Half-Yearly Report 2012

six months ended 30 June 2012

Key Financial Results

$m	Six months to 30.06.12	Six months to 30.06.11	% Change
Revenue	15,550	16,777	(7)
Operating EBITDA*	4,007	5,820	(31)
Operating profit*	2,454	4,246	(42)
EBIT*	2,439	4,254	(43)
Attributable profit*	2,194	2,865	(23)
Attributable profit	1,941	2,916	(33)
Earnings per share (basic)*	$0.75	$0.98	(23)
Earnings per share (basic)	$0.66	$1.00	(34)
Dividends declared and paid per share	27.0¢	20.0¢	35
Dividends proposed per share	14.0¢	13.0¢	8
Net debt to net debt plus equity	19%	15%	27
Net assets	47,359	45,533	4
Net assets per share**	$16.03	$15.53	3

* Excludes exceptional items
** Excluding own shares

Highlights:

- Strong financial and operational performance despite cyclical downturn in commodity prices and ongoing cost inflation
- Good cost performance with real unit cost savings of $105 million. Significant additional cost saving opportunities identified in second half
- Improvement in second quarter volumes provides good momentum for stronger second half production as new projects are progressively commissioned
- $1.47 billion Antapaccay copper project reached commissioning on schedule and on budget with first copper on track for October
- Approval of $360 million (AUD360 million) Phase 3 expansion of Xstrata Zinc's McArthur River Mine to produce average of 380,000 tonnes of zinc from 2014 from conventional concentrate
- In total, 10 major projects will commence commissioning on schedule by the end of 2012 across every commodity business, transforming volumes, costs and asset quality
- Full review of current and future projects, with 2012 expansionary capital spending reduced by $1 billion while retaining growth targets and schedule
- Robust balance sheet with gearing at 19% in our peak year for capital investment, providing resilience and optionality
- Return on capital to normalise from increased cash flows from new growth projects
- Proposed interim dividend of 14¢ per share, 8% increase over the 2011 interim dividend
- Safety performance continues to improve to 5 total recordable injuries per million hours worked for the year to date, including contractors

Chief Executive Officer's Report

2012 is a landmark year for Xstrata and marks the tipping point of the strategy to transform our portfolio through organic growth that we have consistently pursued for the past five years. That strategy has already delivered long-life, low cost operations with further embedded growth potential such as the Mangoola and Goedgevonden coal mines, Nickel Rim South and the expansion of the Antamina copper-zinc mine - all producing at or above name-plate capacity. By the end of the year, a total of ten major projects will reach commissioning during 2012 and accelerate our transition from certain legacy, end of life operations to new and expanded efficient operations. Our business will be transformed in terms of asset quality, cost competitiveness and further capital-efficient growth potential. Notwithstanding the impact of cost and other pressures on some of our projects, all of them are robust and the completion of our current organic growth strategy will be as important in the life of Xstrata as the initial acquisition-led growth of the first five years following our IPO.

First half performance

Our financial performance in the first half of the year reflected a cyclical downturn in commodity prices and the transition to our next generation of lower cost mines. Commodity prices fell significantly, in particular for nickel and zinc, compared to the same period last year and were the major contributor to reduced profitability, while we were shielded from the full impact of lower spot prices by higher priced annual coal contracts. EBITDA of $4 billion was 31% lower than the same period last year, while earnings per share fell to 75 cents, 23% lower than the first half of 2011 on a pre-exceptional basis.

Safety performance continued to improve in terms of total recordable injuries which fell to 5 per million hours worked for the year to date, including contractors, a further improvement over the full-year rate for 2011. Notwithstanding this overall improvement, tragically, one person died at our operations during the first half. We continue to strengthen visible safety leadership and embed further a safety culture in the workplace to eradicate injuries and fatalities from our business.

Against the background of lower prices and ongoing cost inflation, our operational performance remained robust. Second quarter volumes rose across the Group, providing us with good momentum to achieve our expectations of higher volumes in the second half. Coal and nickel volumes rose in the first six months compared to the previous year. Zinc volumes were maintained, despite the imminent closure of Brunswick and Perseverance mines in Canada. However, the Tintaya and Ernest Henry open pit copper operations contributed lower volumes as they reach the end of their lives. First half copper sales volumes were also significantly impacted by Argentine government measures in April that prevented Alumbrera from selling to export customers in the second quarter, despite a strong operational performance at the mine. Following the relaxation of restrictions, copper sales have resumed and the back-log will be fully recouped by the end of the year.

The Collahuasi joint venture in Chile encountered further headwinds with a ball mill failure, lower recoveries and planned lower grades. Recent performance at Collahuasi has been disappointing and this mine is not yet operating in a manner which will allow it to fulfil its vast potential. We have therefore taken decisive action to bring Collahuasi directly under the joint management of Xstrata Copper and Anglo American for an interim period to ensure that our business improvement plans, approved by the Collahuasi board in June, are fully executed. Multi-disciplinary task forces comprising Xstrata, Anglo American and Mitsui representatives are directly implementing operational and sustainable improvement initiatives at the mine and we expect to see performance improve steadily from the second half of this year. In contrast, our experience at Antamina demonstrates that, while undoubtedly more challenging, non-managed joint ventures can be managed successfully and yield enormous value for their shareholders. Antamina's recent expansion was completed on time and on budget in March and the operation is already running above its expanded nameplate capacity and enjoys further brownfield growth options.

CPI and mining sector-specific inflation continued to impact costs. Inflationary pressures typically lag declining commodity prices but we expect costs to moderate over time as a number of capital projects are delayed and lower commodity prices start to flow through to key inputs. Despite these headwinds and the challenges of operations reaching the end of their lives, our businesses cut unit costs in real terms by a net $105 million in the first six months of the year, led by the nickel and zinc

business units which together accounted for $87 million of savings. Our transition to lower cost operations has already commenced in our nickel and coal businesses. Recently commissioned world class projects positively influenced unit costs, including the Nickel Rim South, Fraser and Raglan mines in nickel and in coal, Mangoola, Goedgevonden and Blakefield South, which was recently restarted following an underground fire. Our zinc business achieved incremental efficiency improvements at every operation, offsetting the impact of end-of-life mines. Together with a strong cost performance from Xstrata Alloys, overall savings more than compensated for lower grades in the copper business.

The Board has declared an interim dividend of 14 cents per share, representing an increase of 8% over the prior year. This increase marks our confidence in the medium term outlook for our business and prospects and our robust financial position, with gearing at a comfortable 19% at the period end, in the midst of our peak year for capital investment.

Pro-active response to cyclical downturn

Recent falls in commodity prices have, as in late 2008, reignited suggestions that the recent era of elevated commodity prices, strong demand and the inability of the supply side to respond sufficiently to that demand is drawing to a close. We have undoubtedly reached another cyclical downturn within that longer term trend. Yet the fundamental drivers of the secular uplift in demand continue to exert their influence. The urbanisation and industrialisation of very large, young or working age populations is not yet complete and in some countries the inexorable process is only in its infancy. Indonesia, Mexico and Russia are forecast to join China, India, and Brazil among the largest economies by 2050, implying significant growth from this point. Looking back through history, seismic shifts in the world, such as the industrial revolution, the industrialisation of the US and Japan and post-war recovery period of the 1950s and 1960s have all endured for more than one decade. The urbanisation of China and other emerging economies is following these familiar trajectories, with the distinction of being an order of magnitude greater in size, pointing to an even longer duration. The economic cycle will, of course, continue to turn within these longer term trends. Since mid-way through the first quarter of 2012, our proprietary 'radar' of leading economic and end-use indicators has pointed to a cyclical downturn in commodity demand. The short-term trough we find ourselves in today arises from the combined impact of fiscal austerity in OECD economies, slower recovery in the US and tempered growth in China as the government reined in certain overheated elements of its economy.

Just as in the previous cyclical downturn of late 2008 and early 2009, we are once again taking pre-emptive action to ensure our business remains competitive and to defend margins. Year-on-year delivery of real cost savings is a hallmark of our approach to managing our operations and an important indicator of our operational abilities. Our cost performance in the first half continues our unbroken record of real cost savings at every reporting period since our IPO in 2002. In the early years, we cut costs primarily by turning around underperforming, higher cost acquired assets, but over the last few years, our operating teams have demonstrated their ability to reduce costs from a mature and more stable asset base – both in buoyant markets and tough operating conditions.

Our approach to reducing costs is firmly rooted in the belief that our operational management are best placed to determine how to run their sites more efficiently. We do not impose top-down cost savings targets from the centre. Instead, I ask every commodity business and every site manager to identify the incremental improvements they can make and I am constantly impressed by the commitment and drive of our people to find innovative ways to do things better tomorrow than they did today.

As ever, our businesses have responded to the operating environment, identifying substantial additional cost savings to offset cost pressures and lower prices. We now expect to reduce costs by around $970 million in total. Identified savings will not only offset in full our expectations of non-inflation increased unit costs of around $580 million for the full year resulting from the inevitable cost pressures of ageing operations reaching the end of their lives, including lower grades, but will reduce our operating cost base and improve our competitive position. The resultant expected net real cost saving for the year of around $390 million is a creditable cost performance against the very complex operating environment in 2012, compounded by the transition phase of our growth strategy and the potential risk of distraction arising from the proposed merger with Glencore. I am pleased with the outcome so far.

Our two most energy-intensive businesses, Xstrata Alloys and Xstrata Nickel, have identified efficiency improvements that will yield over $55 million in 2012, including the shift to 100% procured power at Falcondo and optimising our ferrochrome furnace schedule to reduce the impact of higher winter power tariffs. Xstrata Copper's reorganisation of its north Queensland division to structure the business with a more narrow focus on mine production will save $78 million. Improved productivity and corporate savings at Xstrata Coal and an accelerated shift from third party service providers to in-house capabilities which together will realise $200 million of savings, while Xstrata Zinc continues to trim costs across its portfolio, including around $100 million of savings from increased productivity as new and expanded operations start up from the second half of this year and further savings from the more efficient use of consumables. The sustainable cost savings initiatives we are implementing today will yield an ongoing benefit for our shareholders, adding significant long-term value for our shareholders.

Transformational growth

Over our first ten years, Xstrata's strategy has evolved through three distinct phases. First, we pursued rapid growth through a series of well-timed and integrated acquisitions. We then transformed our assets through operational excellence and an ongoing focus on improving our sustainability performance – a process that continues today. And for the past five years, we have embarked on an ambitious organic growth strategy to effect the third phase of our transformation, which reaches its pinnacle this year. Ten major growth projects will reach commissioning by the end of 2012 across every commodity business, including the Antapaccay project in southern Peru, the Koniambo greenfield ferronickel operation in New Caledonia, the Ravensworth North stage one coal project and the George Fisher and Lady Loretta zinc-lead mines in Australia. A further eleven projects will commence production in the next two years.

The impact on the quality of our business is striking. We will introduce seven new tier one, world class assets into our portfolio and expand another four. We will realise significant reductions in real unit costs in every commodity – by way of example, over 85% of our copper production in 2016 will be amongst the most competitive in the industry, in the bottom half of the industry cost curve, compared to 42% today. Average mine lives will be substantially extended, our projects will deliver robust returns on our investment throughout the commodity cycle and we will gain another raft of low capital cost, brownfield expansion options embedded within the world class assets we have developed. It simply would not be possible to acquire assets of this quality and strategic fit without paying a substantially higher price than our capital investment.

An entrepreneurial approach to value

A distinctive feature of Xstrata's approach, indeed one of our core five values, is our courage to challenge convention and find innovative ways to create value. There are many examples throughout our history, but the phase three expansion of McArthur River Mine (MRM) in the Northern Territory, Australia is a particularly striking case of almost a decade of perseverance, innovation and entrepreneurship.

Despite its scale, the characteristics of MRM's ore body means that only a commercially unpalatable combination of zinc and lead 'bulk' concentrate could be produced in any volume. Indeed construction of a mine only became possible some forty years after the ore body's discovery, with the advent of advanced fine grinding technology and Imperial Smelter Furnaces in the early 1990s. When Xstrata acquired the mine in 2003 through our Mt Isa Mines acquisition, the underground operation was only able to exploit two of the eight available ore bodies. With an estimated mine life of less than five years and rising costs, the mine was uneconomic.

Immediately, Santiago and his team searched for a way to exploit MRM's vast potential, despite the fact that Imperial Smelting Furnaces were closing, further reducing the commercial options to process MRM's ore. The conversion of MRM from underground operations to an open pit mine provided access to all eight ore bodies. It was a difficult undertaking that involved protecting the pit from tropical seasonal rains and finding an environmentally acceptable way to redirect a section of the McArthur River to access the main deposit. We finally received environmental approval for the open pit in 2009 and the following year completed the construction of an open pit mine with a 15 year life and run of mine production of 2.5 million tonnes per annum.

The final obstacle to unlocking MRM's potential – its bulk concentrate product - has now been overcome. After trialling various innovations including the Albion process inherited from MIM, Xstrata Zinc's technology team has developed a proprietary advanced alternative leaching technology to separate zinc concentrate on site at MRM which has the dual virtues of being both capital- and power-light. For a modest capital cost of $360 million, and subject to final approval from the Minister for Resources, the phase three expansion will commission in 2013 and increase production to 5.5 million tonnes run of mine per annum and an average of 380,000 tonnes of zinc in concentrate per annum at full production in 2014. Zinc reserves increase by around 70 million tonnes to 115 million tonnes, making McArthur River the largest zinc reserve in the world and the project will deliver robust returns at conservative price assumptions. The McArthur River phase three project will earn Xstrata's cost of capital at a zinc metal price of $1,340 per tonne. Today's announcement highlights Xstrata Zinc's entrepreneurial approach to identifying and pursuing value, transforming a failing and unprofitable operation nine years ago into a low cost, large scale and long life open cut operation and one of the world's premier zinc mines.

