



2009 Annual Report

Zug, 19 March 2010

In accordance with Listing Rule 9.6.1R, Xstrata has today submitted two copies of the 2009 Annual Report to the UK Listing Authority. They will shortly be available for inspection at the Document Viewing Facility which is situated at:

Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Tel: 020 7066 1000

Xstrata plc will hold its 2010 Annual General Meeting in Zug, Switzerland on 5 May 2010. The 2009 Annual Report, Notice of Annual General Meeting, and Proxy Form will be posted or made available to shareholders on 29 March 2010. A copy of the 2009 Annual Report will be delivered to the UK Registrar of Companies in due course. The 2009 Annual Report is available from Xstrata's website at: <http://www.xstrata.com/investors/reports/2009>

The Disclosure and Transparency Rules (DTR) require that an announcement of the publication of an Annual Report should include the disclosure of such information from the Annual Report as is of a type that would be required to be disseminated in a Half-yearly Report in compliance with the DTR 6.3.5(2) disclosure requirement. Accordingly the following disclosures are made below. This disclosure should be read in conjunction with and not as a substitute for reading the 2009 Annual report.

The following Chairman's Statement is extracted in full from the 2009 Annual Report.

Chairman's statement

2009 commenced amidst extremely challenging circumstances for our industry, with ongoing volatility and uncertainty over the short-term economic outlook. Against this background, Xstrata's robust operational and financial results are commendable and demonstrate the significant efforts undertaken by management to reduce operating costs, restructure operations and conserve cash. Throughout the downturn, the full value of our portfolio of organic growth projects was preserved and these options are now being progressed to meet rising demand. In addition to record production in a number of commodities, over half a billion dollars of real cost

savings were achieved and the Group's financial position was substantially strengthened through a rights issue in the first half and a recovery in operating cash flows in the second half.

In view of the major rights issue in the first quarter of 2009, the final 2008 and interim 2009 dividends were suspended and in my report last year, I set out the Board's commitment to recommence dividend payments as soon as possible, while maintaining a prudent capital structure. I am pleased to report that the Group's robust performance in 2010 and the Board's confidence in the medium-term outlook for Xstrata have enabled us to propose a final dividend of 8 cents per share for payment in respect of 2009, marking a resumption of a progressive dividend policy.

Commodity markets

Stimulus spending by several major governments, notably China, prompted a recovery in commodity markets during 2009 and demand from the industrialising countries offset the full impact of recession in the OECD economies. In early 2010, there is much speculation about the short-term direction of exchange-traded commodity prices and the sustainability of Chinese demand. Volatility is also an increasingly prevalent aspect of our markets, particularly for traded commodities which have become a recognised investment class, and this is unlikely to reduce in the medium term. Nonetheless, we remain confident that the medium-term fundamentals underpinning the outlook for commodities are compelling.

Export industries within China will require a recovery in the US and other Western economies to return to strong growth in the near term and the outlook for the OECD remains more subdued for now. But China's relentless industrialisation programme and investment in domestic infrastructure will continue to provide a bedrock of demand for Xstrata's products, which are particularly geared to the construction and electricity sectors. Restocking has not yet fully taken place in many industrial sectors following the very rapid destocking events of late 2008 and early 2009 and we expect this to provide some support for commodities in the near term, before a sustainable global recovery takes hold.

A supply shortage now seems very likely in a number of commodities and it is increasingly difficult to identify sufficient new sources of supply to fulfil anticipated levels of future demand, particularly in commodities such as copper. Even before the financial crisis, a dearth of major projects and the declining production profile of existing operations contributed to a tight outlook for mined supply. Due to the downturn, many projects have been delayed further or suspended and difficulties in obtaining financing have contributed to the cancellation or postponement of exploration programmes, particularly those conducted by smaller mining companies. Many major projects are also located in increasingly complex operating environments with associated pressures on development timelines, permitting and the increasingly important requirement to gain and maintain a broader social licence to operate that often lead to higher costs and longer lead times. In sum, your Board continues to hold a strong conviction that the supply of commodities will fall short of demand. This view underpins our investment in Xstrata's organic growth programme that will deliver significant additional and lower cost volumes at a time when we expect supply to be tight and demand to continue to grow.

Strategy

It is very satisfying to see Xstrata reach maturity as a major mining company, after the consistent application of a strategy to deliver industry-leading returns to our shareholders in a sustainable manner over the past eight years since IPO.

Xstrata is now entering into another exciting period of its development. We will continue to assess opportunities to add value to shareholders through acquisitions, but the Group's pipeline

of expansionary projects is providing an internal engine of growth that is to a greater extent within our control. Construction is under way at a number of projects with many further investment decisions expected this year and next. The Board carefully assesses each project brought for approval against the requirement to deliver robust returns on conservative long-run prices, to reduce operating costs compared to current production and in the light of anticipated market conditions and our ability to manage the associated risks.

Xstrata's approach to developing projects is in line with its overall devolved management model which emphasises accountability at the operational level. The responsibility for each project rests with the appropriate commodity business management team, so that the team responsible for building the project is the team that will also eventually run the project once it commissions. Operational management is encouraged to find innovative ways to manage capital costs and develop projects more efficiently and the Board has been impressed with the progress being made in particular at the Koniambo project and at our range of copper projects to deliver on this objective. Xstrata also benefits from a cadre of senior executives within its commodity businesses who have extensive experience of developing major projects and are providing invaluable oversight and expertise to our expansion programme.

To realise this extensive growth from within the portfolio, your Board recently approved a budget and business plan which anticipates substantial levels of capital spending over the next three years without any material increase in debt levels. Our investment in growth will see production volumes rise by around 50% over current levels to deliver additional volumes of low-cost predominantly coal, copper and nickel production into an increasingly supply-constrained environment.

Sustainability

Xstrata's objective is to create value for its shareholders in a sustainable manner, minimising our environmental impact, working in collaboration with communities and other groups and prioritising the health and safety of our workforce over production or profits.

Our Business Principles and commitment to sustainable development have provided an important touchstone for the Group during the recent recession. These principles and our Sustainable Development framework have guided the way in which we engage with employees and contractors when difficult decisions over redundancies have to be made. We have taken a risk-based approach to reducing capital expenditure and costs, to ensure that we do so responsibly, without sacrificing safety, environmental performance or operational integrity. Our investment in community initiatives has continued throughout 2009, enabling us to invest around \$65 million in projects that directly benefit the communities in which we operate.

