



FAIR VALUE REVIEW OF ASSETS KIDD METALLURGICAL PLANT TO CEASE OPERATIONS

NEWS RELEASE

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Xstrata Copper Canada has announced that it will permanently cease operation of its copper and zinc metallurgical plants at the Kidd Metallurgical site in Timmins on 1 May 2010, as part of a plan to restructure its Canadian metallurgical operations. The Kidd mine and concentrator will remain in operation.

The decision comes after an investigation of various options to improve the financial performance of these assets in the face of global smelting overcapacity, record low treatment and refining charges, increasing operating and capital costs to run and maintain these facilities and lower demand and sales prices for sulphuric acid. These issues have been exacerbated at Kidd by the appreciation of the Canadian dollar against the US dollar. The shutdown is expected to result in exceptional closure-related costs and asset impairment charges of approximately \$375 million, to be reflected in Xstrata's 2009 financial statements.

Following the shutdown of these operations, the remaining Kidd assets will be integrated with the smelting and refining assets of Xstrata's Horne smelter and CCR refinery to improve the overall financial competitiveness of the Canadian division and balance concentrate supply with smelting and refining capacity in the region.

The ongoing challenging market conditions for custom smelting operations outlined above will also result in an exceptional impairment charge of \$170 million in respect of Xstrata Copper's Altonorte smelter in northern Chile.

In addition, Xstrata Nickel has undertaken a full assessment of the fair value of its assets following the substantial restructuring of its business undertaken during 2009 and as part of the annual business planning process which commenced in July. As a result, a total estimated impairment charge of approximately \$1.9 billion after tax will be

incurred in Xstrata's 2009 financial statements in respect of its Australian, Norwegian and Canadian nickel assets.

Xstrata Nickel's restructuring included the closure of high-cost, end-of-life mines in Sudbury, the suspension of the Falcondo and Montcalm operations, significant reductions in operational and corporate costs and the deferral of the Fraser Morgan and Sinclair Underground growth projects. The impact of these restructurings on exploration potential, life of mine plans and expectations of post-restructuring capital and operating costs has continued to evolve over the course of the year.

The US dollar has continued to depreciate against most producer currencies including the Australian and Canadian dollar and Norwegian krone during the year. As a result, the US dollar carrying value of Xstrata's Australian nickel assets increased by approximately \$600 million since the beginning of 2009, due to currency impacts alone. To put this in context, at the end of 2008, the US dollar book value of Xstrata's total assets was reduced by approximately \$5 billion, due to a stronger US dollar at that time. In the course of the annual budgeting process, Xstrata management has revised assumptions of short and medium term currency impacts, in particular the Australian / US dollar exchange rate, giving rise to a reduction in the US dollar fair value of these assets.

Mick Davis, Xstrata plc Chief Executive Officer commented:

"The impairments announced today reflect the structural changes made to our nickel business during 2009, together with the very significant impact of short and medium term currency movements, which have resulted in an exceptional impairment charge against Xstrata's nickel assets. Non-cash charges at Kidd and Altonorte are due to the shutdown of Kidd copper and zinc plants and our view that the custom smelting market will remain challenging going forward.

"As anticipated at the time of acquisition, Xstrata's nickel assets generated significant value and cash flows in the early years post acquisition, resulting in a lag in depreciation charges compared to the net present value of these assets. A substantial portion of the fair value of the Falconbridge acquisition was allocated to the nickel business, justified by the robust earnings of the business in the initial years. While the value of Xstrata's assets continues to exceed book value by some \$35 billion at a Group level, an increase of \$10 billion over last year, under IFRS we are unable to reallocate this surplus to these nickel assets.

"The successful restructuring of our nickel business undertaken during 2009 has transformed the cost and competitive positioning of Xstrata Nickel, while preserving the growth options within this business. These accounting measures do not impact the underlying financial performance of the Group's operations or Xstrata's strong growth potential."

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Xstrata contacts:

Claire Divver
Telephone +44 20 7968 2871
Mobile +44 7785 964 340
Email cdivver@xstrata.com

Investors and analysts

Hanré Rossouw
Telephone +44 20 7968 2820
Mobile +44 7879 455 885
Email hrossouw@xstrata.com

www.xstrata.com

Notes to editors

Xstrata's accounting policy for fixed assets is to incur depreciation costs over the life of the operation in line with units of production. This policy is at odds with the value derived on the basis of actual cash flows. IFRS does not allow accelerated depreciation of assets and instead requires regular fair value testing to align the book value of assets with the net present value, with any shortfall taken as an exceptional impairment charge.

A separate announcement by Xstrata Copper Canada regarding the cessation of operations at the Kidd Metallurgical zinc and copper plants is available from www.xstrata.com.

Xstrata plc

Xstrata is a global diversified mining group, listed on the London and Swiss Stock Exchanges, with its headquarters in Zug, Switzerland. Xstrata's businesses maintain a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with additional exposures to platinum group metals, gold, cobalt, lead and silver, recycling facilities and a suite of global technology products, 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, Ireland, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, South Africa, Spain, Tanzania, the USA and the UK.