Similarly, in copper, the Antapaccay project which is now commissioning, highlights the significant value we have created from the acquisition of Tintaya six years ago. We acquired Tintaya for $750 million with a short mine life. Since that time, the mine has generated $2.5 billion of EBITDA, repaying its acquisition cost within 18 months of acquisition and the development of Antapaccay will create substantial additional value. Antapaccay has enjoyed a rapid development path - just five years from pre-feasibility study to commissioning – and highly competitive capital intensity. Antapaccay will produce 160,000 tonnes of copper per annum with a mine life of over 20 years and first quartile cash costs, providing an important regional platform for further growth. Commissioning is now underway, first copper will be produced in October and the operation is expected to reach full production in 2013. Mineral resources have steadily increased to 1 billion tonnes at 0.49% copper and a second satellite deposit, Corroccohuayco, could provide a further, low-cost expansion to the mine.

It is a credit to Charlie Sartain and his team that Tintaya has built broad-based community support and strengthened its considerable commitments to and open engagement with communities in its area of influence over the past six years, in a sometimes volatile region for mining. One of the only mines in Peru to contribute voluntarily a percentage of pre-tax profits for social development projects in the local Espinar region over and above significant tax, royalty and company voluntary social payments, over 72% of Tintaya's unskilled workforce is now drawn from the local population compared to less than 50% in 2006 and environmental performance is very good. It is therefore deeply regrettable that demands by a group led by the Mayor of Espinar for Tintaya to increase voluntary community contributions from 3% to 30% of annual pre-tax profits and associated, unsubstantiated claims of environmental pollution led to violent protests by certain groups in May. Tragically, two protestors lost their lives and many members of the police and protestors were injured. Constructive dialogue has now recommenced between provincial, regional and national government authorities and we welcome the opportunity to engage with provincial authorities, led by Mayor Mollohuanca, in a moderated forum.

The neighbouring Las Bambas greenfield mine, 120 kilometres from Antapaccay, has started construction and almost 90% of the engineering work and over 50% of the procurement is complete. All large long lead order items have been received at our storage facilities in southern Peru. On this basis we are now able to determine the capital cost with more accuracy and the capital budget for Las Bambas has been established at $5.2 billion, a 7% increase on our previous estimate. This includes a $130 million increase resulting from uncontrollable cost increases arising from permitting delays following the change in government and an additional amount related to community relocation, infrastructure costs and community agreements to mitigate the risk of further delays.

In keeping with our approach to project development aimed at reducing technical, executional and cost risks, we have elected to do more of the planning work upfront, which will smooth capital expenditure this year and next and has allowed us to maintain a final commissioning date of towards the end of 2014. Las Bambas will be a tier one asset, producing 400,000 tonnes per annum for at least the first five years at a very competitive capital intensity of $13,000 per annual tonne of copper equivalent production, first quartile cash costs and a life in excess of 20 years with further brownfield growth potential. The robustness of Las Bambas is apparent when one considers that it earns Xstrata's cost of capital at a life of mine flat copper price of $1.82 per pound. The project remains on track to commission at the end of 2014.

Prioritising highest return investments

By 2015, our major organic growth programme will be substantially complete, generating increased cash flows while our capital spending and return on capital revert to more normalised levels. As our strategy reaches maturity, we will benefit from a range of flexible growth and strategic options to respond to market conditions. The breadth of our unapproved and early stage organic growth projects means we can prioritise the highest return projects, balance growth investment with value-adding acquisition opportunities and maintain our commitment to a robust balance sheet.

Following a review of our project pipeline, we have resequenced capital spending and deferred $1 billion of expenditure originally planned for 2012. Our 2013 budgeted spending will increase by $400 million, with $600 million deferred beyond that, without affecting the commissioning schedule of any of our approved projects. Consequently, we expect capital spending in 2012 to reduce to $7.2 billion, $1 billion less than our previous guidance, smoothing the profile of capital spending across the next two years.

The experience we have gained in successfully delivering 23 organic growth projects since 2002 has provided some valuable insights. During our ongoing review of unapproved projects, we have increased the engineering work and planning we do before approving capital projects and commencing construction. This will allow us to mitigate execution and technical risks and provide a greater level of certainty in capital cost estimates upon approval.

We continue to invest judiciously in prospective near to medium-term projects such as Agua Rica and El Pachón (copper) in Argentina, Kabanga (nickel) and the Wandoan coal project to bring them towards an investment decision. The timing of approvals will be sequenced to maximise returns and account for anticipated demand conditions. We will also maintain a flexible portfolio of future growth options including Tampakan, Cerrejón phase two and Collahuasi's phases three and four expansions, while minimising study costs.

An exciting point in our evolution

The shareholder meetings to propose to shareholders the agreed merger with Glencore will now take place on 7 September and subject to shareholder and regulatory approvals, we expect the transaction to close in the fourth quarter. If completed, the merger represents an opportunity to pursue the strategy I have outlined here as part of an enlarged group, with enhanced growth options and a unique, vertically integrated business model to capture value at each stage from mine to customer.

The projects reaching commissioning this year provide a step change in the quality and average cost profile of our business and will establish a strong foundation from which to continue generating value for our shareholders for decades to come. We expect the volume growth we are bringing to fruition to be well timed for a cyclical recovery. Our pro-active response to the cyclical downturn will defend margins and ensure our business emerges in a stronger competitive position to capture the benefits of stronger global economic growth. And in the medium term, rising demand for commodities from emerging economies, coupled with ongoing industry underperformance from ageing operations, increasingly complex operating conditions and deferred capital projects will continue to support commodity prices in excess of historical averages. The next stage of our transformation from modest beginnings ten years ago to one of the world's great mining companies is unfolding.

ML Davis

Financial Review

Basis of presentation of financial information

Financial information is presented in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The reporting currency of Xstrata plc is US dollars. Unless indicated to the contrary, revenue, operating earnings before interest, taxation, depreciation and amortisation (EBITDA) and operating profit are reported in the Chief Executive's Report and the Operating and Financial Review before exceptional items. Exceptional items are significant items of income and expense which, due to their nature or expected infrequency, are presented separately on the face of the income statement. All dollar and cent figures provided refer to US dollars and cents. Operating profit excludes Xstrata's share of earnings from associates.

Consolidated operational results

CONSOLIDATED RESULTS $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Alloys	753	992	1,689
Coal	5,221	4,381	9,981
Copper	6,255	7,705	15,037
Nickel	1,361	1,667	3,192
Zinc	1,781	1,937	3,756
Other	179	95	222
Total Group Revenue	15,550	16,777	33,877
Attributable Total Group Revenue	***15,047***	*16,163*	*32,684*
Alloys	113	182	294
Coal	1,647	1,584	3,853
Copper	1,498	2,550	4,915
Nickel	358	743	1,234
Zinc	465	750	1,223
Other	22	10	23
Corporate and unallocated	(96)	1	106
Total Group Operating EBITDA	4,007	5,820	11,648
Attributable Total Group Operating EBITDA	***3,852***	*5,572*	*11,233*
Alloys	52	115	153
Coal	1,110	1,090	2,810
Copper	1,066	2,065	3,924
Nickel	65	433	611
Zinc	240	537	814
Other	19	6	16
Corporate and unallocated	(98)	-	103
Total Group Operating profit	2,454	4,246	8,431
Attributable Total Group Operating profit	***2,344***	*4,044*	*8,102*

OPERATING PROFIT VARIANCES	$m
Operating profit 30.06.11	**4,246**
Sales price*	(1,141)
Volumes	(639)
Unit cost – real	105
Unit cost – CPI inflation	(193)
Unit cost – mining industry inflation	(193)
Unit cost – foreign exchange	261
Other income and expenses	(44)
Depreciation and amortisation (excluding foreign exchange)	52
Operating profit 30.06.12	**2,454**
* net of commodity price linked costs, treatment and refining charges	

After a strong start to the year for commodities, renewed turmoil in the eurozone and a slowing growth rate in China severely affected commodity prices in the first half of 2012. Lower prices across every commodity reduced operating profit by $1,141 million compared to the first half of 2011 and were the main driver of a 42% reduction in operating profit to $2,454 million. Lower base metals prices accounted for the majority of the impact while the full impact of lower spot coal prices was partially mitigated by the carry-over of higher priced 2011 thermal coal contracts.

Increased production from newly commissioned coal mines, together with improved weather conditions compared to 2011 contributed to a 13% increase in coal volumes. Nickel volumes benefited from improved grades in Canada and a full period of production from our Falcondo ferronickel operation, however this was more than offset by the processing of a greater proportion of lower margin third party custom feed resulting in a negative volume variance, while zinc production was in line with the prior period. Copper volumes declined by 18% despite a stronger second quarter, as we commence the transition of our copper portfolio from predominantly mature, end of life operations to new, lower cost mines and expansions that will start to increase production from the second half of this year. There was reduced capacity utilisation in the alloys business to comply with power buyback requests from Eskom. In total, lower overall sales volumes reduced operating profit by $639 million compared to the same period in 2011.

During the first half, our businesses achieved real unit cost savings of $105 million. Efficiency improvements at our zinc operations, higher coal production from lower cost operations, increased production and improved head grades at Raglan and Sudbury nickel operations and lower power costs and higher production at our Falcondo ferronickel operations more than offset the impact of lower copper grades and volumes.

While the rate of CPI and mining industry inflation measured against externally verifiable indices has slowed compared to the first half of 2011, we continue to experience inflationary cost pressures on key inputs, in particular in regions such as Australia and South Africa. The combined impact of CPI and mining inflation increased costs by $386 million in the first half of 2012 compared to the corresponding period of the prior year, representing a total annual inflation rate of 6.5%. The inflation rate has decreased from the record levels seen in recent years and is expected to moderate further in the medium term as a result of mining companies delaying and cancelling investment decisions.

The stronger US dollar against the currencies of the commodity producing countries in which we operate added $261 million to operating profit compared to the comparable period, partially mitigating the impact of inflation.

CURRENCY TABLE TO $	Average H112	Average H111	% change	At 30.06.12	At 30.06.11	At 31.12.11
USD:ARS	4.39	4.05	8	4.53	4.11	4.31
AUD:USD	1.03	1.03	-	1.02	1.07	1.02
USD:CAD	1.01	0.98	3	1.02	0.96	1.02
USD:CHF	0.93	0.90	3	0.95	0.84	0.94
USD:CLP	493	475	4	501	469	520
USD:COP	1,793	1,837	2	1,783	1,770	1,938
EUR:USD	1.30	1.40	7	1.27	1.45	1.30
GBP:USD	1.58	1.62	2	1.57	1.61	1.56
USD:PEN	2.67	2.78	4	2.67	2.75	2.69
USD:ZAR	7.94	6.89	15	8.17	6.76	8.08

AVERAGE COMMODITY PRICES	Unit	Six months to 30.06.12	Six months to 30.06.11	% Change
Ferrochrome (Metal Bulletin)	¢/lb	125.0	130.0	(4)
Ferrovanadium (Metal Bulletin)	$/kg	25.2	30.3	(17)
Platinum (LPPM cash price)	$/oz	1,555	1,789	(13)
Australian FOB export coking*	$/t	216.8	259.6	(16)
Australian FOB export semi-soft coking*	$/t	173.5	187.1	(7)
Australian FOB export thermal coal*	$/t	108.4	104.0	4
Americas FOB export thermal coal*	$/t	92.0	101.4	(9)
South African export thermal coal*	$/t	106.2	95.5	11
Copper (average LME cash price)	$/t	8,087	9,399	(14)
Nickel (average LME cash price)	$/t	18,438	25,565	(28)
Zinc (average LME cash price)	$/t	1,978	2,323	(15)
Lead (average LME cash price)	$/t	2,035	2,581	(21)

* average received price

Earnings

A reassessment of tax payable estimates, following the lodgement of taxation returns and receipt of taxation assessments, led to a one-off reversal of prior year tax provisions which significantly reduced the income tax charge. The pre-exceptional items effective tax rate before this adjustment was 24% for the first six months of 2012, due to lower earnings in higher-tax jurisdictions compared to 26% for the comparable period of 2011.

In the first half of 2012, we recognised a number of exceptional items in the income statement, which in total reduced earnings by $253 million.

In April 2012, we entered into a joint venture agreement with Origin Energy Limited (Origin) whereby the Group sold a 51% interest in the Energía Austral hydroelectricity project in Chile. The retained interest has been measured at its estimated fair value, resulting in a non-cash exceptional loss of $162 million.

During the first half of 2012, we incurred costs of $21 million in relation to the recommended merger with Glencore.

In March 2012, we announced that the Brunswick zinc mine will close by March 2013 and consequently we have incurred a $111 million impairment of goodwill, initially recognised from the Falconbridge Limited acquisition in 2006.

Following the release of Lonmin's 2012 interim results and the subsequent production guidance provided we have reassessed our valuation of the investment and recorded an impairment of $514 million.

An exceptional tax credit of $579 million was recorded upon the enactment of the minerals resources rent tax (MRRT) in Australia, effective from 1 July 2012. Under the MRRT, companies are required to independently value their upstream operational assets in order to establish a starting depreciable tax

base. Under IFRS accounting rules, deferred tax is required to be recognised on the difference between this tax base and the carrying value of the upstream coal mining operations.