Our ability to manage environmental performance, work in partnership with communities and governments and demonstrate a broader benefit from our presence is all the more important as we enter into a phase of significant organic growth. We aim to run our operations and develop new projects in a manner that creates lasting economic and social benefits for the countries and communities in which we operate, protecting the environment to the greatest extent possible and ensuring that safety standards are of the highest level wherever we operate.

However, sometimes we do not meet our own high standards and I am saddened to report that in 2009, nine people lost their lives while working at Xstrata's operations or projects. We simply must do better to prevent fatalities and improving safety performance remains of the utmost importance to Xstrata's Board and management. As usual, a comprehensive Sustainability Report is published separately from the Annual Report and key sustainability risks, strategy and performance data are also provided throughout this report.

Governance

At the Annual General Meeting (AGM) in May 2009, Robert MacDonnell retired from the Board and Peter Hooley was elected by shareholders to join the Board as an independent non-executive director. Dr Con Fauconnier will be proposed for election at the AGM in May 2010 as an independent non-executive director. Dr Fauconnier has particularly extensive experience of the mining industry and the Board is confident that if elected, his expertise will be of significant value to Xstrata.

In addition, Paul Hazen has indicated that he will retire from the Board at the AGM in May. Paul has served as a director on the Xstrata plc Board since the initial public offering in 2002 and I thank him on behalf of the Board and Xstrata management for his commitment and contribution to Xstrata during his tenure.

The Board's annual assessment of its effectiveness included a review by every director of the effectiveness of the Board committees and structure and an individual director appraisal. In general the evaluation demonstrated that the Board is functioning effectively but a number of useful recommendations were identified from this process, including the decision to transfer the primary responsibility for risk management from the Audit Committee to the full Board. In 2010, an external evaluation of the Board will be conducted, in line with our commitment to conduct an external evaluation every three years. A comprehensive corporate governance report is provided on pages 108 to 115 of Xstrata's 2009 Annual Report.

Conclusion

Xstrata's management and employees have successfully cut costs, restructured operations and repositioned the Group to benefit from economic recovery in our key markets. From a robust financial position, Xstrata is poised to deliver substantial volume growth, attractive returns and further cost reductions from the development of its organic growth pipeline. 2010 may well see short-term volatility in economic conditions arising from the withdrawal of stimulus spending and various economies' efforts to correct imbalances in advance of a full global recovery. But these near-term risks seem unlikely to disrupt a full global recovery in due course and the markets for our products remain highly attractive, with supply shortages likely in a number of commodities and demand set to remain robust over the medium term. In view of this encouraging outlook, the Board remains confident that Xstrata will continue to deliver superior returns to its shareholders.

Willy Strothotte
Chairman

1. Audit reports

The Preliminary Announcement includes a condensed set of financial statements. Audited financial statements for 2009 are contained in the 2009 Annual Report. The Independent Auditor's Report on the consolidated financial statements is set out in full on page 131 of the 2009 Annual Report and Accounts and the Independent Auditor's Report on the parent company financial statements is set out in full on page 219 of the 2009 Annual Report. Both audit reports are unqualified and do not contain any statements under section 498(2) or section 498(3) of the Companies Act 2006.

2. Important events during the year

During 2009 and until the date of the 2009 Annual Report, the important events affecting the Group have been:

On 29 January Xstrata announced a 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. Xstrata received valid acceptances in respect of 1,944,012,662 new shares, representing approximately 99.42% of the total number of new shares offered to shareholders pursuant to the Rights Issue. On 18 March 2009, 1,955,341,080 ordinary shares were issued under a rights issue, raising \$5,667 million after expenses.

On 3 March 2009, the Group acquired 100% of the Prodeco Colombian coal operations from Glencore International AG ("Glencore") for a net consideration, after the cost of granting the call option, of \$2 billion with an effective date of 1 January 2009. Glencore had a call option to repurchase Prodeco up to 4 March 2010 for \$2.25 billion, plus all profits of Prodeco accrued but not distributed and the net amount of cash paid into Prodeco by the Group. In the statutory accounts, Prodeco is included as a financial asset during the call option period with the net earnings and pro-rata Glencore call option premium included in finance income during this period.

Since the date of the Annual Report, Xstrata received formal notification on 4 March 2010 by Glencore of Glencore's exercise of its option to acquire the Prodeco coal operations. Under the option agreement, Glencore will pay Xstrata \$2.25 billion in cash upon completion of the sale to Glencore pursuant to the exercise of the option, plus any profits accrued but not distributed to Xstrata during the period 1 January 2009 to the completion date and the net balance of any cash invested by Xstrata.

At the Annual General Meeting on 5 May 2009, Peter Hooley was elected to the Board as an independent non-executive director and Robert MacDonnell retired from the Board.

On 21 June 2009 Xstrata confirmed that it sent a written proposal to the Board of Anglo American plc seeking their consideration of a merger of equals of the two companies that would realise significant value for both companies' shareholders. On 2 October 2009, the Takeover Panel Executive announced a deadline of 20 October 2009 for Xstrata to either announce a firm intention to make an offer for Anglo American under Rule 2.5 of The City Code on Takeovers and Mergers or announce that it does not intend to make an offer for Anglo American. Xstrata announced on 15 October 2009 that it had no intention of making an offer for Anglo American.

In October 2009, Xstrata entered into an irrevocable sale agreement to dispose of its 70% interest in El Morro, the holder of the El Morro copper-gold project, and associated rights and assets to New Gold Inc. which held 30% of El Morro, for a total cash consideration of \$463 million. On 16 February 2010 New Gold completed the purchase of Xstrata's 70% interest after exercising its right of first refusal. The Group recognised a gain of \$194 million in respect of the sale.

On 1 December 2009 Xstrata announced that it had entered into an agreement with Zijin Mining Group Co Ltd ("Zijin") in respect of Xstrata's 19.9% stake in Indophil Resources NL ("Indophil" for AUD 1.28 per share, subject to certain conditions. Indophil's only major asset is a 34.23% interest, with a right to acquire an additional 3.27%, in the Tampakan copper-gold project in the southern Philippines. Xstrata holds the remaining 62.5% interest in the Tampakan project which is managed by Xstrata's affiliate company, Sagittarius Mines, Inc.

3. Principal risks and uncertainties

The risks detailed below represent the principal risks and uncertainties which may impact our ability to execute Xstrata's strategy at a Group level. These risks have been assessed according to materiality, likelihood and residual risk after controls. Further information about Xstrata's risk management processes and controls is provided in the corporate governance report on pages 108 to 115 of the Annual Report.

