disposal occurring whether before or after the ex rights date of the Rights Issue could reduce the number of Existing Shares which Glencore is interested in to below 30% or to below 34.45% but above 30%. The Takeover Panel has granted a dispensation from any obligation on Glencore to make a mandatory offer for Xstrata pursuant to Rule 9 of the City Code, as a result of Glencore's interest being reduced as a result of such sales, transfers or other disposals and subsequently being increased again through 30% or, if above 30%, by more than 1% as a result of Glencore subscribing for New Shares pursuant to the irrevocable undertakings it has given to the Company. Glencore's right to acquire shares pursuant to Note 11 on Rule 9.1 of the City Code

is not affected by this dispensation nor by these arrangements generally. Prior to Admission, the Joint Underwriters may terminate their obligations in circumstances where either Glencore or Finges breach their obligations under the Glencore Undertaking or dispose of Existing Shares in which Glencore is interested.

Since Glencore International and certain of its subsidiaries are the vendors of the Prodeco Business, the Proposed Acquisition is a related party transaction for the purposes of the Listing Rules. The Proposed Acquisition is therefore conditional, amongst other things, upon the approval of Xstrata Shareholders. In accordance with the Listing Rules, Glencore will not vote on the Proposed Acquisition Resolution to be proposed at the Extraordinary General Meeting.

The Rights Issue

The Rights Issue will be made on the terms and subject to the conditions to be set out in the Prospectus. Approximately 1.96 billion New Shares will be offered by way of Nil Paid Rights payable in full on acceptance by Qualifying Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States, Australia, Canada, Japan or South Africa) on the basis of:

2 New Shares at £2.10 per New Share for every Existing Share

held on the Record Date. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. The last date for acceptance and payment in full under the Rights Issue is expected to be mid to late March 2009.

The Issue Price of £2.10 per New Share represents a discount of approximately 66% to the Closing Price of £6.23 on 28 January 2009.

Save in respect of New Shares which Glencore takes up pursuant to the Glencore Undertaking, the Rights Issue is fully underwritten on the terms of the Underwriting Agreement by Deutsche Bank and, on behalf of its affiliate JPMorgan Cazenove, by J.P. Morgan Securities Ltd.

Shareholders who choose not to take up their rights under the Rights Issue will be diluted by approximately 200% following the issue of the New Shares.

The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends or distributions declared after the date of the Prospectus.

The Rights Issue is conditional upon, amongst other things, fulfilment of the following conditions:

- the publication of the Prospectus and the Circular and their approval by the FSA;
- the passing without material amendment (or with such amendments as the Banks and the Company may agree) of the Resolutions at the Extraordinary General Meeting;
- none of the representations, warranties or undertakings given by Xstrata in the Underwriting Agreement being breached, untrue, inaccurate or misleading in any respect when made;
- all of the conditions to the Acquisition Agreement (save for the allotment and issue of the New Shares to be allotted and issued to Glencore under the Rights Issue and any condition which will be satisfied on Admission) having been fulfilled (or if capable of waiver, waived) by Admission;

- the Company having applied to Euroclear for admission of the Nil Paid Rights, the Fully Paid Rights and the New Shares to CREST as participating securities by the time of Admission and Swiss Admission and no notification having been received by the Company from Euroclear by such time that such admission or facility for holding and settlement has been or is to be refused;
- Admission and Swiss Admission occurring at or before 8.00 a.m. on 9 March 2009 (or such later time or date as the Company and the Joint Underwriters may agree);
- the Glencore Undertaking becoming unconditional subject only to Admission; and
- the Underwriting Agreement otherwise having become unconditional in all respects and not having terminated in accordance with its terms prior to Admission.

The Underwriting Agreement may terminate upon the occurrence of certain events, in which case the Rights Issue will not proceed. If the Underwriting Agreement does not become unconditional in all respects by Admission or if it is terminated in accordance with its terms, the Rights Issue will be revoked and neither it nor the Proposed Acquisition will proceed. Revocation cannot occur after nil paid dealings in the New Shares have begun.

Further information in relation to the Rights Issue will be contained in the Prospectus, together with the terms and conditions of the Rights Issue and the procedure for acceptance and payment.