EARNINGS SUMMARY $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Operating profit (before exceptional items)	2,454	4,246	8,431
Share of results from associates	(15)	8	29
Net finance costs	(73)	(212)	(315)
Income tax expense	(98)	(1,044)	(2,140)
Effective tax rate	4%*	26%	26%
Non-controlling interests	(74)	(133)	(220)
Attributable profit (before exceptional items) from continuing operations	2,194	2,865	5,785
Earnings per share (before exceptional items) from continuing operations	$0.75	$0.98	$1.97
Exceptional items:			
Profit on sale of operations	-	58	48
Loan issue costs written-off on finance facilities	(6)	-	(19)
Restructuring and closure costs	-	-	15
Loss on establishment of a joint venture	(162)	-	-
Merger and acquisition costs	(21)	(1)	(4)
Impairment of assets	(111)	-	(6)
Available-for-sale assets write down	(16)	-	(43)
Impairment of investment in associates	(514)	-	-
Share of results from associates	(2)	-	12
Income tax	579	(6)	(75)
Net exceptional profit/(loss)	(253)	51	(72)
Attributable profit	1,941	2,916	5,713
Earnings per share	$0.66	$1.00	$1.95

*After adjustments (pre-exceptional items effective tax rate before adjustments was 24% for the first six months of 2012)

OPERATING PROFIT SENSITIVITIES $m	Impact on H2 2012*	Indicative full year**
1¢/lb movement in ferrochrome price	6	11
$1/kg movement in ferrovanadium price	1	3
$1/t movement in Australian thermal export FOB coal price	6	46
$1/t movement in Australian coking export FOB coal price	3	8
$1/t movement in South African export thermal FOB coal price	-	13
$1/t movement in South American export thermal FOB coal price	3	10
1¢/lb movement in copper price	14	19
$10/oz movement in gold price	3	4
$1/lb movement in nickel price	89	165
1¢/lb movement in zinc price	14	20
$100/t movement in zinc treatment charge price	5	24
1¢/lb movement in lead price	4	5
$100/oz movement in platinum price	4	8
$100/oz movement in palladium price	2	4
10% movement AUD	229	768
10% movement CAD	96	192
10% movement EUR	27	36
10% movement ZAR	44	203

* After impact of currency and commodity hedging, and contracted, priced sales as at 30 June 2012

** Assuming current annualised production and sales profiles, no currency or commodity hedging and no contracted, priced sales and purchases

Cash Flow, Net Debt and Financing Summary

Net debt increased by 40% to $11,361 million, as we completed the first half of our peak year for capital spending on approved expansionary projects. In the first half of 2012, cash expansionary and sustaining capital expenditure increased by 36% and 31% respectively. Despite higher levels of investment, gearing (net debt to net debt plus equity) remained at a comfortable 19% compared to 15% at the end of 2011.

MOVEMENT IN NET DEBT $m	Six months to 30.06.12	Six months to 30.06.11
Cash generated from operations	3,203	4,891
Net interest paid	(149)	(123)
Tax paid	(871)	(881)
Cash flow before capital expenditure	2,183	3,887
Sustaining capital expenditure	(1,233)	(938)
Disposals of fixed assets	3	30
Free cash flow	953	2,979
Expansionary capital expenditure	(3,346)	(2,463)
Cash flow before acquisitions	(2,393)	516
Purchase of assets	(500)	(216)
Purchase of subsidiaries and operations net of cash acquired	-	(69)
Proceeds from partial disposal	435	-
Other investing activities	-	22
Net cash flow before financing	(2,458)	253
Net disposal/(purchase) of own shares	60	(4)
Equity dividends paid	(797)	(586)
Dividends paid to non-controlling interests	(1)	(122)
Loan issue costs written off	(6)	(4)
Other non-cash movements	(10)	(30)
Movement in net debt	(3,212)	(493)
Net debt at the start of the year*	(8,149)	(7,638)
Net debt at the end of the period*	(11,361)	(8,131)

* Includes derivative financial instruments that have been used to provide an economic hedge

RECONCILIATION OF EBITDA TO CASH GENERATED FROM OPERATIONS $m	Six months to 30.06.12	Six months to 30.06.11
Operating EBITDA	4,007	5,820
Exceptional items	(21)	-
Share based compensation plans	81	40
Increase in inventories	(428)	(699)
Decrease in trade and other receivables	354	370
Increase in other assets	(113)	(241)
Decrease in trade and other payables	(605)	(333)
Movement in provisions and other non-cash items	(72)	(66)
Cash generated from operations	3,203	4,891

NET DEBT SUMMARY $m	As at 30.06.12	As at 31.12.11
Cash	1,646	1,948
External borrowings	(12,818)	(9,893)
Finance leases	(189)	(204)
Net debt*	(11,361)	(8,149)
Net debt to net debt plus equity	19%	15%

* Includes derivative financial instruments that have been used to provide an economic hedge

WORKING CAPITAL $m	As at 30.06.12	As at 31.12.11
Inventories	5,664	5,242
Trade and other receivables	3,400	3,742
Prepayments	247	347
Trade and other payables	(4,490)	(5,102)
Net working capital	4,821	4,229

Treasury Management and Financial Instruments

Our revenues are generally denominated in US dollars. As a result, we typically source debt capital in US dollars, either directly or by borrowing in other currencies and swapping them into US dollars.

From time to time we also use currency cash flow hedging to reduce our short-term exposure to fluctuations in the US dollar against local currencies. We realised currency hedging gains of $46 million in the first half of 2012, reflected in the income statement. These gains are related to coal sales for which prices were contractually fixed. We did not enter into any strategic, long-term base metals hedging contracts in the period.

Consolidated Capital Expenditure

CAPITAL EXPENDITURE SUMMARY (excludes deferred stripping expenditure) $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Alloys	58	68	137
Coal	481	320	801
Copper	285	207	654
Iron Ore	-	-	1
Nickel	135	135	287
Zinc	247	172	504
Technology	2	2	3
Unallocated	9	1	5
Total Sustaining	1,217	905	2,392
Attributable Sustaining	*1,190*	*890*	*2,335*
Alloys	143	115	250
Coal	921	517	1,193
Copper	1,165	1,083	2,424
Iron Ore	89	78	171
Nickel	786	621	1,351
Zinc	284	104	381
Technology	4	-	3
Total Expansionary	3,392	2,518	5,773
Attributable Expansionary	*3,053*	*2,227*	*5,170*
Alloys	201	183	387
Coal	1,402	837	1,994
Copper	1,450	1,290	3,078
Iron Ore	89	78	172
Nickel	921	756	1,638
Zinc	531	276	885
Technology	6	2	6
Unallocated	9	1	5
Total	4,609	3,423	8,165
Attributable total	*4,243*	*3,117*	*7,505*

Total expansionary capital expenditure increased by 35% reflecting the peak year for capital investment in our organic growth programme and the commissioning of ten projects during 2012.

Major items of expansionary capital spending in the first half of 2012 included:

- $615 million at the greenfield Koniambo nickel project in New Caledonia where first ore is expected to be processed by the end of 2012;
- $398 million to progress the greenfield Las Bambas copper project in Peru which will be completed by the end of 2014;
- $303 million at the Antapaccay copper project in southern Peru, on track to commission in the second half of 2012;
- $270 million in respect of the Ravensworth North brownfield project, on track to deliver first coal through existing coal preparation facilities in 2012, with commissioning of the expanded facilities in 2013; and
- $230 million on the brownfield Ulan West project where longwall production is scheduled to start in 2014.
- During the second half of 2012, we will also commission the Lomas Bayas II brownfield project which will extend current production rates until 2028. By the end of 2012, the construction of the Tswelopele pelletizing and sintering plant is scheduled to be completed.

Acquisitions and disposals

On 8 March, Xstrata Coal acquired the Sukunka hard coking coal deposit from Talisman Energy Incorporated for $500 million in cash. Sukunka is located in the Peace River Coalfield of northern British Columbia, contiguous with the First Coal Corporation and Lossan tenements acquired last year.

On 13 March, Xstrata Coal entered into a joint venture with JX Nippon Oil & Energy Corporation Group (JX) comprising Xstrata's contiguous metallurgical coal assets in the Peace River Coalfields in Western Canada, including Sukunka. JX paid $435 million in cash to acquire a 25% interest in the Peace River Coalfields in Western Canada.

In April, Xstrata Copper completed a joint venture agreement with Origin Energy Limited (Origin) whereby Xstrata sold a 51% interest in Energía Austral hydroelectric development in Chile. Under the terms of the agreement, Origin will invest $75 million towards a final investment decision for the completion of a detailed project feasibility study and a further $75 million if the project is deemed feasible. The Group is entitled to cash consideration payments from Origin once the project is operational and if certain performance threshold targets are met.

Dividends

The Directors have proposed a 2012 interim dividend of 14¢ per share amounting to $414 million, an 8% increase over the 2011 interim dividend. The dividend will be paid on 13 September 2012. The final 2011 dividend of 27¢ per share amounting to $797 million was paid on 23 May 2012.

DIVIDEND DATES	2012
Ex-dividend date	29 August
Record date	31 August
Deadline for return of currency election form	3 September
Applicable exchange rate date	7 September
Payment date	13 September

As a Swiss tax resident company, Xstrata plc is able to return its share premium to shareholders free of Swiss withholding tax (35%). To enable the payment of the 2011 final dividend and subsequent dividends without deduction of withholding tax, approval from shareholders to reduce the share premium account by a relevant amount was sought and obtained at the 2012 Annual General Meeting, and Court consent was also granted. The interim and subsequent dividends will therefore be paid without deduction of withholding tax.

The interim dividend is declared and will be paid in US dollars. Shareholders may elect to receive this dividend in Sterling, Euros or Swiss francs. The Sterling, Euro or Swiss franc amount payable will be determined by reference to the exchange rates applicable to the US dollar seven days prior to the dividend payment date. Dividends can be paid directly into a UK bank or building society account to shareholders who elect for their dividend to be paid in Sterling. Further details regarding currency election and dividend mandate forms, are available from Xstrata's website (www.xstrata.com) or from the Company's Registrars.

Share Data

Under IFRS, own shares (treasury stock) are deducted from the total issued share capital when calculating earnings per share. During the period, 22,404,171 shares were disposed of and 1,119,976 purchased.

SHARE PRICE	XTA LSE (GBP)	XTA SWX (SFR)
Closing price 31.12.11	9.78	14.20
Closing price 30.06.12	7.99	11.95
Period high	12.65	18.34
Period low	7.86	11.85
Period average	10.62	15.49

SHARES IN ISSUE FOR EPS CALCULATIONS	Number of shares (000s)
Weighted average for 6 months ended 30.06.12 used for eps calculation	2,944,445
Weighted average for 6 months ended 30.06.11 used for eps calculation	2,930,862
Weighted average for 12 months ended 31.12.11 used for eps calculation	2,931,448
Total issued share capital excluding own shares as at 30.06.12	2,954,201

As at 30 June 2012, the Company had been notified of the following interests representing 3% or more of issued ordinary share capital:

PUBLICLY DISCLOSED MAJOR SHAREHOLDERS Name of shareholder	Number of Ordinary shares of US$0.50 each at 30.06.12	% of Ordinary issued share capital
Glencore International plc*	1,010,403,999	33.64%
Qatar Holding LLC	311,038,653	10.36%
Blackrock, Inc	141,820,263	4.72%

* The voting rights comprised in this interest are directly controlled by Finges Investment B.V., a wholly-owned subsidiary of Glencore International plc.

Principal risks and uncertainties

The Xstrata Group is exposed to a number of risks and uncertainties which exist in our business and which may have an impact on our ability to execute our strategy effectively in the future. The principal risks and uncertainties facing the Group, as outlined in the Annual Report 2011 in the Business review section on pages 22 to 27, remain appropriate for 2012.

Projects

Our portfolio of organic projects comprises 22 approved major projects in implementation and a number of projects in feasibility, pre-feasibility or concept stage that will provide future growth options across a range of geographies and commodities and increase capacity by 50% in copper-equivalent terms over 2009 levels by the end of 2014.

Since 2002, we have progressively commissioned 22 growth projects, but 2012 marks an important milestone in our organic growth strategy with ten major expansion projects on track to commence commissioning by the end of the year, representing the start of a significant growth trajectory in our copper, coal and nickel businesses. Our approved projects will significantly reduce overall operating costs, increase volumes across copper, coal, nickel and alloys and replace end of life mines to maintain zinc volumes and provide robust returns even at conservative long-run prices.

Projects commissioning in 2012

Project and location	Xstrata interest	Annual project capacity/ commodity*†	Start-up
Antamina (plant expansion to 130ktpd ore), Peru	33.75%	40ktpa copper$^{\ddagger\ \ddagger\ddagger}$	H1 2012
Ulan open cut, NSW, Australia	90%	1mtpa thermal coal	H1 2012
Koniambo, New Caledonia	49%**	60ktpa nickel‡	H2 2012
Ravensworth North (Stage I), NSW, Australia	90%	8mtpa thermal coal	H2 2012
Antapaccay, Peru	100%	160ktpa copper‡	H2 2012
Lomas Bayas II, Chile††	100%	75ktpa copper	H2 2012
Tswelopele pellet plant, South Africa	79.5%	600ktpa chromite pellets	H2 2012
Mount Margaret, Australia	100%	30ktpa copper	H2 2012
Lady Loretta, QLD, Australia	100%	142ktpa zinc	H2 2012
George Fisher expansion, QLD, Australia	100%	64ktpa zinc	H2 2012

* 100% unless otherwise stated
** Effective share of cash flows and financing 90%
† Coal capacity stated as saleable production
†† Mine life extension
‡ First five years' annual production
‡‡ Xstrata share

Major projects continue to make good progress and remain on budget and on schedule. During 2012, we will commission ten projects:

- During the first half of the year, the expansion of the concentrator and associated mine at our Antamina joint venture was successfully commissioned and throughput rates are now consistently exceeding the planned 38% capacity increase.

- At the Ulan open cut mine in Australia, mining operations commenced in the first half of 2012 and are on schedule to reach full production in 2013.