Commodity price volatility		
<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p>Xstrata's revenue and earnings are dependent on prevailing commodity prices which are determined by the supply of, and demand for, raw materials and are closely linked to global economic growth. Commodity prices for all products, and particularly for exchange-traded commodities, may fluctuate widely and may have a material impact on financial results.</p>	<p>The impact on our operating profit of movements in the price of each of Xstrata's commodities is set out on page 45 of the Financial Review. Commodity price trends and commentary on the outlook for each of Xstrata's commodity markets is provided in the operating review sections of this report.</p>	<p>We manage the risk of commodity price fluctuations through maintaining a diversified portfolio of commodities and typically do not implement large-scale strategic hedging or price management initiatives. We aim to reduce costs on a continuous basis and maintain low-cost, efficient operations, optimising our portfolio and returns throughout the commodity price cycle. We maintain an investment grade credit rating and our Group Treasury policy is actively monitored and reported on each month to the Executive Committee.</p>
Fluctuations in currency exchange rates		
<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p>Xstrata's products are generally sold in US dollars, while our operations and operating costs are spread across several different countries and currencies.</p>	<p>Fluctuations in exchange rates, in particular movements in the Australian dollar, Canadian dollar and South African rand against the US dollar, may have a material impact on Xstrata's financial results or affect our investment rating. The impacts of currency exchange rate fluctuations on our operating profit, together with average exchange rates in 2009 compared to 2008, are set out on page 47 of the financial review.</p>	<p>We maintain a diversified portfolio of assets across several different geographies and operating currencies, reducing the impact of movement in any one commodity price. Currency cash flow hedging may be used to reduce our short-term exposure to fluctuations in the US dollar against local currencies. Foreign currency hedging information is provided in the financial review. Xstrata's financial structure, including exposure to interest payments, interest rate changes and amendments to taxation regulations, is regularly reviewed to ensure compliance</p>

		with relevant regulations and to maximise financial efficiency. Xstrata maintains a robust investment grade credit rating and our Group Treasury policy is actively monitored and reported on each month
Security of energy supplies		
<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p>Increasing global demand for energy and the limited growth of new supply is impacting the price and availability of energy. Factors beyond the control of Xstrata, such as strong demand from the Asia-Pacific region, political, regulatory and economic uncertainties and the costs associated with emissions from fossil fuels, as well as problems related to local generation and transmission of power, for example, electricity constraints in South Africa and natural gas shortages in Chile, can reduce the reliability of energy supply and increase energy prices. In some regions, Xstrata's energy supply is dependent on one major or national power generation company, for example, Eskom in South Africa.</p>	<p>A number of Xstrata's operations and facilities are intensive users of natural gas, electricity, oil and other fuels and the price of energy heavily impacts operating costs. Lack of supply of energy may impact our ability to operate or threaten planned future expansions of operations or the development of new mines. Energy costs typically comprise approximately 10% of total operating costs.</p>	<p>We have an ongoing programme to assess and monitor energy-related risks, including scenario analyses. We manage this risk through implementing energy efficiency plans across our operations, assessing the risks associated with energy supply at the design phase of our projects and regularly revisiting and revising assumptions. Where necessary, we develop proprietary energy generation facilities, (e.g. a gas-fired power plant at Mount Isa) and feasibility studies are also being conducted into a hydro-electric power plant in southern Chile. Our businesses investigate and develop energy-efficient technologies, for example, Xstrata Alloys' proprietary Premus technology which reduces the energy consumption of ferrochrome smelting by over 20% compared to conventional processes. Long-term energy contracts are negotiated to reduce dependence on spot markets and we seek to diversify power sources and identify alternatives. We are pursuing the more complete recovery of existing resources, such as the capture of coal methane for electricity generation.</p>
Emissions and climate change regulation		
<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p>Xstrata operates in a number of jurisdictions in which regulations</p>	<p>Climate change legislation in the countries in which Xstrata</p>	<p>Climate change issues are given a high priority by management and</p>

<p>or laws have been introduced or are being considered to limit or reduce emissions. The likely effect of climate change-related regulation will be to increase costs for fossil fuels, electricity and transportation, restrict industrial emissions, impose added costs for emissions in excess of permitted levels and increase costs for monitoring, reporting and accounting. Our customers and suppliers are becoming increasingly aware of their own carbon and water footprints and are selecting business partners who actively reduce their impact on climate change through changes to operational processes and transportation infrastructures.</p>	<p>operates, such as the Carbon Pollution Reduction Scheme in Australia and similar initiatives in Canada and Chile, may lead to higher energy costs or restricted energy supply, which may have a material adverse impact on our ability to maintain production and/or contain operating costs. Failing to meet and exceed best practice for monitoring and reporting emissions to land and air will have a reputational impact on Xstrata's operating capabilities. Xstrata is the world's largest producer of export thermal coal. Any material decline in the use of coal as a power source as a result of carbon taxes, emissions trading or similar legislation may have a material adverse impact on Xstrata's financial position. Climate change may also result in weather-related events or other physical threats that may hamper production or damage assets.</p>	<p>initiatives are undertaken to continually improve understanding of the Group's carbon footprint and to reduce the carbon intensity of operations and activities. We undertake studies to better understand the potential physical and weather-related risks of climate change on our operations and logistics networks and incorporate the results into our longer-term planning. We are improving the accuracy of our greenhouse gas emissions (GHG) reporting year-on-year and use the latest research to inform our methods. Our commodity businesses actively develop and implement climate change strategies which are pertinent to their business and commodities. Every plan includes clear performance targets and a timeframe in which they should be achieved. We participate in industry and regulatory initiatives to address climate change and associated issues. Xstrata Coal is actively investing in and advocating government support for research and development projects to reduce GHG from the use of coal in power generation, together with other coal producers, governments, scientific and academic organisations. Demand for coal is expected to be supported by forecast significant increases in global demand for energy, particularly in developing countries, and by coal's relative cost position, availability and security of supply.</p> <p>We are committed to measuring, controlling and reducing harmful emissions to air, water and land. We monitor all emissions including dust, heavy metals, CFCs, VOCs and others. Xstrata's most significant air emission is sulphur</p>
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		<p>dioxide (SO₂). Operations that emit SO₂ set annual targets to reduce their emissions and increase the proportion of emitted gas that they capture and we publicly report progress against these targets in Sustainability Reports.</p> <p>We actively engage with governments through industry associations and on our own behalf to discuss the potential implications of proposed legislation and to understand and manage the potential impacts on our business.</p>
Project development		
<p><i>Risk</i></p> <p>Xstrata benefits from a significant pipeline of organic growth projects in a number of countries. The development of our projects can be affected by a number of factors, some of which are outside of our control. These include technical uncertainties, availability of suitable financing, infrastructure constraints, cost overruns, overstretched management and insufficient skills or resources. External organisations can cause unexpected delays due to problems obtaining, renewing or extending relevant operating, social or environmental permits or other legislative requirements. Anti-mining sentiment by local communities and/or NGOs can slow or halt project development and unduly influence government processes.</p>	<p><i>Impact</i></p> <p>The Group's ability to develop its project pipeline and replace older operations with new, lower-cost supply will impact future revenues, costs and management's reputation for successful project development.</p>	<p><i>Mitigation</i></p> <p>Cost control remains a key consideration of any project development and Xstrata's commodity businesses have an excellent track record of delivering major capital growth projects on time and on budget, with \$9 billion of projects successfully delivered since 2004. Xstrata also benefits from a broad range of project development experience within its commodity business management teams. Each of Xstrata's businesses has a comprehensive project approval process which governs project management at each stage of a project's development to commissioning. Stage gate and other approval processes ensure that all risks are fully assessed and, where possible mitigated, before the project can proceed to the next phase. Under Xstrata's SD framework, projects are regularly audited against the specific performance standards set out for each stage of a project's development to ensure social, environmental and ethical risks are properly identified and managed.</p>

