



NEWS RELEASE

XSTRATA APPROVES US\$4.2 BILLION LAS BAMBAS COPPER PROJECT

Brisbane, 3 August 2010

Xstrata plc has approved the development of the major, low-cost, long-life Las Bambas copper project in southern Peru's Apurimac Region. Project development will entail investment of US\$4.2 billion and construction is scheduled to commence in the third quarter of 2011, subject to regulatory approvals. Xstrata will now formally exercise its option to transfer the Las Bambas mining titles from the Peruvian government agency Proinversión to Xstrata Copper.

Las Bambas will be a world-class copper mine with initial production of 400,000 tonnes per annum of copper in concentrate, including significant gold, silver and molybdenum by-products, and first quartile cash costs. First ore is expected to be processed in the second quarter of 2014 with ramp up and full production reached by the end of that year. A substantial resource base contained within three open pit mines provides a mine life of at least 18 years with significant further brownfield potential in the highly prospective Las Bambas Mineral District.

The recently announced US\$1.47 billion Antapaccay expansion to the Tintaya operation paves the way for the development of the major Las Bambas greenfield project and together these projects will establish Southern Peru as a first tier copper-producing division for the Xstrata Group. The Antapaccay development will expand production at Tintaya by 60% to 160,000 tonnes per year, while extending the mine life by at least 20 years.

Located 150 kilometres apart, the Las Bambas and Antapaccay projects will benefit from important synergies. Concentrates from Las Bambas will be pumped through a 215 kilometre pipeline to a molybdenum and filter plant close to Tintaya-Antapaccay and then transported by the same railroad to Matarani Port. The projects will also share the existing Tintaya road network, a connecting road along the pipeline corridor, an established logistics centre in Arequipa, the expanded existing Matarani Port facilities and will benefit from shared management and administrative support functions to minimise overheads. Whilst being developed under dedicated project management organisation structures, key trained work teams will move sequentially from the construction of Antapaccay to the Las Bambas project, ensuring that the project is properly resourced and minimising delays or costs associated with the availability of skills.

Xstrata Copper's innovative standard concentrator design concept has been applied to both the Las Bambas and Antapaccay projects and the standardisation of equipment and engineering has resulted in reduced capital costs and delivery timelines, together with important savings associated with common spare parts, training requirements and operational and maintenance systems.

As with the Antapaccay project, the development of the Las Bambas project will be led by a proven and experienced Xstrata Copper team in a strategic alliance with engineering construction and project management company Bechtel, which has developed most of the world's major copper concentrators over the last decade.

Ore will be mined at a rate of 51.1 million tonnes per annum from three open pit mines (initially Ferrobamba, then Chalcobamba and Sulfobamba pits) and processed in a 140,000 tonnes per day sulphide grinding/flotation concentrator.

The decision to approve the Las Bambas project follows the completion of a positive feasibility study, and overwhelming community support given to the project during the Public Audience for the project's Environmental and Social Impact Assessment (ESIA) on 15 July. Public support for the project has been built upon Xstrata Copper's strong commitment to engaging with local communities in a meaningful way from the earliest stages of project development and our proven track record at Tintaya. Final government approvals of the ESIA and other permits are expected in the first half of 2011, based on the recent experience with Antapaccay.

The development of Las Bambas will generate an average of approximately 3,600 direct jobs during construction and 1,350 permanent jobs once in operation.

Commenting on the approval, Xstrata plc Chief Executive Officer Mick Davis said: "Our integrated regional development strategy in Southern Peru has allowed us to mitigate the execution risks involved in the major greenfield Las Bambas project and reduce the estimated capital and operating costs of both Las Bambas and Tintaya-Antapaccay projects, capitalising on a range of infrastructure and operational synergies. The project will be one of the two largest copper greenfield projects to come on stream globally in the next decade, with cash costs in the lowest quartile and will deliver robust returns.