- The Koniambo ferronickel project in New Caledonia is on schedule to process first ore through the plant in the second half of 2012. Engineering and procurement are now 100% complete and construction is well progressed. Commissioning of key systems such as emergency diesel generators, ore handling systems and utilities such as power distribution, water and air have commenced. A number of key activities have already been handed over to operational teams and a trial to send 400 tonnes of ore was successfully delivered from the mine to the wet ore stockpile;

- Construction work continues on all fronts at the 8 million tonnes per annum Ravensworth North thermal coal project in Australia. The project is being delivered in two stages. Stage one is the upgrade and installation of infrastructure to allow coal to be delivered to the existing Ravensworth coal preparation plant and is on track for completion at the end of 2012. Stage 2, the expansion of the existing Ravensworth coal preparation plant, is on schedule for completion in the second half of 2013;

- Mining activities commenced in March at the Antapaccay copper project in Peru in preparation for the completion and commissioning of the new concentrator facilities during the second half of 2012. Processing plant commissioning commenced in early August and first concentrate production is scheduled for October;

- We continued to progress procurement and site works for the development of the new Fortuna de Cobre pit and related infrastructure at our Lomas Bayas II project in north Chile. The project remains on schedule for full system commissioning in the second half of 2012 and will sustain current levels of production until at least 2028;

- Construction of the Tswelopele pelletizing and sintering plant is progressing well and commissioning is scheduled for the second half of 2012. This plant will enable the increased use of UG2 ore and will further improve the energy and ore consumption efficiencies of our Rustenburg and Wonderkop ferrochrome smelters. Additional cost savings are also expected from optimising the reductant mix when more pellets are available;

- We began development during the first half of 2012 of our Mount Margaret mining project, strategically located near our Ernest Henry operation and commenced open-pit mining activities in July on time and within budget. Ore from Mount Margaret will be processed through Ernest Henry's concentrator to complement the ore feed from the Ernest Henry underground mine and first concentrate production is scheduled for the third quarter of this year;

- Our development of the very high grade Lady Loretta zinc deposit is twelve months ahead of schedule and first ore will be mined by the end of 2012. Ore from the Lady Loretta operation will be processed by the Mount Isa concentrator; and

- Our 1 million tonnes per annum mine expansion at George Fisher mine is six months ahead of schedule and first ore will be delivered by the end of 2012. The surface crushing facility, a key component for reducing crushing costs for Mount Isa Mines' lead operations, has begun commissioning.

In implementation

Brownfield projects in implementation

Project and location	Xstrata interest	Annual project capacity/ commodity*†	Start-up
Collahuasi (160kt ore per day – Phase II), Chile	44%	10ktpa copper‡	2013
Ernest Henry underground and associated magnetite plant††, QLD, Australia	100%	50ktpa copper	2013
Fraser Morgan, Canada	100%	6ktpa nickel	2013
Lion II, South Africa	79.5%	360ktpa ferrochrome	2013
Rolleston Expansion Phase 1, Australia	75%	3mtpa thermal coal	2013
MRM phase III expansion**, Northern Territory, Australia	100%	380kpta zinc in concentrate	2013
Cerrejón (Phase I), Colombia	33.3%	3mtpa‡ thermal coal	2014
Ulan West, NSW, Australia	90%	7mtpa thermal coal	2014
Qakimajurq and Mine 2 Lower Zone infrastructure and concentrator upgrade, Raglan, Canada	100%	6ktpa nickel from mine (2014); 8ktpa nickel from mine and concentrator capacity (2016)	2014/ 2016
Tweefontein††, South Africa	79.8%	4mtpa thermal coal	2015
Eland mine and concentrator, South Africa	74%	300koz platinum	2016‡‡

* 100% unless otherwise stated
† Coal capacity stated as saleable production
‡ Xstrata share
†† Mine life extension
** Pending government approval
‡‡ Steady state production to be reached in 2016

Greenfield projects in execution

Project and location	Xstrata interest	Annual project capacity/ commodity*	Start-up
Bracemac-McLeod, Canada	65%	90ktpa zinc	2013
Las Bambas, Peru	100%	400ktpa copper**	2014

* 100% unless otherwise stated
** First five years of production

Projects in the execution phase continued to meet key milestones during the first half.

- At Xstrata Copper:
  - We completed the commissioning of underground production from the Ernest Henry mine and production rates are now exceeding 2 million tonnes per annum. The shaft hoisting system is scheduled to commence commissioning at the end of 2013 enabling Ernest Henry to increase production to 6 million tonnes per annum;
  - Following the receipt of the final site construction permit in May, we commenced mass earth works and general construction activities at the Las Bambas project in June and continued the construction of camp facilities, access roads and the new town for the resettlement of the Fuerabamba community. Engineering and procurement activities are well advanced and continue to progress according to plan; and
  - The Collahuasi joint venture continued to progress engineering, procurement and construction works for a further plant expansion (phase II) to increase plant capacity to 160,000 tonnes per day to be commissioned in 2013.

- At Xstrata Coal
  - At Ulan West, production of development coal commenced at the end of March this year and work is continuing towards scheduled longwall production in 2014; and
  - Phase 1 of the Rolleston expansion was approved for execution by Xstrata Coal in the first half of 2012. The project is located within the existing mining lease and involves additional shovel and excavator pre-strip capacity to increase annual production to 12 million tonnes per annum
  - Early works on the Tweefontein project have commenced following receipt of regulatory approvals in May 2012; and
  - Phase 1 of the Cerrejón expansion commenced construction in the third quarter of 2011. Construction is scheduled for completion during 2013, with production scheduled to reach 40 million tonnes per annum by end 2015.

- At Xstrata Nickel
  - The Fraser Morgan project in Sudbury, which remains on track and on budget to deliver first ore in the second quarter of 2013, began mine development two weeks ahead of schedule and we completed construction of the waste chutes in the first half; and
  - At Raglan, the project to increase nickel in concentrate production to 40,000 tonnes per year began underground development at Qakimajurq following portal construction.

- At Xstrata Zinc
  - At our Bracemac-McLeod joint venture in Canada, the decline works are progressing well and the electrical sub-station is nearly finished. Production remains on schedule for the first quarter of 2013; and
  - McArthur River Mine's Phase III expansion has been approved by the Xstrata plc Board in July and is now subject to final government approval. The $360 million project will increase production by 120% to 5.5 million run of mine tonnes per annum and an average of 380,000 tonnes of zinc in concentrate per annum and extend zinc reserves by 70 million tonnes to around 115 million tonnes. The operation will use proprietary advanced processing technology to produce widely marketable zinc concentrates. The project is on track to commission in late 2013 and reach full production capacity in 2014.

- At Xstrata Alloys:
  - Commissioning of Lion phase 2 is expected during the second half of 2013. The smelter complex expansion and associated Magareng mine development has been slightly delayed due to labour unrest and construction work delays as a result of severe summer rains in the first half of 2012; and
  - At the Eland mine, the underground mine development project has commenced its production build-up, with the first sections already delivering ore to the concentrating plant. We are undertaking a strategic review of the Eland project plan, with the aim of optimising the development of the mineral resource, while minimising near term funding requirements.

Markets | Copper

Copper prices rallied during the opening months of 2012 following disruptions to mine supply and record imports of copper into China. Prices rose to $3.93 per pound at the end of February, before the crisis in the eurozone and renewed fears over the economic outlook for the US and China began to dominate market sentiment. Copper prices declined to a low of $3.29 per pound in early June. Over the first half of the year prices averaged $3.67 per pound, 14% below last year's first half average price.

High copper prices during the first quarter coincided with a rise in total global exchange stocks to a peak of 610,000 tonnes in mid-February, while the fall in prices during the second quarter was accompanied by a decline in exchange stocks to 445,000 tonnes at the end of the first half, 100,000 tonnes lower than at the end of 2011.

Global copper demand continued to grow but was impacted by uncertain macroeconomic conditions during the first half. The crisis in the eurozone muted any potential recovery in Western Europe, while US manufacturing and automotive sectors recovered and supported copper demand during the first half, before slowing towards the end of the period. In Japan the recovery from last year's earthquake was moderated by the weak conditions elsewhere which limited demand for exported goods.

Despite slower economic growth in China in the first half as a result of tighter monetary policy and the withdrawal of stimulus measures for the consumer goods sector at the end of 2011, first quarter Chinese imports of refined copper reached record average monthly levels of 352,000 tonnes per month, double last year's monthly average. However, end-use demand was insufficient to absorb imported tonnages and by April, substantial inventory had built up on the Shanghai Futures Exchange, in bonded warehouses and with consumers. Some of this inventory was re-exported during the second quarter, leading to record levels of Chinese refined copper exports in May in excess of 100,000 tonnes. Overall, net Chinese copper imports rose to 1.7 million tonnes during the first half of the year, 80% higher than over the same period in 2011. Lower copper prices, easier credit availability, renewed government stimulus for the consumer goods sector and accelerated infrastructure spending during the second quarter had initiated a recovery in downstream copper demand by the end of the first half.

At least 400,000 tonnes of mine production was lost globally during the first half due to a combination of poor weather, low grades, power outages, security issues and technical difficulties. Rapid capital cost escalation and challenging financing conditions have also put pressure on a number of mine projects raising the likelihood of project delays and/or cancellations.

There was also disruption to smelter production during the first half of the year. Two fires in January halted operations at the Saganoseki and Pasar copper smelters and the latter remained closed throughout the first half of the year. While this eased some of the tightness in the concentrate market, spot treatment and refining charges remained at modest levels throughout the first half averaging around $25 per dry metric tonne and 2.5¢ per pound. Mid-year contract negotiations concluded recently at levels in line with the annual benchmark of $63.5 per dry metric tonne and 6.35¢ per pound below last year's mid-year settlement of $85 per dry metric tonne and 8.5¢ per pound.

Outlook

A recovery in Chinese copper demand is expected in the second half of the year, which will lend support to copper prices although developments in the eurozone and concerns over future US growth may limit the upside. Mine production is also expected to recover during the second half of the year, although supply is likely to lag demand resulting in a substantial market deficit.

In the medium to long term, urbanisation and industrialisation in developing markets remain the key drivers of future copper demand growth. While many new mine projects could enter production over the next few years, rising development costs, infrastructure challenges, sovereign risk, and growing competition for labour and consumables will continue to constrain project development.

Xstrata Copper

FINANCIAL AND OPERATING DATA $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Revenue	6,255	7,705	15,037
Alumbrera, Argentina	454	820	1,522
North Queensland, Australia	925	1,171	2,722
Canada*	1,938	2,048	4,029
Collahuasi††, Chile	585	1,014	1,734
Chile	1,455	1,661	3,187
Antamina‡, Peru	654	615	1,121
Tintaya, Peru	244	376	722
Operating EBITDA	1,498	2,550	4,915
Alumbrera, Argentina	219	366	638
North Queensland, Australia	255	603	1,232
Canada*	79	178	486
Collahuasi††, Chile	283	573	995
Chile	118	205	384
Antamina‡, Peru	413	401	742
Tintaya, Peru	131	224	438
Depreciation and amortisation	(432)	(485)	(991)
Alumbrera, Argentina	(49)	(47)	(92)
North Queensland, Australia	(123)	(189)	(390)
Canada*	(36)	(20)	(48)
Collahuasi††, Chile	(90)	(93)	(181)
Chile	(48)	(50)	(98)
Antamina‡, Peru	(55)	(45)	(92)
Tintaya, Peru	(31)	(41)	(90)
Operating profit	1,066	2,065	3,924
Alumbrera, Argentina	170	319	546
North Queensland, Australia	132	414	842
Canada*	43	158	438
Collahuasi††, Chile	193	480	814
Chile	70	155	286
Antamina‡, Peru	358	356	650
Tintaya, Peru	100	183	348
Share of Group Operating profit	43.4%	48.6%	46.5%
Capital Employed†	19,971	18,030	18,745
ROCE	14.3%	30.1%	29.0%
Capital Expenditure	1,450	1,290	3,078
Alumbrera, Argentina	44	31	92
North Queensland, Australia	274	256	587
Canada*	42	44	108
Collahuasi††, Chile	132	125	384
Chile	71	47	193
Antamina‡, Peru	113	83	220
Tintaya, Peru	774	704	1,494
Sustaining	285	207	654
Expansionary	1,165	1,083	2,424

† Includes goodwill allocation on acquisition of Falconbridge

†† Xstrata's 44% share of Collahuasi

* Canada includes Xstrata Recycling that operates businesses in Canada, the United States of America and Asia

‡ Xstrata Copper's pro rata share of Xstrata's 33.75% interest in Antamina

OPERATING PROFIT VARIANCES

	$m
Operating profit 30.06.11	2,065
Sales price*	(211)
Volumes	(792)
Unit cost – real	(20)
Unit cost - CPI inflation	(46)
Unit cost - mining industry inflation	(54)
Unit cost - foreign exchange	28
Other income and expenses	13
Depreciation and amortisation (excluding foreign exchange)	83
Operating profit 30.06.12	1,066

* Net of commodity price linked costs, treatment and refining charges

Operations

2012 marks a transitional year for Xstrata Copper as production from the four projects commissioning this year and the ramp up of the Ernest Henry underground mine replace the end of life, lower grade and higher cost operations which have impacted first half performance relative to the corresponding period in 2011. During the first half, volumes benefited from the expansion of the Antamina joint venture and sustained volumes at Mount Isa mine and Lomas Bayas from the new Fortuna de Cobre mine, but lower overall production during the transition phase at Ernest Henry and Tintaya, production-related sales reductions at Collahuasi, and temporary restrictions on physical concentrate sales at Alumbrera and Tintaya, impacted sales volumes during the period. When combined with softening commodity prices and cost inflation impacts operating profit was reduced by 48% to $1.07 billion in the first half of the year compared to the same period in 2011.

Mined copper production of 355,000 tonnes was 18% lower than the corresponding period in 2011, reflecting planned lower copper output at Ernest Henry as the operation transitions from the completion last year of an open cut mine to an underground mine, at end of life Tintaya pit where challenging conditions were exacerbated by a geotechnical event and at Collahuasi due to adverse weather conditions, lower grades and an extended ball mill outage.

Mined copper sales were 25% lower than the corresponding period last year. Sales were down partly as a result of the flow through effect of the lower production. The overall earnings impact of these production-related lower volumes was $530 million. The sales were also impacted by lower sales volumes from Alumbrera, following the introduction of a government resolution in Argentina that delayed scheduled concentrate exports and therefore reduced the first half operating profit by a net amount of $262 million. Concentrate shipments from Alumbrera resumed in July after the government issued a revised resolution allowing for repatriation of sales revenues over a more practical period.