		<p>Detailed progress reports are provided on a regular basis for all major projects to the Group Executive Committee and early warning systems are in place to keep projects on track. Xstrata regularly communicates with and works in partnership with government bodies, communities and other stakeholders during the development of its growth projects. The project pipeline is rigorously evaluated and, if appropriate, projects are earmarked for disposal, partner introduction or postponement, depending on risk profile and an assessment of potential value. (See also social and community risk below).</p>
<p>Social and community</p>		
<p><i>Risk</i></p> <p>Xstrata's operations and the development of its project pipeline can have an impact on communities local to its sites. In some instances, our developments may involve the resettlement of communities and relocation of infrastructure. In some regions, communities may oppose mining activities for various reasons.</p>	<p><i>Impact</i></p> <p>Without gaining broad support for our activities from local communities our projects could face delays in development, impacting future operating profit, development costs and our corporate reputation. Lack of support for our operations can impact production and affect our profitability and/or reputation.</p>	<p><i>Mitigation</i></p> <p>We work with the communities affected by our operations to identify and evaluate their needs and concerns at every stage of a project's life cycle, as well as the actual and potential impacts our operations have on them. We carry out social and human rights baseline studies and risk assessments, and engage with all communities in a transparent, culturally appropriate manner within an operation's sphere of influence. We recognise community members' rights and respect local laws, customs and cultural heritage. Decisions made during earlier phases of a project's life cycle are reviewed during each later phase. We aim to avoid the need to resettle communities, but where necessary we adhere to the World Bank/International Finance Corporation standards on Involuntary Resettlement.</p>
<p>Health, safety and environment</p>		

<p><i>Risk</i></p> <p>Xstrata’s operations are subject to extensive health, safety and environmental (HSE) regulations and legislation and community expectations.</p>	<p><i>Impact</i></p> <p>New or amended environmental, health and safety legislation or regulations may result in increased operating costs or, in the event of non-compliance, the possibility of fines, penalties or other actions which may adversely affect Xstrata’s financial position. Rehabilitation costs, which are generally estimated and provided for over the life of operations and based on the best information available, may subsequently increase, impacting on Group earnings. Any breach of regulations or non-compliance with Xstrata’s own best practice standards in health, safety and environmental performance and community relations may damage our reputation and, as a result, our licence to operate. Increasing and competing demands for water in water-scarce regions presents a growing risk for some of Xstrata’s operations. Performance standards at acquired operations may not meet Xstrata’s expected performance standards.</p>	<p><i>Mitigation</i></p> <p>We comply in full with the laws and regulations in each country where we operate. In addition, we operate in accordance with Xstrata’s Sustainable Development Framework, aspiring to achieve the highest international standards regardless of location and without exception. Xstrata’s businesses monitor legislative requirements and engage with government and regulators regularly to ensure full compliance. Our commitment to the principles of sustainable development, which incorporates environmental, economic and social performance, is an integral part of our operating philosophy. Every managed operation is independently audited through Xstrata’s Sustainable Development Assurance Programme on a regular basis, and health, safety, environmental and social performance indicators are reported regularly to the Group Executive Committee and Board. Operations located in water-scarce areas are required to develop and implement water management strategies, engage with other concerned stakeholders and set water intensity reduction targets. Acquired operations are assessed for HSE risks and opportunities as part of the integration process and action plans implemented to address areas of underperformance.</p>
<p>Political and fiscal intervention</p>		
<p><i>Risk</i></p> <p>Xstrata’s operations and projects span 19 countries, some of which have more complex, less stable political or social climates and consequently higher country risk. Political risks</p>	<p><i>Impact</i></p> <p>Any of these factors could have an adverse impact on Xstrata’s profitability in a certain geographic region or at certain operations. In South Africa, these risks include the ability to</p>	<p><i>Mitigation</i></p> <p>We manage a broad geographic spread of assets, diversifying political risk across a number of territories. We perform a thorough risk assessment on a country-by-country basis when considering</p>

<p>include changes in laws or regulations, taxes or royalties, expropriation of assets, infrastructure issues, currency restrictions or renegotiation of, or changes to, mining leases and permits. A change to the political, community or fiscal structure of a country could render the region unsuitable for efficient operation or result in lower investor confidence.</p>	<p>convert existing mining licences to 'new order' mining rights under the Mineral and Petroleum Resources Development Act and Empowerment Charter</p>	<p>activities and investments and regularly review political, regulatory and social risk to ensure that risks have been properly identified and managed to within acceptable levels. We work in partnership with our employees and local communities for mutual benefits, earning and maintaining a social licence to operate. Investment terms and joint venture or other partnership agreements are reviewed to ensure fairness and reduce the risk of renegotiation. Xstrata maintains an extensive, transparent and open relationship with regulators and local, regional and national government bodies. We follow and ensure any changes to laws or regulations are addressed and closely monitor compliance with legislation and with the leading practice standards set out by the Group's Sustainable Development Framework. In South Africa, Xstrata is on track to achieve employment equity, procurement, social development and other targets as set out by the Mining Charter.</p>
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Product stewardship