Convertible bonds

As at 28 January 2009, \$374,900,000 of the 2017 Convertible Bonds remain outstanding. The exchange price of each of the 2017 Convertible Bonds will be adjusted to take account of the Rights Issue. Holders of 2017 Convertible Bonds will be notified of the details of the adjustments in due course. The effect of such adjustments will be to increase the number of Ordinary Shares to which each holder of 2017 Convertible Bonds will be entitled on conversion of the 2017 Convertible Bonds.

Xstrata Share Schemes

In accordance with the rules of the Xstrata Share Schemes, the Directors propose to make adjustments to the terms of outstanding options and awards to take account of the Rights Issue. Such adjustments will be made subject to the rules of the Xstrata Share Schemes. The Company will notify participants of any such adjustments in due course.

Extraordinary General Meeting

As a consequence of the Proposed Acquisition being a related party transaction for the purposes of the Listing Rules, it is conditional, amongst other things, upon the approval of Shareholders (other than Glencore) in general meeting. The Rights Issue is also conditional on the passing of the Resolutions. An Extraordinary General Meeting to seek Shareholders' approval is expected to be held in early March 2009.

As the Proposed Acquisition is a related party transaction for the purposes of the Listing Rules, in accordance with the Listing Rules Glencore International will not vote on the Resolution to approve the Proposed Acquisition and Glencore has undertaken to take all reasonable steps to ensure that its associates will not vote on that Resolution. Mr. Strothotte and Mr. Glasenberg, as directors of both Xstrata and Glencore International, have not, in accordance with the Listing Rules, taken part in the Xstrata board's consideration of the Proposed Acquisition.

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security.

This announcement is an advertisement and does not constitute a prospectus or prospectus equivalent document. Nothing in this announcement should be interpreted as a term or condition of the Rights Issue. Any decision to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any Provisional Allotment Letter, Nil Paid Rights, Fully Paid Rights and/or New Shares must be made only on the basis of the information contained in and incorporated by reference into the Prospectus. Copies of the Prospectus will be available on publication from Xstrata's registered office.

Deutsche Bank, JPMorgan Cazenove and J.P. Morgan Securities Ltd. are each authorised and regulated by the Financial Services Authority in the UK and are acting for Xstrata and no one else in connection with the Rights Issue and the Proposed Acquisition and will not be responsible to anyone other than Xstrata for providing the protections afforded to their respective clients or for providing advice in relation to the Rights Issue, the Proposed Acquisition and/or any other matter referred to in this announcement.

Rothschild, which is authorised and regulated by the Financial Services Authority in the UK, is acting exclusively for Xstrata and Xstrata (Schweiz) AG and no one else in connection with the Proposed Acquisition and will not be responsible to anyone other than Xstrata or Xstrata (Schweiz) AG for providing the protections afforded to its clients or for providing advice in relation to the Proposed Acquisition and/or any other matter referred to in this announcement.

Apart from the responsibilities and liabilities, if any, which may be imposed on Deutsche Bank, JPMorgan Cazenove, J.P.Morgan Securities Ltd. and Rothschild by the FSMA, each of Deutsche Bank, JPMorgan Cazenove, J.P. Morgan Securities Ltd. and Rothschild accepts no responsibility whatsoever and makes no representation or warranty, express or implied, for the contents of this announcement, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with Xstrata, the New Shares, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue or the Proposed Acquisition, and nothing in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Deutsche Bank, JPMorgan Cazenove, J.P. Morgan Securities Ltd. and Rothschild accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this announcement or any such statement.

Deutsche Bank, JPMorgan Cazenove, J.P.Morgan Securities Ltd. (the "Banks") and Rothschild and/or their affiliates provide various investment banking, commercial banking and financial advisory services from time to time to the Xstrata Group. In addition, affiliates of the Banks are lenders under certain of the Debt Facilities Agreements. In particular, Deutsche Bank and JPMorgan Chase are lenders under the Club Facility and the Syndicated Facility.

The Joint Underwriters may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Joint Underwriters do not propose to make any public disclosure in relation to such transactions.