The stronger US dollar against local currencies predominantly in Canada, Argentina and Chile increased operating profit by $28 million compared to the same period of 2011, offsetting a net real unit cost increase of $20 million. The cost increase was driven primarily by lower grades that were partially offset by $37 million in cost improvements through a combination of management initiatives and operating efficiencies.

Increased labour and energy costs across the industry in Australia, Argentina and North Chile decreased operating profit by $54 million, with CPI inflation further reducing operating profit by $46 million.

Lower export taxes at Alumbrera resulting from reduced sales volumes contributed to increase operating profit by $13 million. Lower depreciation, primarily due to the closure of the end of life Ernest Henry open pit mine in December 2011, contributed $83 million to operating profit.

Argentina

In April 2012, the Argentine government issued a resolution that shortened the term for exporters to repatriate export revenues to 15 days which prevented our Alumbrera operation from selling product under its standard terms. The resolutions applicable to Alumbrera were revised in late June to 120 days and again in mid-July to 180 days enabling Alumbrera to reschedule shipments and recommence sales in July. The first half impact of lower sales volumes as a result of the resolution, combined with inflationary pressures associated with high fuel and labour costs decreased operating profit by 47% compared to the corresponding period in 2011 to $170 million. Lower sales volumes were partially offset by lower export taxes and a positive local exchange rate impact.

Higher ore throughput at Alumbrera together with improved head grades and recoveries increased copper production by 13% to 67,300 tonnes in the first half as the mine regained access to higher copper grade ore zones after a geotechnical event restricted access last year and a new waste rock facility enabled the optimisation of hauling cycles.

Gold production was 11% lower primarily due to lower head grades partially offset by higher throughput and improved recoveries.

Australia

Operating profit from our North Queensland operations decreased by 68% to $132 million due to planned lower production at the Ernest Henry underground mine following the closure of the open pit in December, lower copper prices and increased labour and energy costs.

The North Queensland copper mining operations, comprising the Mount Isa and Ernest Henry mines, produced around 81,500 tonnes of copper in concentrate in the first half of 2012, a 33% reduction compared to the same period in 2011. Production from Ernest Henry was 73% lower compared to the previous year as the operation transitioned to underground mining, initially at a lower rate and grades. Underground annualised ore mining rates are scheduled to increase to around 3 million tonnes by the end of the year and ore production from the new neighbouring Mount Margaret project will further add to Ernest Henry's production profile in the second half of the year.

Our Mount Isa operation produced 66,500 tonnes of copper in concentrate, in line with the same period in 2011, as higher volumes of ore mined offset lower head grades.

The Mount Isa smelter produced 89,400 tonnes of anode, a 19% decrease on the corresponding period in 2011, due to lower concentrate production from Ernest Henry, partially offset by the processing of third party concentrates.

The Townsville refinery produced 140,300 tonnes of cathode from a mixture of North Queensland mined production and Altonorte anode, an 8% increase on the previous year, primarily due to improved plant availability at the Townsville refinery which experienced a shutdown during the first half of 2011 due to a severe cyclone event in north Queensland.

Canada

Our Canadian operations achieved an operating profit of $43 million in the first half of 2012, a 73% reduction on the corresponding period of 2011. Higher treatment charges and metal gains on concentrates processed at the Horne smelter, improved copper production and sales at the CCR refinery and favourable local exchange rate impacts against the US dollar were more than offset by planned lower production at Kidd mine, weaker prices, higher labour costs and increased depreciation associated with closure planning.

Copper in concentrate production at Kidd Mine decreased by 22% to 17,300 tonnes, primarily due to lower grades as a result of re-sequencing of underground ore extraction in response to seismic events in the mine in 2011.

The Horne smelter produced 89,200 tonnes of copper anode, slightly above the same period last year.

Production from the CCR Refinery increased by 5% to 133,400 tonnes as a result of improvement initiatives to increase throughput enabling additional anodes from Altonorte to be processed.

Chile

Collahuasi

Our 44% shareholding in Collahuasi generated an operating profit of $193 million, a 60% decrease on the corresponding period in 2011. Lower production and sales, softer commodity prices and higher labour, energy and consumables costs were only partially offset by favourable local currency exchange rates against the US dollar.

Our share of copper production decreased by 38% to 64,000 tonnes compared to the corresponding period in 2011 due to planned lower grades and recoveries, together with adverse weather conditions, geotechnical issues in one of the production phases at the Rosario pit, safety stoppages and an unplanned extended ball mill outage that began in March.

Following Collahuasi's disappointing performance and departure of its chief executive officer, Xstrata initiated a business improvement plan in conjunction with the other shareholders. Collahuasi's shareholders are now directly managing the operation and have in place a taskforce to identify and implement operational improvements. Collahuasi's copper production is expected to improve in the second half of the year as equipment availability increases following completion of repairs to the ball mill in August, recoveries improve and a business improvement plan initiated by the joint venture partners in June takes effect.

Lomas Bayas

The Lomas Bayas open pit mine generated an operating profit of $62 million, a 51% reduction on the previous year due to lower commodity prices, lower grades, increased labour costs and higher energy and consumables consumption. Cathode production of 36,600 tonnes was in line with the corresponding period in 2011 as an extension to the irrigation cycle on the heap leach yielded higher recoveries but was offset by reduced plant availability due to maintenance activities and initial lower recoveries from the Lomas II ROM leach pad.

Declining mine production from the original Lomas Bayas pit is now being supplemented by ore from the new Fortuna de Cobre pit as part of the Lomas II project which is scheduled to be fully commissioned during the second half of this year enabling current levels of production to be sustained. A mine plan optimisation has resulted in the upgrade of mineral resources into reserves, extending the operation's life by four years to 2028.

Altonorte

Operating profit at Altonorte decreased to $8 million, a 71% reduction compared to the first half of 2011 due to lower production and sales, softer commodity prices and fuel price inflation, partially offset by cost savings achieved through management initiatives.

Copper anode production was 13% lower at 135,500 tonnes compared to the previous year. Lower feed grades and decreased throughput followed unscheduled maintenance at the acid plant and smelter which reduced plant availability, partially offset by higher copper recovery rates. Plant availability is expected to improve in the second half following a scheduled maintenance shutdown in July.

Peru

Antamina

Xstrata's 33.75% attributable share of Antamina's financial performance is divided between Xstrata Copper and Xstrata Zinc on the basis of sales revenue of copper and zinc respectively. Xstrata Copper's share of Antamina operating profit increased to $358 million compared to the corresponding period of 2011 mainly due to higher production resulting from the commissioned expansion and associated sales, partially offset by an unfavourable depreciation, increased consumables costs and lower commodity prices.

Our share of copper production increased by 39% to 68,000 tonnes in the first half due to improved mill throughput as a result of the project to expand plant capacity to 130,000 tonnes per day, which was successfully commissioned in March, along with planned higher grades and recoveries.

Tintaya

Tintaya generated an operating profit of $100 million, a 45% decrease compared to the previous year, mainly due to reduced production and cost pressures as the operation enters its final year of mining. This was partially offset by cost improvement initiatives targeting consumables and reduced labour costs. Personnel from Tintaya are being progressively transferred to the adjacent Antapaccay project which remains on schedule to commence operations and plant commissioning in the third quarter of this year, expanding production from Tintaya and adding at least a further 20 years of operations.

Copper in concentrate production of 16,800 tonnes was 42% lower than the corresponding period in 2011. Pit wall instability issues following record rainfall in the first quarter impacted mined volumes and limited access to the remaining higher grade ore. Copper cathode production decreased by 74% to 3,100 tonnes compared to the previous year due to the planned processing of lower grade ore.

Gold in concentrate production was similarly impacted by the challenging pit and weather conditions with reduced grades and mined volumes decreasing production by 45% to 7,600 ounces.

SALES VOLUMES	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Argentina – Alumbrera†			
Copper in concentrate (t) inter-company (payable metal)	-	-	2,512
Copper in concentrate (t) third-parties (payable metal)	34,356	57,800	111,806
Total copper (t) (payable metal)	34,356	57,800	114,318
Gold in concentrate (oz) inter-company (payable metal)	-	-	7,166
Gold in concentrate (oz) third-parties (payable metal)	81,732	175,906	320,806
Gold in doré (oz) (payable metal)	10,018	14,324	29,344
Total gold (oz) (payable metal)	91,750	190,230	357,316
Australia – North Queensland			
Refined copper – mined copper (t)	74,502	111,207	234,122
Refined copper – inter-company and third party sourced (t)	60,289	17,773	41,504
Copper in concentrate (t) (payable metal)	13	5,049	17,547
Total copper (t) (payable metal)	134, 804	134,029	293,173
Gold in concentrate and slimes (oz) (payable metal)	33, 370	48,617	136,425
Magnetite (t) (payable metal)	158,597	25,869	258,689
Canada			
Copper in concentrate (t) (payable metal)	(470)	-	4,354
Refined copper – mined copper (t)	13,105	20,938	42,724
Refined copper – inter-company sourced (t)	41,301	41,233	71,112
Refined copper – third party sourced (t)	80,173	64,595	152,398
Total copper (t) (payable metal)	134,109	126,766	270,588
Gold in concentrate and slimes (oz) (payable metal)	262,366	173,212	419,897
Chile – Collahuasi††			
Copper in concentrate (t) inter-company (payable metal)	9,213	21,731	47,978
Copper in concentrate (t) third-parties (payable metal)	46,271	64,980	134,442
Copper cathode (t) (payable metal)	8,101	7,886	15,909
Total copper (t) (payable metal)	63,585	94,597	198,329

SALES VOLUMES	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Chile – Lomas Bayas and Altonorte			
Copper cathode (t) (payable metal)	36,059	37,094	73,727
Copper anode (t) inter-company (payable metal)	57,638	29,654	64,201
Copper anode (t) third parties (payable metal)	74,420	117,830	231,925
Total copper (t) (payable metal)	168,117	184,578	369,853
Gold in concentrate and slimes (oz) (payable metal)	17,737	24,836	52,867
Peru – Antamina‡			
Copper in concentrate (t) inter-company (payable metal)	16,435	-	8,771
Copper in concentrate (t) third-parties (payable metal)	46,930	49,622	100,749
Total copper (t) (payable metal)	63,365	49,622	109,520
Peru Tintaya			
Copper in concentrate (t) third-parties (payable metal)	21,757	27,438	58,313
Copper cathode – mined copper (t)	3,349	11,387	20,796
Total copper (t) (payable metal)	25,106	38,825	79,109
Gold in concentrate (oz) (payable metal)	6,834	10,783	21,449
Mined copper sales (t) (payable metal)	309,621	415,132	873,750
Custom copper sales (t) (payable metal)	313,821	271,085	561,140
Inter-company copper sales (t) (payable metal)	(83,286)	(51,385)	(123,462)
Total copper sales (t) (payable metal)	540, 156	634,832	1,311,428
Total gold sales (oz) (payable metal)	412,057	447,678	980,788
Average LME copper cash price ($/t)	8,087	9,399	8,826
Average LBM gold price ($/oz)	1,651	1,444	1,573

† 100% consolidated figures
†† Including Xstrata's 44% share of Collahuasi
‡ Including Xstrata Copper's pro rata share of Xstrata's 33.75% interest in Antamina

SUMMARY PRODUCTION DATA	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Total mined copper (t) (contained metal)	354,612	434,046	888,979
Total mined gold (oz) (contained metal)	197,139	275,165	517,861
Total copper cathode (t) (from mined and third party material)	321,568	313,641	650,917
Consolidated C1 cash cost – post by-product credits (US¢/lb)	143.4	96.4	96.4

Markets l Coal

Thermal Coal Markets

Global seaborne thermal coal demand continues to grow strongly in 2012 with annualised demand rising in excess of 60 million tonnes or 8% for the first half. However supply strength from all major traditional sources due to capacity expansions and limited weather related impacts plus US export growth, due to the displacement of coal by low cost gas, has shifted the market into surplus. Coupled with Chinese shipment deferrals, the supply surplus has resulted in price weakness throughout the first half of 2012.

In total, volumes from Australia, Indonesia, Russia, Colombia and South Africa have increased by more than 26.5 million tonnes in the first half of 2012 compared to the same period of 2011. Fewer weather-related disruptions, further investment in mine expansions and improved infrastructure performance following the completion of rail and ports expansions has facilitated increased supply.

Low domestic US gas prices and weak electricity demand growth has resulted in US thermal coal exports increasing by over 50% year on year or by 9 million tonnes during the first half of 2012. Increased supply of US coal to the Atlantic market has displaced South African and Russian coal from Europe into the Indian and Pacific markets.

In Japan, only one nuclear power station has restarted post Fukushima. To cover the electricity supply shortfall, coal-fired plant utilisation capacity has increased, supporting thermal coal imports growth of 16% or 17 million tonnes compared to 2011, to an annualised rate of 127 million tonnes.

India remains on course to commission 20 gigawatts of new coal-fired electricity generation capacity in 2012, of which more than 6 gigawatts is located at coastal generators. Indian domestic coal production continues to underperform, leaving power stations critically short of coal. New bulk shipping import terminals are supporting India's imports, which have increased by approximately 11% year-on-year in the first half, equating to full year imports of 102 million tonnes compared to 91 million tonnes during 2011.

In Europe, despite the weak economic environment, higher gas prices as a result of high oil prices and the flow of spot LNG to Asia, in particular Japan, have supported coal imports. Coupled with low CO_2 prices, coal remains the lowest cost fuel supply source for electricity generation and 2012 import coal demand is trending 5 million tonnes per annum higher than 2011, with growth spread broadly across the continent.