<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p>The European Union's REACH regulation (Registration, Evaluation and Authorisation of Chemicals) is intended to place the burden of ensuring the safety of chemical substances in terms of both occupational and environmental exposures onto industry instead of authorities and requires the producers of chemicals to identify, register and carry out toxicity testing. Many of the commodities produced by Xstrata and the chemicals used during its production processes fall within</p>	<p>Non-compliance with REACH or similar legislation elsewhere would restrict available markets for many of Xstrata's commodities and potentially reduce revenues. Costs may increase arising from the need to adhere to different compliance regimes in the various destinations of Xstrata's products. Legislation that may be enacted in other countries could affect the Group's ability to procure consumables, due to their removal from the market as well as Xstrata's ability to</p>	<p>We monitor proposed changes to existing laws and the introduction of new laws in all jurisdictions. Xstrata actively participates in a number of industry organisations and product consortia to facilitate information-sharing on compliance to regulations. Xstrata engages with and lobbies political leaders and advisors through these organisations as well as independently. Xstrata has developed a coordinated Group approach to REACH legislation, resulting in the sharing of compliance information across</p>

<p>the scope of REACH, failure to comply with REACH legislation will result in these products being excluded from the EU. Different countries and regions may introduce varying compliance regulation and consumables may be removed from the market as a result of new legislation.</p>	<p>export products and impact costs.</p>	<p>business units and all our businesses fully understand the REACH obligations and have confirmed compliance. In addition, we are closely monitoring and are involved with the work of industry bodies, which are engaged in issues concerned with REACH.</p>
<p>Group financing</p>		
<p><i>Risk</i></p> <p>Xstrata's existing debt levels combined with a significant expansionary programme will reduce Xstrata's flexibility to react to market downturns and take advantage of opportunities.</p>	<p><i>Impact</i></p> <p>A restricted ability to refinance and/or assume additional debt will affect the Group's ability to fund ongoing operations and growth and may place pressure on the Group's credit rating and banking covenants.</p>	<p><i>Mitigation</i></p> <p>Xstrata is committed to maintaining an investment grade credit rating and takes a considered approach to debt management. In the first quarter of the year, Xstrata completed a 2 for 1 rights issue, repaying a net \$3.7 billion of debt. The Group benefits from significant headroom under existing debt refinancing requirements until 2011 and a good spread of maturities over the subsequent years. Capital expenditure is presented on an approved/unapproved basis to allow the monitoring of the impact on Xstrata's credit rating and our ability to react to changes in market circumstances. Xstrata's Treasury Policy and performance is actively monitored and reported each month to the Executive Committee.</p>
<p>Cost control</p>		
<p><i>Risk</i></p> <p>As Xstrata is unable to directly set the prices it receives for the commodities it produces, its competitiveness and long-term profitability depend, to a significant degree, on its ability to reduce costs and maintain low-cost, efficient operations. Important cost inputs generally include extraction and</p>	<p><i>Impact</i></p> <p>While increases in these costs have moderated in recent months and in some cases have declined, further increases in input costs may negatively impact Xstrata's earnings.</p>	<p><i>Mitigation</i></p> <p>We recognise the importance of cost reduction as a driver of value creation and as a measure of the quality of our operational management and our stewardship of the assets of our owners. Cost performance is regularly reported to the Group Executive Committee and is an important management performance measure. Regular</p>

<p>processing costs of raw materials and consumables, such as reductants, reagents, power, fuels, labour, transport and equipment, many of which are particularly susceptible to inflationary and supply and demand pressures.</p>		<p>internal audits at operations identify potential efficiencies and operational management are incentivised to reduce the operating cost base of each of our businesses every year. In each of the last eight years, Xstrata has achieved real cost savings from its operational cost base and in 2009, \$501 million of real cost savings were achieved. Xstrata's dedicated technology business, Xstrata Technology Services, is a world leader in the development of minerals processing and metals extraction technologies to improve efficiency and reduce operating costs. Xstrata's commodity businesses also invest in the development of lower cost proprietary technologies.</p>
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Operational risks

<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p>Xstrata's operations are affected by a number of factors which are, to a large extent, outside management's control, including the availability of raw materials, water and power. In addition, Xstrata's businesses are subject to numerous other operating risks which include: unusual or unexpected geological features, ground conditions or seismic activity; climatic conditions (including as a result of climate change) such as flooding, drought or a reduction in permafrost; interruptions to power supplies; congestion at commodities transport terminals; industrial action or disputes; environmental hazards; and technical failures, fires, explosions and other incidents at a mine, processing plant, cargo terminal or related facilities.</p>	<p>Impacts to our operating environments may adversely affect operating performance, production levels, unit costs and operating profit.</p>	<p>Our approach to operational risk is value-driven and has the stated objective of ensuring 'an environment where we can confidently grow shareholder value through developing and protecting our people, our assets, our environment and our reputation'. We have in place a robust and comprehensive programme to identify, understand and manage the risks that affect our businesses and operations. Each commodity business undertakes an annual risk review and updates its risk register accordingly.</p>

Labour and key employees		
<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p>The majority of Xstrata's workforce is unionised. We believe that all of our operations have, in general, good relations with employees and unions, but from time to time the Group's operations have experienced limited work stoppages and other industrial action which interrupts production.</p>	<p>Xstrata's lean management structure depends on a relatively small number of key employees. The loss of certain key employees, particularly to competitors, could have a material adverse effect on the Group. In addition, as Xstrata develops and expands, we believe that our future success will depend on our ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.</p>	<p>We aim to attract and retain the best people at every level of our businesses and to provide them with the resources they require to achieve and maintain our operational excellence. We provide industry-leading career development opportunities, well structured employment contracts, competitive remuneration and fair and non-discriminatory workplaces. We believe our devolved management structure and supportive environment for rational risk-taking is an important retention measure, offering unparalleled opportunities for development and entrepreneurial leadership, minimising bureaucracy and allowing every employee to play an active part in our success. Fast track and executive development programmes are in place across the Group and formal succession planning is regularly reviewed.</p>
Reserves		
<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
<p>Mine reserves decline as commodities are extracted and not all reserves may be mined as profitably as anticipated.</p>	<p>Successful exploration and development activities and access to new properties containing economically recoverable reserves are necessary for Xstrata's future success. In order to develop reserves, various governmental permits must be obtained.</p>	<p>We annually update the quantity and quality of estimated proven and probable reserves to reflect the extraction of commodities, additional drilling or other data. Reserve and resource estimates are published on the Group website. We maintain a transparent and open relationship with regulators and local, regional and national government bodies and closely monitor compliance with legislation and with the leading practice standards set out by the Group's Sustainable Development Framework.</p>

4. Related party transactions

Information about material related party transactions of Xstrata is set out below:

During the year, the Group entered into the following transactions, in the ordinary course of business, with related parties:

US\$m	Glencore *		Joint venture entities		Associates	
	2009	2008	2009	2008	2009	2008
Sales**	7688	9282	-	-	407	436
Purchases	537	809	541	334	-	-
Treatment and refining charges	344	218	-	-	165	201
Treatment and refining revenue	7	1	-	-	-	-
Agency and other charges	66	99	-	-	10	11
Interest and other revenue	-	-	3	6	-	3
Call option premium (refer to notes 10 and 24)	208	-	-	-	-	-
Earning fro other financial assets (fefer t notes 10 and 24)	146	-	-	-	-	-
Amounts payable	80	147	531	125	20	1
Amounts receivable	622	247	-	-	72	23
Other financial assets (refer to note 24)	2424	-	-	-	-	-

* Includes share of joint ventures.

