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XSTRATA RESPONSE TO AUSTRALIAN RESOURCES TAX

Xstrata plc notes the Australian government's plan to impose a structural change to the taxation of the Australian resources sector which will result in significant and disproportionate additional taxation on the industry and could well curb the large scale, long term investments required to develop Australia's natural resources for the benefit of all Australians.

Mick Davis, Xstrata plc Chief Executive commented: "It is very disappointing that the Australian government is planning to impose additional taxation that will see Australia levying the highest taxes on its minerals sector of any country in the world. The Australian mining industry already makes an appropriate and proportionate contribution to the tax base of Federal and State Governments in addition to investment in infrastructure, substantial direct and indirect job creation and support for the communities associated with our operations. These proposed taxes reduce the very cash flows that are reinvested in maintaining or expanding existing Australian mines and in developing new operations, protecting existing jobs and creating new ones.

"Mineral investments require long-term certainty over fiscal arrangements. The government's intention to change the basis on which existing mining investments were entered into sends a particularly worrying signal and undermines Australia's reputation as a stable investment destination, hampering the ability of mining companies and other investors to assess the basis for, or to commit to, future long-term investment.

"It is highly regrettable that the Australian government intends to single out one of the country's most important and competitive industries for punitive tax treatment, potentially damaging the entire nation's global competitiveness.

"The development of a nation's mineral resources requires a collaborative partnership between industry and government, which must acknowledge that global diversified mining companies and their investors have multiple investment opportunities across the world. We will engage constructively with government to discuss the full implications of the proposed regime on the mining industry and to clarify a number of outstanding issues in respect of the tax proposal."

Ends

Xstrata contacts

Claire Diwer
Telephone +44 207 968 2871
Mobile +44 7785 964340
Email cdiwer@xstrata.com

James Rickards
Telephone +61 2 9253 6789
Mobile +61 41973 1371
Email jrickards@xstratacoal.com

Investors and analysts

Hanré Rossouw
Telephone +44 20 7968 2820
Mobile +44 7879 455885
Email hrossouw@xstrata.com

www.xstrata.com

Notes to editors

Xstrata plc employs 12,300 people in Australia including contractors. The Group's Australian operations have generated A\$41 billion in export revenue since 2003 and have contributed a total of A\$4.3 billion in royalties and taxes since 2003. Xstrata has invested over A\$15 billion in Australia over the past seven years.