Chinese thermal coal imports during the first half of the year were 110 million tonnes, up by 46 million tonnes or 73% on the same period of 2011, due to the competitive prices of the international market compared to the domestic market during the last quarter of 2011 and first quarter of 2012. China's total electricity demand has grown just 4% in the first half of 2012 and growth in hydroelectric and nuclear generation has limited thermal electricity generation growth to just 2%. The strength of thermal imports and an 8% or 139 million tonnes increase in domestic supply, coupled with weak demand, led to rising inventories and domestic pricing weakness at the end of the first half of 2012.

A 28% decline in Chinese domestic spot prices in the first half has resulted in Chinese traders delaying commitments made earlier in the year at higher prices. Delays to contracted Chinese off take has exaggerated the oversupply in spot markets. Consequently, spot prices for South African (API4), Australian (Newcastle) and Indonesian volumes have fallen by 21%, 26% and 22% respectively from their levels of $105, $115 and $80 per tonne from the beginning of 2012. Increased US supply in the Atlantic has also driven API2 and Colombian spot prices 20% lower from their 2012 opening positions of $112 and $100 per tonne.

Xstrata's thermal coal contracts with Japanese utilities for the Japanese fiscal year contracts were settled in March at $115 per tonne. July to June contracts with Japanese power utilities were settled at $95 per tonne.

Outlook

Current spot market prices are trading significantly below marginal supply costs for Australian, Indonesian, Russian and US supply. Production cutbacks are expected to continue throughout the

second half of 2012, returning the market to a balanced position. Further, an expected seasonal slowdown in Chinese hydro electricity generation during the fourth quarter will provide a recovery in Chinese domestic coal burn and renewed Chinese purchasing interest. In the longer term, demand for thermal coal continues to be driven by its position as the lowest cost fuel for power generation in most economies. Combined with the challenge of developing new coal production capacity, future demand growth is expected to result in a strong pricing environment.

Coking coal markets

A strong pricing environment for coking coal in prior years has supported supply growth, particularly of lower grade US coking coals, leading to an overall supply surplus and weaker prices.

Growth in demand for global seaborne coking coal is being limited by macro-economic concerns, particularly across Europe and in India and has declined by 2% compared to the first half of 2011.

Australian supply increased by 8 million tonnes, or 10% during the first half of 2012 compared to the same period in 2011 as a result of the severe impact on production from flooding in 2011. However, Australian coking coal production fell to 86 million tonnes on an annualised basis, a decrease of 10 million tonnes below the second half of 2011, with particularly acute shortfalls from Australian premium hard coking coal. Prolonged industrial action at BMA operations had an impact, together with some seasonal rainfall, although this rainfall was less significant than in previous years. Volumes from Canada increased by 3.5 million tonnes compared to the second half of 2011, exports commenced from Mozambique and supply from Indonesia increased by the annualised equivalent of 1.5 million tonnes. The largest increase in supply came from US exports, where the annualised supply rate increased to 63 million tonnes in the first half, 4.5 million tonnes per annum higher than in 2011, with much of the increase from lower grade coking coals.

Despite considerable macroeconomic headwinds, global blast furnace pig iron production during the first half of 2012 increased to an annualised rate of 1.12 billion tonnes, nearly 3% higher than the first half of 2011. The increase was driven by China, where producers increased volumes by 10% compared to the same period last year. Outside China, pig iron production levels in coking coal importing countries were at a similar level to the first six months of 2011.

Total coking coal demand fell by 2% or 3.5 million tonnes compared to second half 2011, as a result of steel makers switching to coke imports and consuming accumulated stocks. Substantial import demand reductions in Europe, Japan and Korea totalling 8 million tonnes annualised were offset by increased annualised Chinese demand of 10 million tonnes.

Oversupply in the first half of 2012 resulted in the hard coking coal contract price falling from $235 per tonne in the first quarter to $210 per tonne in the second quarter. The shortfall of prime hard coking coals from Australia supported a third quarter price increase to $225 per tonne. The increased availability of lower grade US coking coals also put pressure on semi-soft coking coal throughout the first half, leading to contract prices declining from $179 per tonne during the first quarter to $147 per tonne for the second and third quarters.

Outlook

Weak demand for steel in China is contributing to an increase in Chinese steel exports, while a poorer macro-economic outlook, particularly in Europe, is leading to further steel production cutbacks. In the short term, coking coal demand remains weak with prices of lower grade coking coals falling below marginal costs, meaning production cutbacks are likely. Longer term, demand for coking coal continues to be underpinned by planned blast furnace capacity growth in developing regions. Delays in delivering new coking coal supply capacity will support a stronger pricing environment.

Xstrata Coal

FINANCIAL AND OPERATING DATA $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Revenue: operations[†]	4,766	4,184	9,470
Coking	825	894	1,902
Thermal Australia	2,742	2,249	5,260
Thermal South Africa	685	534	1,229
Thermal Americas	514	507	1,079
Revenue: other	455	197	511
Coking	86	11	22
Thermal Australia	275	151	408
Thermal South Africa	93	35	80
Thermal Americas	1	-	1
Total revenue	5,221	4,381	9,981
Coking	911	905	1,924
Thermal Australia	3,017	2,400	5,668
Thermal South Africa	778	569	1,309
Thermal Americas	515	507	1,080
Operating EBITDA	1,647	1,584	3,853
Coking	287	440	1,019
Thermal Australia	872	727	1,928
Thermal South Africa	245	185	380
Thermal Americas	243	232	526
Depreciation and amortisation	(537)	(494)	(1,043)
Coking	(70)	(58)	(130)
Thermal Australia	(328)	(279)	(596)
Thermal South Africa	(90)	(110)	(220)
Thermal Americas	(49)	(47)	(97)
Operating profit **	1,110	1,090	2,810
Coking **	217	382	889
Thermal Australia**	544	448	1,332
Thermal South Africa	155	75	160
Thermal Americas	194	185	429
Share of Group Operating profit	45.2%	25.7%	33.3%
Australia	31.0%	19.5%	26.3%
South Africa	6.3%	1.8%	1.9%
Americas	7.9%	4.4%	5.1%
Capital employed	16,382	14,947	14,616
Australia	11,238	9,922	9,986
South Africa	2,455	3,126	2,522
Americas	2,689	1,899	2,108
Return on capital employed*	14.0%	15.0%	20.4%
Australia	13.4%	17.3%	24.2%
South Africa	12.3%	4.9%	5.7%
Americas	19.7%	19.8%	23.4%
Capital expenditure	1,402	837	1,994
Australia	1,195	659	1,625
South Africa	127	121	252
Americas	80	57	117
Sustaining	481	320	801
Expansionary	921	517	1,193

*	ROCE % based on average exchange rates for the period
†	Includes purchased coal for blending with mine production
**	Operating profit for the six months ended 30 June 2012 includes US$6m of profit attributable to Joint Venture Partners

OPERATING PROFIT VARIANCES	$m
Operating profit 30.06.11	**1,090**
Sales price*	(116)
Volumes	258
Unit cost – real	25
Unit cost – CPI inflation	(81)
Unit cost – mining industry inflation	(87)
Unit cost – foreign exchange	78
Other income and expenses	(1)
Depreciation and amortisation (excluding foreign exchange)	(56)
Operating profit 30.06.12**	**1,110**

* Net of commodity price linked costs

** Operating profit for the six months ended 30 June 2012 includes US$6m of profit attributable to Joint Venture Partners

Operations

Despite lower average received prices during the first six months of 2012, we achieved an increased operating profit of $1,110 million. Increased production volumes and associated unit cost savings added $283 million to operating profit, offsetting the impact of lower average realised pricing and inflationary cost increases, which reduced earnings by $116 million and $168 million respectively.

Received Australian thermal coal prices remained broadly in line with the same period of 2011, whilst received Australian coking and Colombian thermal coal prices fell by 16% and 9% respectively. Coking coal prices were lower than those achieved in 2011 when supply chain constraints caused by flooding in Queensland resulted in significant contract price increases. Colombian thermal coal prices were lower in 2012 mainly due to increased competition from US exports, whilst carryover of higher priced sales in 2012 resulted in South African thermal coal price increases into 2012 versus the same period in 2011.

Total sales volumes increased by 6.2 million tonnes or 17%, due to increased production from newly commissioned mines Mangoola, Goedgevonden and ATCOM East, as well as early stage production tonnes from the Ulan West box cut, Ravensworth North and Ulan open cut operations. Increased production was also realised at the Rolleston open cut and Ulan underground operations, where flooding affected production in the first six months of 2011.

We realised real unit cost savings of $25 million mainly due to increased production from lower cost operations at Mangoola and Rolleston.

Our operating profit was positively impacted by $78 million due to the weakening of the South African rand against the US dollar.

Industry-wide inflationary pressures continued, reducing earnings by $168 million, whilst increased depreciation and amortisation costs reduced earnings by $56 million, due mainly to higher volumes produced in the first six months of 2012 compared to the same period in 2011.

Australian thermal coal

Our Australian thermal coal business achieved an operating profit of $544 million for the first six months of 2012, 21% higher than the same period last year due to increased production following the commencement of Ravensworth North and Ulan West box cut, recovery from water impacts at Ulan and flooding at Rolleston in early 2011, as well as a full six months of steady state production at Mangoola.

Increased tonnes from the low cost Mangoola and Rolleston mines contributed to real unit cost savings in the first half. The full impact of the favourable volume and unit cost variances were partly offset by inflationary cost increases and higher depreciation and amortisation costs associated with higher production.

Coking coal

Australian coking coal's operating profit decreased by 43% or $165 million to $217 million. Despite higher volumes in 2012, earnings were adversely impacted by lower average realised prices compared to 2011, when significant contract price increases were realised in response to supply constraints caused by the Queensland floods. Earnings were also impacted by unit cost increases resulting from geological issues encountered at the Oaky Creek Underground mining complex in 2012, as well as industry-wide inflationary cost increases predominantly for labour and fuel.

South African thermal coal

Our South African thermal coal business achieved an operating profit of $155 million, more than double first half earnings in 2011. Increased volumes and higher average realised prices as a result of a high proportion of 2012 sales being contracted in 2011, coupled with a greater proportion of export sales, contributed to increased earnings. Both the large-scale open cut Goedgevonden and Impunzi complexes achieved higher sales as they ramped up towards steady state production in the first six months of 2012.

Inflationary pressures resulting from increased fuel and explosives cost increases, together with greater haulage costs, which were incurred to maximise production from available plant capacity, and a greater proportion of higher cost export sales, were partly offset by the impact of a weaker South African rand against the US dollar.

Americas thermal coal

Operating profit for the Americas division increased by 5% to $194 million in the first half of 2012, primarily driven by higher volumes and related unit cost savings. Production improvements mainly resulted from significantly less rainfall in 2012 than 2011. The favourable impact of higher volumes was partly offset by lower average realised prices due to increased US supply in the Atlantic thermal coal market, inflationary impacts from increased labour and consumable costs, and higher volume-related depreciation and amortisation costs.

SALES VOLUMES (million tonnes)	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Total consolidated sales	43.4	37.2	84.3
Consolidated Australian sales total	29.3	24.2	55.3
Coking export	3.7	3.4	7.2
Semi-soft coking export	2.2	3.0	5.3
Thermal export	20.8	13.8	35.4
Thermal domestic	2.6	4.0	7.4
Consolidated South African sales total*	8.5	8.0	18.3
Thermal export	5.7	4.9	11.3
Thermal domestic	2.8	3.1	7.0
Consolidated Americas sales total	5.6	5.0	10.7
Total attributable sales	41.1	33.5	79.4
Attributable Australian sales total	28.2	22.0	53.2
Coking export	3.7	3.4	7.2
Semi-soft coking export	2.0	2.7	4.8
Thermal export	20.1	13.1	33.9
Thermal domestic	2.4	2.8	7.3
Attributable South African sales total*	7.3	6.5	15.5
Thermal export	4.8	3.9	9.4
Thermal domestic	2.5	2.6	6.1
Attributable Americas sales total	5.6	5.0	10.7
Average received export FOB coal price ($/t)			
Australian coking	216.8	259.6	265.0
Australian semi-soft coking	173.5	187.1	202.5
Australian thermal	108.4	104.0	109.6
South African thermal	106.2	95.5	101.2
Americas thermal	92.0	101.4	101.0

* 2011 figures include sales from Mpumalanga which contributed 0.4 million tonnes of consolidated export and domestic sales for the first six months of 2011 and 0.9 million tonnes during the full year 2011

SUMMARY PRODUCTION DATA (million tonnes)	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Total consolidated production	43.4	38.5	85.3
Total thermal coal	37.9	32.4	72.4
Australian thermal	22.4	18.9	44.5
South African thermal	9.4	8.4	17.1
Americas thermal*	6.1	5.1	10.8
Total coking coal (Australia)	3.3	3.1	7.6
Total semi-soft coking (Australia)	2.2	3.0	5.3

* 2011 figures include sales from Mpumalanga which contributed 0.5 million tonnes for the first six months of 2011 and 1 million tonnes during the full year 2011

Markets | Nickel

Demand for nickel in the first half of 2012 remained consistent with the first six months of 2011, recovering from the subdued environment of the second half of 2011.

Global stainless steel production for the first six months of the year was largely unchanged from a year earlier. Output growth in developing countries, specifically China and India, continued in line with industrial growth and ongoing urbanisation but was offset by lower production in developed regions including Europe, North America and Japan.

The proportion of nickel-bearing austenitic stainless steel in global output was slightly lower than for the first half of 2011, with reductions in China, Japan and South Korea. This, together with a marginally higher scrap ratio, resulted in slightly lower primary nickel consumption in stainless steel for the first six months of 2012 compared to 2011. This decline in stainless steel consumption was offset by increased demand for nickel in non-stainless steel applications as a consequence of growth in the aerospace, power generation, oil and gas and automotive sectors.