** No provision for doubtful debts has been raised in respect of transactions with related parties.

Included in the transactions with Glencore International AG (Glencore) are US\$1,329 million (2008 US\$1,136 million) of back-to-back sales whereby the title to the goods has passed to Glencore but they are then on-sold to customers at the same sales price that the Group received.

Amounts payable and receivable, are included in Trade and other receivables (refer to note 19) and in Trade and other payables (refer to note 27), are unsecured and will be settled in cash.

Glencore International AG – substantial shareholder

As at 31 December 2009, Glencore owned 34.4% (2008 34.4%) of the issued share capital of the Company representing 1,010,403,999 ordinary shares (2008 336,801,333 ordinary shares).

Chrome

Xstrata Alloys entered into a ferrochrome marketing agreement with Glencore on 21 April 1995, appointing Glencore as its exclusive world-wide marketing agent for the sale of Xstrata Alloys entire production of ferrochrome other than ferrochrome sold into the US, Canada and certain Asian countries. The agreement continues for as long as Xstrata Alloys produces ferrochrome. Glencore is obliged to use its best endeavours to arrange sales at prevailing market rates subject to initial agreement and approval by Xstrata Alloys prior to effecting the sale. Glencore assists Xstrata Alloys in negotiating sales contracts with third parties. Glencore is entitled to receive an agency fee of 3.5% on FOB sales revenues and an additional fee of 0.75% on FOB sales revenues for assuming the risk of non-payment by customers on this material. Glencore assumes 60% of the risk of non-payment by customers in relation to ferrochrome sales.

If at any time Xstrata Alloys notifies Glencore that it is able to find purchasers for its production at prices higher than those generally obtainable by Glencore, Xstrata Alloys may, unless Glencore is able to obtain similar prices, sell its products in the market. Glencore is nevertheless entitled to an agency fee of 3.5% of FOB sales revenue in respect of such sales. Glencore is also entitled to receive a US\$50,000 monthly fee in connection with market analysis and certain administrative tasks it performs for Xstrata Alloys.

Ferrochrome sold into the US and Canada is distributed by Glencore Ltd and Glencore Canada Inc respectively, under two distribution agreements. These agreements continue indefinitely,

with both parties having the right to terminate the agreement at 12 months' notice. The percentage of distribution fees payable by the Group in respect of ferrochrome sold under the distribution agreement is substantially the same as the commission paid in respect of ferrochrome sold under the marketing agreement.

Mitsui & Co. Ltd is the appointed distributing agent for ferrochrome sales into China, Japan and South Korea up to a maximum of 105,000 tonnes per annum. A change in distributing agent for sales into these countries must be done with the consent of Glencore.

Vanadium

In December 1997, the Group, entered into a 20-year marketing agreement with Glencore in respect of Rhovan's and Vantech's (closed in 2004) entire production of vanadium other than vanadium sold into the US and Canada.

Glencore is obliged to use its best endeavours to arrange sales of vanadium pentoxide and ferrovanadium to customers at prevailing market rates subject to initial agreement and approval by Xstrata Alloys prior to affecting the sale. Xstrata Alloys is obliged to pay to Glencore an agency fee of 3.5% on FOB sales revenues and an additional fee of 1.5% on FOB sales revenues for assuming the risk of non-payment by customers on this material. Glencore assumes 100% of the risk of non-payment by customers in relation to vanadium sales.

If at any time Xstrata Alloys notifies Glencore that it is able to find purchasers for its production at prices higher than those generally obtainable by Glencore, Xstrata Alloys may, unless Glencore is able to obtain similar prices, sell its products in the market. Glencore is nevertheless entitled to the 3.5% agency fees described above in respect of such sales.

Vanadium pentoxide and ferrovanadium sold into the US and Canada is distributed by Glencore Ltd and Glencore Canada Inc respectively, under two distribution agreements. The distribution agreements have the same term as the marketing agreement and consequently, the percentage of distribution fees payable by the Group in respect of vanadium pentoxide and ferrovanadium is substantially the same as the commission paid in respect of vanadium pentoxide and ferrovanadium sold under the marketing agreement.

Coal

In 2002, the Group entered into a 20-year market advisory agreement with Glencore with fee reviews at the end of every fifth year of the agreement. Pursuant to this agreement, Glencore acts as the Group's market advisor with respect to its export production of coal (other than for Xstrata Coal's share of production from the Cerrejón thermal coal operation in Colombia). The fee payable to Glencore is US\$0.50 per attributable tonne of coal exported by the Group from Australia or South Africa. The first 5 year fee review has not yet been finalised and both parties are currently operating under the original terms of the agreement.

In 2009, the Group entered into market standard forward commodity price derivatives for 4,455,000 tonnes (2008 1,965,000 tonnes) with Glencore as counterparty. During the year ended 31 December 2009, 3,180,000 tonnes at an average FOB price of US\$71.78 per tonne were delivered (2008 105,000 tonnes at an average FOB price of US\$64.59 per tonne). At 31 December 2009, 3,195,000 tonnes (2008 1,920,000 tonnes) were contracted with Glencore for delivery in 2010. These derivatives are on arm's length terms and conditions and are included within derivative financial assets and liabilities (refer to notes 23, 30 and 37).

During the year ended 31 December 2009, 2,550 tonnes were borrowed from Glencore (2008 142,414 tonnes) and 2,550 tonnes were transferred back to Glencore (2008 342,620 tonnes)

with nil tonnes owed to Glencore at 31 December 2009 (2008 nil tonnes) on arm's length terms and conditions.