No person has been authorised to give any information or to make any representations other than those contained in this announcement and, if given or made, such information or representations must not be relied on as having been authorised by Xstrata, any of the Banks or Rothschild. Subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules, the issue of this announcement shall not, in any circumstances, create any implication that there has been no change in the affairs of the Xstrata Group or the Prodeco

Business since the date of this announcement or that the information in it is correct as at any subsequent date.

The information contained herein is restricted and is not for release, publication or distribution, directly or indirectly, in whole or in part in, into or from the United States, Canada, Australia, Japan or South Africa or any other jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the securities laws of such jurisdictions and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an exemption from and in compliance with any applicable securities laws.

The distribution of this announcement, the Circular, the Prospectus and/or the Provisional Allotment Letters and/or the transfer or offering of Nil Paid Rights, Fully Paid Rights or New Shares into jurisdictions other than the United Kingdom is or may be restricted by law. Persons into whose possession this announcement or any such document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This announcement and the information contained herein is not an offer of securities for sale or solicitation to buy any securities in the United States. This announcement and the information contained herein is not for distribution in or into the United States. The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. The Nil Paid Rights, the Fully Paid Rights and the New Shares may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares in the United States.

No statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings per Ordinary Share.

Prices and values of, and income from, securities may go down as well as up and an investor may not get back the amount invested. It should be noted that past performance is no guide to future performance. Persons needing advice should consult an independent financial adviser.

Unless otherwise indicated in this announcement, the financial information contained in this announcement has been presented in US dollars. In addition, solely for convenience, this announcement contains translations of relevant currencies to US dollars. In addition, solely for convenience, this announcement contains translations of relevant currencies to US dollars. These translations should not be construed as representations that the relevant currency could be converted into US dollars at the rate used or at any other rate, and translations into US dollar amounts that have been calculated at 28 January 2009, being the latest practicable date prior to the publication of this announcement, may not correspond to the US dollar amounts shown in the historic or future financial statements of Xstrata in respect of which different exchange rates may have been, or may be, used.

Neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

This announcement has been prepared for the purposes of complying with applicable law and regulation in the United Kingdom and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of the United Kingdom.

The address of Deutsche Bank is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. The address of JPMorgan Cazenove is 20 Moorgate, London, EC2R 6DA, United Kingdom. The address of J.P. Morgan Securities Ltd. is 125 London Wall, London EC2Y 5AJ, United Kingdom.

Cautionary note regarding forward-looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the Directors, Xstrata or the Xstrata Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Xstrata Group and the Enlarged Group and the industries in which they operate.

This announcement also contains forward-looking statements regarding the Proposed Acquisition, including statements regarding and relating to the expected completion, and the expected timing of completion, of the Proposed Acquisition (which is conditional, amongst other things, upon Shareholder approval and receipt of certain regulatory clearances) and anticipated benefits of the Proposed Acquisition.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond Xstrata's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Xstrata Group's and the Enlarged Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industries in which they operate may differ materially from the impression created by the forward-looking statements contained in this announcement. Further, actual developments in relation to the Proposed Acquisition, and the expected completion of the Proposed Acquisition, may differ materially from those contemplated by forward-looking statements depending on certain factors which include, but are not limited to: the risk that Shareholders may not vote in favour of the Resolutions; the risk that the Xstrata Group will not be able to obtain the required approvals or clearances from regulatory and other agencies and bodies on a timely basis or at all; the risk that the other conditions of the Rights Issue and the Proposed Acquisition may not be satisfied on a timely basis or at all; the risk that the Xstrata Group may not realise the anticipated benefits from the Proposed Acquisition; and the risk that the Xstrata Group may incur and/or experience unanticipated costs and/or delays and/or difficulties relating to the integration of the Prodeco Business. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Xstrata Group and the Enlarged Group (as the case may be), and the development of the industries in which they operate, are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to: general economic and business conditions; commodity price volatility; industry trends; competition; the availability of debt and other financing on acceptable terms; changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages; changes in political and economic stability; currency fluctuations (including the A/\$, £/\$, A\$/\$, C\$/\$, ZAR/\$, ARS/\$, CHF/\$, the Colombian peso/\$, the Peruvian Sol/\$ and the Kroner/\$ exchange rates); the Xstrata Group's and the Enlarged Group's ability to integrate new businesses (including the Prodeco Business) and recover their reserves or develop new reserves and changes in business strategy or development plans and other risks.