While demand remained unchanged from the prior year, global production of primary nickel increased over the first half of 2011. Nickel prices in the first four months supported increased Chinese production of nickel pig iron, but output slowed toward the end of the period as nickel prices declined. A number of new projects increased production, including Anglo American's Barro Alto and Vale's Onça Puma operations, which more than compensated for unanticipated delays and slower ramp-up elsewhere, including at Talvivaara and Vale New Caledonia. Uncertainty concerning export policies in Indonesia, a key supplier of laterite ore, emerged during the period but has so far had limited apparent impact on nickel supply from dependant producers, principally in Japan and China, and prompted significant increases in ore stockpiles at Chinese ports.

The LME cash settlement nickel price increased by 19% from the start of the year to a high of $21,830 per tonne on 8 February, before falling 27% to a low of $16,025 per tonne on 1 June. The average LME cash price for the period was $18,438 per tonne, 28% lower than the average price for the first half of 2011. The market experienced a small surplus during the period and LME inventory increased by 20% from a low of 89,550 tonnes in early January to 107,826 tonnes at the end of May and ending the first half at 103,350 tonnes.

Outlook

Persistent macro-economic uncertainty and an unresolved European crisis cloud the outlook for the remainder of 2012. With the exception of the far east, nickel demand in stainless steel is expected to remain relatively static during the second half. However continued economic growth in Asia, together with further recovery in Japan, is expected to result in higher global nickel consumption in stainless steel for the second half of the year. Coupled with relatively stable non-stainless steel nickel demand, this should lift total nickel consumption over the next six months. Global primary nickel consumption in 2012 is consequently expected to surpass consumption in 2011. Higher demand during the next six months, continued commissioning challenges at greenfield nickel projects and moderation in nickel pig iron production primarily due to lower nickel prices, are also expected to contribute to a more balanced market during the second half of 2012.

Xstrata Nickel

FINANCIAL AND OPERATING DATA $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Revenue	1,361	1,667	3,192
INO†	1,232	1,547	2,918
Dominican Republic	129	120	274
Operating EBITDA	358	743	1,234
INO†	349	720	1,186
Dominican Republic	9	23	48
Depreciation and amortisation	(293)	(310)	(623)
INO†	(286)	(303)	(607)
Dominican Republic	(7)	(7)	(16)
Operating profit	65	433	611
INO†	63	417	579
Dominican Republic	2	16	32
Share of Group Operating profit	2.6%	10.2%	7.2%
INO†	2.5%	9.8%	6.8%
Dominican Republic	0.1%	0.4%	0.4%
Capital employed	11,445	10,364	10,643
ROCE*	2.2%	14.3%	10.5 %
Capital expenditure	921	756	1,638
INO†	298	192	459
Dominican Republic	1	9	15
South America	2	1	1
Africa	5	4	8
New Caledonia	615	550	1,155
Sustaining	135	135	287
Expansionary	786	621	1,351

† Integrated Nickel Operations (INO) includes Canadian mines, Xstrata Nickel Australasia (XNA) mines in Western Australia, Sudbury smelter and Nikkelverk refinery

* ƆCE % based on average exchange rates for the period and excludes assets under development.

OPERATING PROFIT VARIANCES	$m
Operating profit 30.06.11	433
Sales price*	(417)
Volumes	(37)
Unit cost – real	46
Unit cost - CPI inflation	(12)
Unit cost – mining industry inflation	(12)
Foreign exchange	26
Other income and expense	21
Depreciation and amortisation (excluding foreign exchange)	17
Operating profit 30.06.12	65

* net of commodity price linked costs, treatment and refining charges

Operations

Nickel prices decreased substantially compared to the same period last year, leading to a first half operating profit of $65 million compared to $433 million for the first half of 2011. Combined with lower by-product prices, markedly lower average nickel prices reduced operating profit by $417 million.

In the first half of the year, despite production from our own mines increasing, the timing of custom feed processing meant that our nickel smelting and refining business processed and sold a greater proportion of lower margin third party custom feed, impacting operating profit by $37 million as a negative volume variance. This was mostly offset by the positive impact of higher sales volumes following the restart of Falcondo in February 2011 and higher by-product volumes from Sudbury. The full benefit of higher own mine production volumes will be felt in the second half of 2012 and first half of 2013.

Our results were also impacted by industry-wide and regional CPI inflationary pressures of $24 million. In real terms, our operations delivered savings of $46 million as a result of higher production and nickel head grade at Raglan and Sudbury and the successful conversion to fully procured power and increased production at Falcondo. The impact of lower metal prices and inflation was partially offset by a strengthening US dollar against our operating currencies, which positively impacted operating profit by $26 million.

Other income and expenses included a positive variance of $21 million due to the elimination of Falcondo's standing charges recorded in 2011 during the care and maintenance period, and the lease payment on sharing of mine infrastructure received as part of synergy initiatives in Sudbury. A positive variance of $17 million from depreciation and amortisation resulted from reduced production from Xstrata Nickel Australasia after the closure of the Prospero Mine at end of 2011.

Integrated Nickel Operations (INO)

Our Integrated Nickel Operations (INO) comprise the Sudbury mines and smelter and the Raglan mines in Canada, Xstrata Nickel Australasia (XNA) in Australia and the Nikkelverk refinery in Norway. Nickel sales from INO were marginally higher in the first half of 2012, as a result of increased feed from third parties. However, the use of third party feed drove up the cost of goods sold as a result of processing and selling a reduced volume of lower-cost own mine feed.

Copper in concentrate sales to Xstrata Copper increased by 12% compared to the same period in 2011, due to a period of higher copper volumes from our Sudbury mines.

Across our INO mines, nickel in concentrate production increased slightly to 31,142 tonnes, driven by a 13% increase in mined ore volumes and a 6% increase in grade at Raglan, primarily associated with the successful completion of the Kikialik mine project in the fourth quarter of 2011. Together with higher by-product volumes and revenues from Sudbury, operating improvements reduced INO cash costs by 42% to $1.25 per pound from $2.14 per pound in the same period last year.

Sudbury

Total mined nickel production from the Sudbury operations increased by 4% to 10,106 tonnes of nickel in concentrate compared to the first half of 2011, reflecting higher volumes of treated ore as well as an 11% improvement in nickel head grade as we entered higher grade ore zones at Nickel Rim South. Our Strathcona mill processed 1,052,935 tonnes of ore, up 15% over the previous period. We produced 32,795 tonnes of nickel in matte from the Sudbury smelter, 5% more than the same period last year.

Copper in concentrate production from Sudbury remained strong. Volumes rose by 14% over the first half of 2011 to 26,780 tonnes, reflecting production from Fraser Mine's copper zone and a peak period of increased copper volumes from Nickel Rim South.

Raglan

Mined ore at Raglan increased by 13% to 639,746 tonnes in the first half of 2012, driven by the successful completion of the Kikialik project and commissioning of mine operations in the fourth quarter of 2011. Definition drilling at the Kikialik deposit identified several satellite lenses and extensions to the main ore body with a higher nickel head grade than planned, resulting in a 6% increase in overall grade from Raglan mines to 2.46%. As a result, nickel in concentrate production of 13,957 tonnes was 9% higher than the same period last year.

Xstrata Nickel Australasia (XNA)

At our Xstrata Nickel Australasia (XNA) mines we treated 18% more ore to mitigate the impact of lower grades as we transition to mining disseminated ore bodies with inherently lower nickel content. Average head grade fell to 2.18% from 2.89% in the first half of 2011. At the Odysseus deposit at Cosmos we have identified an indicated resource of 4.0 million tonnes with a grade of 2.13% nickel with further delineation underway.

Nikkelverk

Our Nikkelverk refinery in Norway continued to produce at full capacity, in line with the previous period, refining 45,479 tonnes of nickel metal in the first half of 2012. Full-year production is expected to reach capacity of 92,000 tonnes following a successful planned maintenance shutdown in the first half. Increased copper content in our matte feed and continuous improvement in increasing copper capacity contributed to a 6% increase in production to 18,595 tonnes of copper metal.

Falcondo

Total nickel in ferronickel production from our Falcondo operation in the Dominican Republic rose 24% to 7,304 tonnes in the first half following the restart of mining activities in February 2011 to 50% of installed capacity. We have successfully reduced Falcondo's operating costs by converting to fully procured power from the national grid. Consequently, we have reduced cash costs by 14% compared to the first half of 2011. The potential low capital cost expansion to 100% capacity remains in the feasibility stage and will involve converting the long-term energy source for the process plant from oil to natural gas.

SALES VOLUMES	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
INO - Europe – Nikkelverk			
Refined nickel from own mines (t) (payable metal)	25,832	28,696	58,913
Refined nickel from third parties (t) (payable metal)	19,779	16,496	33,748
Refined copper from own mines and third parties (t) (payable metal)	19,638	17,899	35,725
Refined cobalt from own mines and third parties (t) (payable metal)	1,347	1,326	2,915
INO – North America			
Nickel in concentrate (t) inter-company (payable metal)	56	51	113
Copper in concentrate (t) inter-company (payable metal)	18,743	16,765	37,300
Falcondo – Dominican Republic			
Ferronickel (t) (payable metal)	7,433	5,005	12,880
Total nickel sales (t) (payable metal)	45,667	45,243	92,774
Total ferronickel sales (t) (payable metal)	7,433	5,005	12,880
Total copper sales (t) (payable metal)	38,381	34,664	73,025
Total cobalt sales (t) (payable metal)	1,347	1,326	2,915
Average LME nickel cash price ($/t)	18,438	25,565	22,831
Average LME copper cash price ($/t)	8,087	9,399	8,826
Average Metal Bulletin cobalt low grade price ($/lb)	13.92	17.23	16.01

SUMMARY PRODUCTION DATA	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Total mined nickel production (t) (contained metal) – INO	31,142	30,797	64,103
Total mined copper production (t) (contained metal) – INO	28,395	26,673	55,629
Total mined cobalt production (t) (contained metal) – INO	634	617	1,302
Total nickel production (t)	52,783	51,436	105,925
- Total refined nickel production (t)	45,479	45,524	92,427
- Total ferronickel production (t)	7,304	5,912	13,498
Consolidated nickel cash cost (C1) – post by-product credits ($/lb)	1.25	2.14	1.83
Consolidated ferronickel cash cost (C1) ($/lb)	7.47	8.65	8.09

Markets | Zinc

Zinc

Global demand for zinc reached record levels during the first half of 2012 despite ongoing macroeconomic concerns, increasing by 4% on the same period in 2011. Strong demand was seen from producers of galvanized steel, which consumes roughly half of all zinc produced each year and is used primarily in the construction, infrastructure and automotive sectors.

On the supply side, during the first half mined zinc production rose by 3% compared to the same period in 2011. China continues to be a major zinc producer, responsible for 31% of global production in the first six months of the year. Refined metal output was at a similar level to the same period in 2011 as a result of an 8% decline in Chinese production, as a number of Chinese smelters curtailed unprofitable production.

Benchmark treatment charge terms for 2012 were negotiated to $191 per tonne of concentrate with a price participation basis of $2,000 per tonne of zinc, below the average benchmark charges achieved in 2011 of $229 per tonne of concentrate at $2,500 per tonne of zinc basis. During the first half of 2012, spot treatment charges remained well below contract treatment charges, but increased from $60 to $90 per tonne of concentrate, as a result of lower Chinese smelter availability.

LME zinc prices averaged $1,978 per tonne compared to $2,323 per tonne in the same period in 2011. Concerns over sovereign debt in Europe, and the slowing of the Chinese economy, as a result of measures taken by the government to counter inflation, impacted investors' appetite for investment in base metals and other commodities. However, premiums were relatively well supported due to the strengthening US dollar and positive underlying demand for zinc.

Zinc metal inventories at London Metal Exchange and Shanghai Futures Exchange warehouses increased during the first half by 137,338 tonnes to a total of 1,323,224 tonnes at the end of June. Commercial and exchange stocks have returned to the peak levels seen during the mid-1990s, although today's consumption is over 70% higher.

Outlook

Growth in zinc consumption rates during the remainder of 2012 are likely to slow, in line with the forecasted lower growth in global industrial production. Zinc metal is expected to remain in surplus in 2012, although high cost zinc production may be suspended in response to any significant reductions in the zinc price.

The medium to longer term outlook for zinc consumption remains robust, underpinned by the urbanisation of developing economies and consequent increased demand from the infrastructure and construction sectors. A resurgence in previously delayed infrastructure investment and the release of pent-up consumer and business spending will further support demand as the health of the global economy returns. At the same time, growth in mined zinc volumes is expected to remain subdued, due to slower project development and the potential for higher cost production to be curtailed in response to any extended period of lower zinc prices in the short term.

Lead

Global demand for refined lead during the first half rose 3% on the same period in 2011. Over 80% of lead is used in the production of lead-acid batteries, most of which are installed in vehicles, including hybrid and electric vehicles, with China accounting for 40% of production.

Demand for lead from vehicle producers started the year strongly in the US and China but slowed towards the end of the period as a result of the cooling of the global economy. There was strong demand from other end-use sectors, such as mobile power, industrial and standby power applications, which include telecommunication networks and alternative energy storage.

During the first half of the year, global mined lead production rose by 5% with China continuing to be the largest contributor to increases in lead mine and smelter volumes. In addition, China continued to import significant volumes of concentrates to refine domestically, which maintained the downward pressure on spot treatment charges during the period.

Benchmark treatment charges for concentrates declined in the first six months of 2012 on those achieved for the same period in 2011, settling at almost $215 per tonne of concentrate with no price participation. Spot treatment charges for imports into China during the first six months fluctuated between $80 and $100 per tonne.

Global supply of refined lead rose by 3% during the first half of 2012 as a result of increased output from primary refineries. The processing of secondary and recycled materials remained flat on 2011 levels due to weakened profitability and to steps being taken by China to reduce pollution and inefficiency in the industry.