In 2006, the Group entered into a three-year fuel supply agreement with Glencore to supply diesel fuels to coal mines in New South Wales and Queensland. Under this supply agreement US\$113 million (2008 US\$116 million) worth of fuel was delivered during the year ended 31 December 2009. The supply agreement is on arm's length terms and prices change monthly according to the world market price per barrel (US\$/BBL). The contract was due to expire in March 2009, however it has been extended until March 2010 under the same terms. Xstrata Coal has put forward a global fuel tender, however, negotiations are still ongoing and no contract has yet been entered into.

In 2005 Cerrejón entered into a five-year fuel supply agreement which expires in February 2010 with Glencore to supply diesel fuels. The Group's share of the fuel purchases for the year ended 31 December 2009 was US\$44 million (2008 US\$92 million). The supply agreement is on arms length terms and prices change for each shipment according to the world market price per barrel (US\$/BBL). Xstrata Coal South America has also put forward a global tender, however, no contracts have yet been signed.

All coal purchases and sales with Glencore are on arm's length terms and conditions.

Refer to note 24 for details of the Group's acquisition of the Prodeco coal assets from Glencore.

Copper

Xstrata Copper has entered into a service agreement with Glencore for a three-year period effective from 1 January 2007 and 'evergreen' thereafter with a 12-month cancellation notice for the supply of advice, support and assistance with regard to its marketing and operational hedging activities.

Copper cathode sales agreements were entered into between Xstrata Copper Canada/Xstrata Copper North Chile/Xstrata Commodities Middle East and Glencore for the period 1 January to 31 December 2009. All sales are based on either spot or benchmark terms in accordance with prevailing market conditions.

Xstrata Copper (Minera Alumbrera Limited) has entered into a five-year frame contract with Glencore on an 'evergreen' basis. The sales terms for the copper concentrate are negotiated annually on arm's length terms and conditions. Minera Alumbrera Limited on occasions sells concentrate to Glencore at prevailing spot market prices.

A copper precipitate purchase agreement was entered into between Xstrata Copper Canada and Glencore for the period 1 January to 31 December 2009, at prevailing market terms.

Copper concentrate purchase agreements were entered into between Xstrata Copper North Chile and Glencore for a four-year frame contract commencing 1 January 2007. All purchases are based on benchmark terms in accordance with prevailing market conditions.

Copper concentrate sales agreements were entered into between Xstrata Copper Tintaya and Glencore for the period 1 January to 31 December 2009. All sales are based on either spot or benchmark terms in accordance with prevailing market conditions.

A copper concentrate sales agreement was entered into between Xstrata Commodities Middle East and Glencore for a three-year frame contract starting 1 January 2007 at benchmark terms.

Xstrata Commodities Middle East also sells concentrate to Glencore based on a spot basis on occasions throughout the year at prevailing market terms.

Copper concentrate purchase agreements were entered into between Xstrata Commodities Middle East and Glencore for the period 1 January to 31 December 2009 at prevailing market terms. Xstrata Copper North Queensland has entered into a sales agreement with Glencore for copper Concentrate for a three-year period effective from 1 June 2008 and 'evergreen' thereafter. This agreement consists of an annual benchmark and spot component.

A copper anode purchase agreement was entered into between Xstrata Commodities Middle East and Glencore on a spot basis during the year.

A molybdenum concentrate spot sales contract was entered into between Mineral Alumbra Limited and Glencore in 2009 at market related terms.

All sales transactions with Glencore are on arm's length terms and conditions.

Nickel

Xstrata Nickel has entered into a purchase agreement with Glencore for up to 250 wmt per month of copper cobalt white alloy raw material feed to the Nikkelverk refinery in Norway, effective from 1 July 2009. The contract includes both a metal purchase and a metal return component for copper and cobalt, respectively. The term of the contract is to the end of 2011, continuing indefinitely thereafter unless terminated by either party with six months notice given not earlier than 1 July 2011. Pricing terms are based on prevailing market rates. Treatment, refining and penalty deductions were negotiated on arm's length terms and conditions. This contract replaces white alloy agreements entered into in 2004 that were due to expire at the end of 2009. Other short-term or one-time feed purchase agreements were entered into with Glencore, with pricing terms based on prevailing market rates. During 2009, Xstrata Nickel purchased from Glencore 287 tonnes of nickel, 563 tonnes of copper, and 250 tonnes of cobalt (2008 1 tonne, 74 tonnes, 44 tonnes, respectively). In addition, during 2009, Xstrata Nickel returned to Glencore 297 tonnes of cobalt (2008 35 tonnes).

In March 2007, Xstrata Nickel entered into sole distributorship agreements with Glencore, for its nickel, cobalt and ferronickel production. These agreements continue until 31 December 2012 and are automatically renewed for successive three year periods unless terminated by either party with not less than 12 months notice prior to the end of the original term or any renewal terms, or unless Xstrata Nickel permanently ceases production of these metals. Xstrata Nickel, at its sole discretion, may cease, suspend or reduce production at any time. Glencore is obliged to distribute the products with all due care and diligence and shall cultivate and maintain good relations with purchasers and potential purchasers in accordance with sound commercial principles and taking into account Xstrata Nickel's business principles. All sales terms and conditions are set on an arm's length basis. For nickel and cobalt sales, the price basis is the month following the month of delivery. For ferronickel sales, the price basis is the quotational period provided for in customer contracts. Accordingly, provisionally priced nickel, cobalt and ferronickel revenues are subject to final price adjustments due to future price changes. During 2009, Xstrata Nickel sold to Glencore 88,457 tonnes of nickel (2008 89,567 tonnes), 3,066 tonnes of cobalt (2008 3,137 tonnes) and 236 tonnes of ferronickel (2008 19,847 tonnes). In addition, Glencore prepays monthly to Xstrata Nickel in two equal instalments 100% of the value of the month's planned production. The prepayment balance as at 31 December 2009 amounted to US\$49 million (2008 US\$54 million).

Xstrata Nickel sells refined copper to Glencore on arm's length terms and conditions under spot arrangements, which are based on prevailing market rates. During 2009, Xstrata Nickel sold to Glencore 1,547 tonnes of copper (2008 nil).

Zinc

On 1 January 2007, Xstrata Zinc renewed a service agreement for a period of 3 years with Glencore (the Xstrata Zinc Service Agreement), under the terms of which Glencore provides advice and assistance with respect to pricing and structural issues regarding hedging and the optimisation of internal flows of raw materials. The fees to be paid by Asturiana under the Asturiana Service Agreement are US\$2 million per annum.

In 2009, Xstrata Zinc (San Juan de Nieva and Nordenham) agreed to supply Glencore with 315,000 tonnes (2008 210,000 tonnes) of SHG zinc slabs or CGG ingots based on market FOB/CPT prices plus the respective market premium.