"Development of the Las Bambas project will provide significant value not only for the Xstrata Group but also for surrounding communities through employment and training opportunities, infrastructure provision, local business development, payment of taxes and royalties, and investment in community projects and partnerships."

Xstrata Copper Chief Executive Charlie Sartain said: "Since our entry into Peru in 2004 through the acquisition of the option to develop Las Bambas, and the subsequent acquisition of Tintaya in 2006, we have progressively been establishing a world class mining division in Southern Peru that will produce well over 500,000 tonnes of copper per year for the Xstrata Group by the end of 2014.

"Over the past six years, we have rapidly transformed Las Bambas from an early stage exploration prospect with no defined Mineral Resources to a significant project with resources of over 1 billion tonnes that will support a long-life, low-cost mining operation and benefit from significant synergies with the recently approved Tintaya-Antapaccay expansion project. From our first involvement with the project, we have regarded our relationship with the communities associated with Las Bambas as vitally important in enabling us to proceed with the project and we have worked together with local stakeholders to ensure the project will provide sustainable benefits to the communities and region as a whole. It is very pleasing that the dialogue we have established over the past six years has been recognised in the strong public support the project enjoys.

"This latest approval reflects our confidence in Peru's longstanding fiscal and legal stability and is an important milestone in our strategy to progressively increase total annual copper production by 50% to almost 1.5 million tonnes by the end of 2014 through the construction of five brownfield expansion projects, all of which are under development, and now the greenfield Las Bambas project."

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Notes for editors

ABOUT 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

ABOUT XSTRATA COPPER

Xstrata Copper is the fourth largest global copper producer with attributable mined production in 2009 of 907,000 tonnes of copper in cathodes and concentrates. The company is also one of the world's largest producers of smelter and refined copper, including from third party materials.

Headquartered in Brisbane, Xstrata Copper is one of the commodity business units within the major global diversified mining group Xstrata plc. Its mining and metallurgical operations and development projects span eight countries: Argentina, Australia, Canada, Chile, Peru, the Philippines, Papua New Guinea and the USA. Its operations and projects are administered through a regional divisional management structure, which ensures that appropriate levels of critical decision making are taken close to the related businesses. It also has a recycling business (Xstrata Recycling) with plants in the United States and offices in Canada and Asia.

ABOUT XSTRATA COPPER'S SOUTHERN PERU DIVISION

In November 2007, Xstrata Copper announced the creation of the Southern Peru Division, headquartered out of the city of Arequipa. The division is responsible for the management of the Tintaya mining operation, the Las Bambas, Antapaccay and Coroccohuayco development projects, regional exploration and the development and implementation of the company's growth strategy in southern Peru.

Tintaya-Antapaccay

Acquired in May 2006, the existing Tintaya operation consists of a concentrator and SX/EW plant and has annual production of approximately 100,000 tonnes per annum of copper in concentrates and cathodes. In July 2010, Xstrata Copper announced the development of the satellite Antapaccay deposit that will increase annual copper in concentrate production from Tintaya by 60% to an average of 160,000 tonnes from mid 2012 and transform the mine into a long life business with at least 20 years of operations, based on currently known mineral resources.

Las Bambas Mining Project

In August 2004, Xstrata was awarded the right to explore and the option to develop Las Bambas following a competitive international bid process conducted by Peru's investment promotion agency ProInversión. The project sits at an elevation of 3,700 to 4,650 metres above sea level and is located in the provinces of Cotabambas and Grau in the Region of Apurímac, 75 kilometres southwest of the city of Cusco. The Las Bambas mining project extends of 35,000 hectares and includes the Ferrobamba, Chalcobamba, Sulfbamba and Charcas mining concessions.

The current Las Bambas Mineral Resource estimate is 1.13 billion tonnes of copper mineralisation at a grade of 0.77% copper, using a 0.3% copper cut-off grade, and includes important gold, silver and molybdenum by-product credits. The Mineral Resource was completed in 2009 and includes the results of 329,000 metres of drilling.