You are advised to read this announcement and, once available the Circular, the Prospectus and the information incorporated by reference therein, in their entirety for a further discussion of the factors that could affect the Xstrata Group's and the Enlarged Group's future performance and

the industries in which they operate. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), neither Xstrata, Rothschild nor any of the Banks undertakes any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

APPENDIX

Definitions

"2017 Convertible Bonds"	the \$375,000,000 4.00% Guaranteed Convertible Bonds due 2017 issued by Xstrata Capital
"Acquisition Agreement"	the sale and purchase agreement dated 29 January 2009 between Glencore International, Xstrata Coal South America and Xstrata (Schweiz) AG in relation to the Proposed Acquisition, pursuant to which Glencore International has conditionally agreed to sell or procure the sale of and Xstrata Coal South America has conditionally agreed to purchase the entire issued share capital of the Prodeco Target Companies
"Admission"	admission of the New Shares, nil paid and fully paid, to (i) listing on the Official List, and (ii) trading on the London Stock Exchange's main market for listed securities
"Banks"	Deutsche Bank, JPMorgan Cazenove and J.P. Morgan Securities Ltd.
"Call Option"	the proposed option for Glencore International to repurchase the Prodeco Business from the Xstrata Group subject to, and in accordance with, the Call Option Agreement
"Call Option Agreement"	the option agreement between Glencore International and Xstrata (Schweiz) AG dated 29 January 2009 pursuant to which Xstrata (Schweiz) AG grants an option to Glencore International to repurchase the Prodeco Target Companies
"Circular"	the circular to be issued by the Company in connection with the Rights Issue and the Proposed Acquisition
"City Code"	the City Code on Takeovers and Mergers
"Closing Price"	the closing middle-market price of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange
"Club Facility"	the Group's \$5.46 billion facility
"Company" or "Xstrata"	Xstrata plc
"CREST"	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations)
"Debt Facilities Agreements"	The Club Facility Agreement and the Syndicated Loan Facility Agreement
"Deutsche Bank"	Deutsche Bank AG, London Branch
"Disclosure and Transparency Rules"	the Disclosure Rules and Transparency Rules of the Financial Services Authority
"Effective Date"	1 January 2009
"Enlarged Group"	the Xstrata Group as enlarged by, if the Proposed Acquisition completes, the Prodeco Business
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Existing Shares"	the existing issued Ordinary Shares
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company to be convened in respect of the Rights Issue and the Proposed Acquisition
"Financial Services Authority" or "FSA"	the Financial Services Authority of the UK acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA
"Finges"	Finges Investment BV, a wholly-owned subsidiary of Glencore International