In 2009 Xstrata Zinc (McArthur River) supplied Glencore with 313,600 wmt of zinc concentrate (2008 313,600 wmt). Xstrata Zinc has an agreement to supply 281,600 wmt each year on an 'evergreen' basis. Treatment charges are negotiated annually on arm's length terms and conditions. Further to the aforementioned agreement, an additional 25,000 wmt of McArthur River zinc concentrates were sold to Glencore on a spot basis.

In 2009 Xstrata Zinc (Mt Isa) had three agreements with Glencore for the supply of zinc concentrate. The two agreements are 'evergreen' in nature. The first agreement is to supply 90,000 wmt per annum. The second agreement is to supply up to 330,000 wmt per annum for the purpose of swapping Mt Isa concentrate in exchange for the same volume to be delivered to Xstrata's European smelters at equivalent terms. Treatment charges are negotiated annually on arm's length terms and conditions. Further to the aforementioned two agreements, an additional 100,000 wmt of Mt Isa concentrates were sold to Glencore on a spot basis.

During 2009, Xstrata Zinc Canada has made agreements to supply Glencore with approximately 77,700 tonnes of SHG zinc. Of this approximately 63,700 tonnes were SHG zinc slabs, and the balance SHG zinc jumbos. Furthermore, during 2009 Xstrata Zinc Canada made agreements to supply Glencore with approximately 33,000 tonnes of corroding grade lead metal. All agreements are based on market delivery duty paid plus the respective market premium.

During 2009, Xstrata Zinc Canada arranged the sale to Glencore of approximately 380,000 dry metric tonnes of zinc and bulk concentrates from various sources, as well as the purchase from Glencore of approximately 15,000 dry metric tonnes of lead concentrate, at terms prevailing in the market.

All purchase and sales transactions with Glencore are on arm's length terms and conditions.

Technology

In 2006, Xstrata Technology was contracted to install a copper ISASMELT furnace, a lead ISASMELT furnace and an IsaProcess copper refinery at Kazzinc, a Glencore subsidiary for US\$99 million. The project commenced in May 2006 and will be commissioned in 2010. This transaction with Kazzinc is on arm's length terms and conditions.

Associates

Platinum

The Group acquired 24.9% of Lonmin PLC shares on 6 Oct 2008 and equity accounts this investment as an associate. During 2009, a net impairment of US\$241 million (2008 US\$34 million) was taken on this investment directly to the income statement.

Coal

Xstrata Coal has a number of investments in export coal terminals allowing it to export coal into overseas markets.

Xstrata Coal South Africa holds a 20.9% (2008 20.9%) interest in Richards Bay Coal Terminal Company Ltd (RBCT), a company that operates the coal terminal in Richards Bay, South Africa. Xstrata Coal South Africa reimburses RBCT for its share of operating and capital expenditure.

Xstrata Coal Australia has a 33% (2008 35.6%) interest in Port Kembla Coal Terminal Limited and a 31% (2008 31%) interest in Newcastle Coal Shippers Pty Limited. Xstrata Coal Australia reimburses these coal terminals for its share of coal loading and handling charges.

Zinc

The Group has a 25% economic and voting interest in the Noranda Income Fund (NIF), which owns a zinc refinery in Salaberry-de-Valleyfield, Quebec. The Group's interest in the NIF are held as ordinary units of the partnership, which are subordinate to the priority units in respect of cash distributions in any month until 3 May 2017. In addition, the Group has entered into a supply and processing agreement that continues until 2 May 2017 and is obligated to sell to the NIF up to 550,000 tonnes of zinc concentrate per year. The NIF pays the Group a concentrate price, based on the price of zinc metal on the London Metal Exchange, for the payable zinc metal contained in the concentrate less a processing fee of US\$0.33311 per pound (2008 US\$0.35205 per pound) of such payable zinc metal at 31 December 2009.

Joint venture entities

Coal

Xstrata Coal has a 33 1/3% interest in the Cerrejón thermal coal operation in Colombia. All purchase terms and conditions are set on an arm's length basis.

Copper

Xstrata Copper has a 44% interest in the Collahuasi joint venture in Chile. The Collahuasi joint venture has fixed term contracts for the sale of copper concentrate to Xstrata Copper for 60,000 dmt per year expiring in 2009 and for 120,000 dmt per year expiring in 2014. The treatment and refining charges are based on benchmark terms in accordance with the prevailing market. In addition, Xstrata Copper, via its 44% equity share in Collahuasi, purchases 44% of the uncommitted copper concentrates production in each calendar year. These tonnes are purchased from Collahuasi in line with prevailing benchmark terms.

Xstrata Copper has a 33.75% interest in the Antamina joint venture in Peru. The Antamina joint venture has fixed term contracts for the sale of copper concentrate to Xstrata Copper for 170,000 dmt per year expiring in 2013. The treatment and refining charges are based on benchmark terms in accordance with the prevailing market. In addition, Xstrata Copper, via its 33.75% equity share in Antamina, purchases 37.5% of the uncommitted copper concentrates production in each calendar year. These tonnes are purchased from Antamina in line with prevailing benchmark terms.

All other purchases between the joint venture entities and the Group are set on an arm's length basis based on either spot or benchmark terms in accordance with prevailing market conditions.

Directors' loans

An interest free short-term loan of US\$3 million was provided to the Chief Executive in accordance with the Group's policy to cover periods where employees of the Group are

exposed to overlapping periods of double taxation due to the requirement of working in multiple jurisdictions. The terms of the loan agreement require repayment of the loan amount on realisation of the foreign taxation credit claimed.

5. Statement of Directors' responsibilities in relation to the Group and the parent Company financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations. The directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have elected to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). In the case of the Group's IFRS financial statements, the directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing the Group financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

In the case of the Company's UK GAAP financial statements, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable UK law and regulations the directors are responsible for the preparation of a directors' report, directors' remuneration report and corporate governance report that comply

with the Companies Act 2006 and regulations. In addition the directors are responsible for the maintenance and integrity of the corporate and financial information included on Xstrata's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under the requirements of section 4 of the Disclosure and Transparency Rules, the directors are responsible for including a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

6. Disclosure of information to auditors

The directors in office at the date of the report have each confirmed that:

Having made enquiries of fellow directors and of Xstrata's auditors, and so far as each director is aware, there is no relevant audit information of which Xstrata's auditor is unaware and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that Xstrata's auditor is aware of that information.

This declaration is made in accordance with a resolution of the board.

END

For further information, please contact

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