"FSMA"	the Financial Services and Markets Act 2000, as amended
"Fully Paid Rights"	rights to subscribe for New Shares, fully paid
"Glencore"	Glencore International and its subsidiaries and affiliates or, as the context requires, any subsidiary or affiliate thereof
"Glencore International"	Glencore International AG, a company incorporated in Switzerland with limited liability
"Glencore Undertaking"	the deed of irrevocable undertakings dated 29 January 2009 between Glencore International, Finges and the Company under which, amongst other things, Finges has irrevocably undertaken to vote its Ordinary Shares in favour of the Rights Issue Resolutions and to take up its entitlements under the Rights Issue
"Group" or "Xstrata Group"	Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
"HSR Act"	Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder
"Issue Price"	the price of £2.10 per New Share at which each New Share will be offered pursuant to the Rights Issue
"Joint Underwriters"	Deutsche Bank and J.P. Morgan Securities Ltd.
"JPMorgan Cazenove"	JPMorgan Cazenove Limited
"JPMorgan Chase"	JPMorgan Chase Bank, National Association
"J.P. Morgan Securities Ltd."	J.P. Morgan Securities Ltd. acting as underwriter on behalf of its affiliate JPMorgan Cazenove
"LIBOR"	London Inter Bank Offering Rate
"Listing Rules"	the Listing Rules of the Financial Services Authority
"London Stock Exchange"	London Stock Exchange plc
"Mt"	million tonnes
"Mtpa"	million tonnes per annum
"New Shares"	new Ordinary Shares issued in connection with the Rights Issue
"Nil Paid Rights"	rights to subscribe for New Shares, nil paid, pursuant to the Rights Issue
"OECD"	the Organisation for Economic Co-operation and Development
"Official List"	the Official List of the Financial Services Authority
"Ordinary Shares"	ordinary shares of \$0.50 each in the capital of Xstrata
"Preliminary Results"	the unaudited preliminary results for the Xstrata Group for the year ended 31 December 2008
"Prodeco"	the Prodeco coal mining operation (and associated infrastructure) in Colombia carried on by the Prodeco Operating Companies and <u>Ferrocarriles del Norte de Colombia S.A.</u>
"Prodeco Business"	Glencore's interests in Prodeco held through the Prodeco Target Companies which, subject to the terms and conditions of the Acquisition Agreement, will be acquired by the Xstrata Group
"Prodeco Closing"	the completion of the sale and purchase of the shares in the Prodeco Target Companies in accordance with the provisions of the Acquisition Agreement
"Prodeco Closing Date"	the date on which Prodeco Closing occurs
"Prodeco Operating Companies"	C.I. Prodeco S.A., Carbones de La Jagua S.A., Carbones el Tesoro S.A., Consorcio Minero Unido S.A. and Carbones de la Loma S.A.
"Prodeco Target Companies"	Chestfield Coal Resources Limited, Tikolan Limited, Simkana Limited, Merani Holding Limited and Wichita Holding Limited
"Proposed Acquisition"	the proposed acquisition by the Xstrata Group of the Prodeco Business pursuant to the Acquisition Agreement and the proposed option for Glencore International to repurchase the Prodeco Business from the Xstrata Group pursuant to the Call Option Agreement
"Proposed Acquisition Resolution"	the resolution to be proposed at the EGM relating to the Proposed Acquisition
"Prospectus"	the prospectus to be issued by Xstrata in respect of the Rights

“Prospectus Rules”	Issue (together with any supplements or amendments thereto) the rules made for the purposes of Part VI of the FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market and brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Provisional Allotment Letter” or “PAL”	the provisional allotment letter representing Nil Paid Rights or Fully Paid Rights expected to be issued to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States, Australia, Canada, Japan or South Africa)
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in certificated form
“Qualifying Shareholders”	Shareholders on the register of members of Xstrata on the Record Date
“Record Date”	the record date for the Rights Issue
“Resolutions”	the resolutions to be proposed at the EGM
“Rights Issue”	the offer by way of rights to Qualifying Shareholders to subscribe for New Shares
“Rights Issue Resolutions”	the Resolutions excluding the Proposed Acquisition Resolution
“Rothschild”	N M Rothschild & Sons Limited
“Securities Act”	the US Securities Act of 1933, as amended
“Shareholders”	holders of Ordinary Shares
“SIX”	SIX Swiss Exchange
“Swiss Admission”	the commencement of dealings in New Shares on the SIX
“Syndicated Facility”	the Group’s \$4.68 billion facility
“Underwriting Agreement”	the underwriting agreement dated 29 January 2009 between Xstrata and the Banks
“United States” or “US” or “USA”	the United States of America, its territories and possessions and any state of the United States and the District of Columbia
“Xstrata” or the “Company”	Xstrata plc, a public limited company incorporated in England and Wales
“Xstrata Alloys”	the business of the Xstrata Group comprising its chrome, vanadium and platinum operations
“Xstrata Coal”	Xstrata’s coal operations
“Xstrata Coal South America”	Xstrata Coal South America Ltd., a company incorporated in Bermuda with limited liability
“Xstrata Group” or “Group”	Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
“Xstrata (Schweiz) AG”	Xstrata (Schweiz) AG, a company incorporated in Switzerland with limited liability
“Xstrata Share Schemes”	the Xstrata Group’s share schemes
“\$”	US dollars