A roughly balanced lead market in the first half of 2012 resulted in a small decrease in warehouse stocks on the London Metal Exchange and Shanghai Futures Exchange, which fell by 9,952 tonnes to a total of 376,859 tonnes at the end of June. LME lead prices fell alongside other commodities on worsening macroeconomic conditions despite firm global demand, averaging $2,035 per tonne during the half compared to an average of $2,581 per tonne in the same period of 2011. Refined metal premiums in Europe weakened in line with demand. In the US, however, premiums increased dramatically mid-year on steady metal demand and escalating scrap costs.

Outlook

Rising demand from consumers and businesses in emerging markets is expected to drive demand for vehicles and battery powered equipment, supporting strong lead consumption growth rates. A balance between global supply and demand is expected to be reached by the end of 2012, which should force a drawdown on exchange inventories in years to come as secondary and concentrate sources are likely to be insufficient to meet metal demand.

Xstrata Zinc

FINANCIAL AND OPERATING DATA $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Revenue	1,781	1,937	3,756
Zinc lead Australia	233	250	550
Lead Europe	339	310	602
Zinc Europe	756	820	1,605
Zinc North America	418	498	922
Zinc Peru**	35	59	77
Operating EBITDA	465	750	1,223
Zinc lead Australia	133	208	288
Lead Europe	18	9	20
Zinc Europe	93	159	282
Zinc North America	190	318	556
Zinc Peru**	31	56	77
Depreciation and amortisation	(225)	(213)	(409)
Zinc lead Australia	(105)	(93)	(183)
Lead Europe	(1)	(1)	(2)
Zinc Europe	(22)	(24)	(46)
Zinc North America	(85)	(74)	(143)
Zinc Peru**	(12)	(21)	(35)
Operating profit	240	537	814
Zinc lead Australia	28	115	105
Lead Europe	17	8	18
Zinc Europe	71	135	236
Zinc North America	105	244	413
Zinc Peru**	19	35	42
Share of Group Operating profit	9.8%	12.6%	9.7%
Australia	1.1%	2.7%	1.2%
Europe	3.6%	3.4%	3.1%
North America	4.3%	5.7%	4.9%
Zinc Peru**	0.8%	0.8%	0.5%
Capital employed†	6,532	6,140	6,100
ROCE*	9.5%	24.1%	18.9%
Capital expenditure	531	276	885
Australia	454	232	736
Europe	15	16	66
North America	62	28	83
Sustaining	247	172	504
Expansionary	284	104	381

* ROCE % based on average exchange rates for the period
** Xstrata Zinc's pro-rata share of Xstrata's 33.75% interest in Antamina
† Includes goodwill allocation on acquisition of Falconbridge

OPERATING PROFIT VARIANCES	$m
Operating profit 30.06.11	537
Sales price*	(339)
Volumes	(29)
Unit cost – real	41
Unit cost – CPI inflation	(25)
Unit cost – mining industry inflation	(20)
Unit cost – foreign exchange	61
Other income and expenses	3
Depreciation and amortisation (excluding foreign exchange)	11
Operating profit 30.06.12	240

* net of commodity price linked costs, treatment and refining charges

Operations

Xstrata Zinc's operating profit of $240 million in the first half of 2012, compared to $537 million in the same period of 2011, reflected the $339 million negative impact of lower LME prices during the period.

Efficiency improvements drove real unit cost savings of $41 million, which along with the positive impact of a stronger US dollar against local currencies partially offset lower sales prices.

Total zinc in concentrate production in the first half remained at a similar level to the same period of the previous year. A 6% increase in zinc in concentrate production at our Australian operations helped offset expected lower zinc production at Antamina, where the mine plan continues to operate in a predominantly copper ore zone, and lower grades at our Brunswick and Perseverance mines in Canada, where closure is imminent. Improved lead ore grades in our Australian operations increased total lead in concentrate production by 8% in the first half of 2012 compared with the same period of 2011.

C1 cash costs increased from 32.5¢ per pound in the first half of 2011 to 39.7¢ per pound in the first half of 2012. Efficiency improvements and production increases across the business unit drove improvements in real unit cost savings of $41 million, but were offset by lower by-products revenue resulting from lower lead and silver prices. As a fully integrated zinc producer, Xstrata Zinc's integrated mine and smelter C1 costs in the first half of 2012 increased to 35.4¢ per pound from 23.5¢ per pound in the same period of 2011 due to lower by-products prices, despite the real unit cost savings achieved.

Zinc Lead Australia

Operating profit for our Australian operations of $28 million was 76% lower than in the same period of 2011 as significant cost savings and a stronger US dollar against the Australian dollar were offset by the negative impact of lower commodity prices.

The George Fisher underground mine produced a total of 1.6 million tonnes, during the period, an increase of over 54,000 tonnes on the comparable period in 2011. Zinc grades improved in comparison to the first half of 2011, though lower lead grades reflected less production from high lead areas.

Black Star Open Cut contributed 2.2 million tonnes in the first half, an 8% decrease compared to 2011. Ore grades significantly increased mainly as a result of an improved ore definition. Handlebar Hill Open Cut increased production by 8% compared to the first half of 2011, though its mined grades were lower than the comparable period last year. The concentrator processed its target of 4.4 million tonnes of ore during the period and remains on track to increase future throughput to up to 10 million tonnes per annum by 2015, compared to current capacity of 9.1 million tonnes per annum, once a $68 million debottlenecking project begins commissioning at the end of 2013.

During the first six months of 2012, the Mount Isa lead smelter processed all of the concentrator's lead concentrate output and a further 10,000 tonnes of third party concentrates. We achieved

significant advances in trialling and patenting new technology, which has the potential to significantly reduce air emissions while producing a saleable zinc product. Pilot plant trials are scheduled for the third quarter.

McArthur River Mine saw an overall increase of 9% in zinc metal in concentrate volumes due to higher grades, while ore mining and milling activities remained at similar levels to the first half of 2011. The construction of the heavy medium separation main plant and associated infrastructure to increase production to 3.2 million tonnes per annum at McArthur River was largely completed during the period with commissioning scheduled for the third quarter.

Zinc Lead Europe

Operating profit for our European operations decreased to $88 million in the first half of 2012 from $143 million in the same period of 2011, mainly as a result of lower metal prices which were partially offset by the positive impact of the strong US dollar against the Euro.

Zinc metal production at our San Juan de Nieva plant was at similar levels to the same period of last year, and the plant is producing at its maximum capacity. Our smelter also produced 341,000 tonnes of saleable sulphuric acid, a 3% increase on the same period of 2011. Our Nordenham plant produced 72,277 tonnes of saleable zinc in the first half of 2012, in line with the equivalent 2011 period. Britannia Refined Metals produced 80,841 tonnes of lead and lead alloys, 17% higher than the equivalent period of 2011 due to consistent bullion supply as a result of improved shipping schedules and an improved final stage of the refining process. Silver production of 3.6 million ounces was also higher than the first half of the previous year, mainly as a result of higher average silver content in the unrefined lead feed and increased lead production.

Zinc Lead Americas

Operating profit for our Canadian operations was $105 million in the first half of 2012, compared with $244 million in the same period of 2011. Lower commodity prices compared to the same period in 2011 resulted in a $133 million negative price variance and lower sales volumes mainly as result of lower head grades added a further $20 million when compared to the same period of last year. However this was partially offset by a positive foreign exchange variance as result of a weaker Canadian dollar versus the US dollar.

Brunswick mine is expected to deplete its ore reserves by March 2013 after almost 49 years of operation. During the period 70,000 tonnes of material from Trevali's Halfmile operation were milled to partially offset declining Brunswick Mine throughput, resulting in 1.6 million tonnes of processed ore, 3% lower than the same period in 2011. Zinc head grades and zinc metallurgical recoveries were maintained at 8.05% and 85.86% respectively, resulting in the production of 110,000 tonnes of zinc in concentrate, 3% lower than the first half of 2011. Operating efficiencies and further cost savings actions reduced Brunswick's operating costs and real unit costs by 5% and 2% respectively relative to the first half of 2011.

The Brunswick Smelter improved its performance in the second quarter after a challenging first quarter in which the treatment of unusual third party feeds impeded smooth processing. Lead production was equivalent to the same period of 2011 at 39,000 tonnes. Costs were in line with the first half of 2011, mainly as a result of cost control initiatives.

Perseverance Mine entered its last full year of production in 2012 as the development of its associated Bracemac-McLeod project progressed from single face to multi-face development in the first quarter. Production remains on schedule to start as planned in the first quarter of 2013 at a run rate of 90,000 tonnes of zinc per year. Bracemac-McLeod will benefit from using the nearby existing Matagami concentrator to process about 1 million tonnes of ore per annum, in line with Perseverance's current ore production.

Production at Perseverance increased marginally in the first half but was offset by slightly lower grades than the equivalent period last year at 12.74% in zinc, 5% lower than the first half of 2011 and 1% in copper, a 3% decrease. The concentrator produced 64,400 tonnes of zinc metal and 4,800 tonnes of copper metal, 7% and 1% lower than the first half of 2011 respectively.

At Antamina, Xstrata Zinc´s share of zinc metal in concentrate decreased by 21% in the first half of 2012 compared to the same period of 2011, due to a planned reduction in zinc volumes as the mine plan continues to mine predominantly copper ore.

Exploration work on the Hackett River and Wishbone properties was initiated early in 2012, following a review of work carried out by previous owners.

SALES VOLUMES	**Six months to 30.06.12**	Six months to 30.06.11	Year ended 31.12.11
Australia – Mount Isa			
Zinc in concentrate (t) third party sales (payable metal)	**72,717**	90,961	215,503
Zinc in concentrate (t) inter-company sales (payable metal)	**77,577**	62,982	89,611
Total zinc in concentrate (t) (payable metal)	**150,294**	153,943	305,114
Lead in concentrate (t) third party sales (payable metal)	**-**	2,139	-
Lead in dross (t) third party sales (payable metal)	**-**	3	3,854
Lead in bullion (t) inter-company sales (payable metal)	**72,921**	65,510	131,808
Total lead (t) (payable metal)	**72,921**	67,652	135,662
Silver in concentrate (koz) inter-company sales (payable metal)	**44**	164	-
Silver in concentrate (koz) third party sales (payable metal)	**50**	92	337
Silver in bullion (koz) inter-company sales (payable metal)	**3,619**	2,887	6,293
Total silver (koz) (payable metal)	**3,713**	3,143	6,630
Australia – McArthur River			
Zinc in concentrate (t) third party sales (payable metal)	**59,634**	39,732	117,572
Zinc in concentrate (t) inter-company sales (payable metal)	**16,076**	28,782	37,390
Total zinc (t) (payable metal)	**75,710**	68,514	154,962
Lead in concentrate (t) third party sales (payable metal)	**12,138**	8,662	19,549
Silver in concentrate (koz) third party sales (payable metal)	**125**	118	258
Europe – San Juan de Nieva			
Refined zinc (t)	**246,296**	243,101	489,778
Europe – Nordenham			
Refined zinc (t)	**75,874**	75,800	148,816
Europe – Northfleet			
Refined lead (t)	**78,842**	64,360	127,753
Refined silver (koz)	**3,684**	2,512	5,452
North America – Brunswick			
Zinc in concentrate (t) third party sales (payable metal)	**82**	6,686	31,675
Zinc in concentrate (t) inter-company sales (payable metal)	**80,339**	80,376	132,893
Total zinc in concentrate (t) (payable metal)	**80,421**	87,062	164,568
Zinc in bulk concentrate (t) third party sales (payable metal)	**7,003**	5,530	12,656
Lead in bulk concentrate (t) third party sales (payable metal)	**2,410**	3,720	6,420
Silver in bulk concentrate (koz) third party sales (payable metal)	**89**	155	289
Refined lead and alloys (t)	**36,836**	37,726	70,302
Silver doré (koz) inter-company sales	**5,577**	6,203	13,187
North America – CEZ *			
Refined zinc (t)	**32,986**	34,236	66,706
Perseverance			
Zinc in concentrate (t) third-party sales (payable metal)	**3,191**	4,858	16,224
Zinc in concentrate (t) inter-company sales (payable metal)	**50,313**	54,377	97,695
Total zinc (t) (payable metal)	**53,504**	59,235	113,919

SALES VOLUMES	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Peru - Antamina zinc**			
Zinc in concentrate (t) third party sales (payable metal)	31,638	44,050	66,289
Total zinc (t) (payable metal)	31,638	44,050	66,289
Total zinc metal third party sales (t)	355,155	353,138	705,299
Total zinc in concentrate third party sales (t)	174,265	191,816	459,919
Total lead metal third party sales (t)	115,679	102,086	198,055
Total lead in concentrate third party sales (t)	14,548	12,385	29,823
Total silver metal third party sales (koz)	3,684	2,512	5,452
Total silver in concentrate third party sales (koz)	264	374	884
Average LME zinc price($/t)	1,978	2,323	2,190
Average LME lead price $/t)	2,035	2,581	2,399

* Xstrata Zinc's pro rata share of CEZ sales volumes (25%)
** Xstrata Zinc's pro rata share of zinc sales from Xstrata's 33.75% interest in Antamina
† Includes goodwill allocation on acquisition of Falconbridge

SUMMARY PRODUCTION DATA	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Total zinc in concentrate production (t)	496,094	500,137	974,517
Total zinc in metal production (t)**	364,833	366,339	737,758
Total lead in concentrate production (t)	125,629	115,874	225,743
Total lead in metal production (t)	119,785	107,997	206,579
Consolidated Zinc cash cost (C1) - post by-product credits (US¢/lb)	39.72	32.47	33.19

** Xstrata Zinc's pro rata share of zinc sales from Xstrata's 33.75% interest in Antamina

Markets | Alloys

Ferrochrome

Global consumption of ferrochrome reached 4.6 million tonnes in the first half of 2012 driven by stainless steel melt of 17.1 million tonnes, 2% higher than in the first half of 2011. Strong growth in global production of stainless steel at the beginning of 2012 tailed off towards the end of the first half in response to weaker global economic growth as well as renewed concerns over sovereign debt in Europe and slowing growth in China.

Global ferrochrome production in the first half of 2012 was 3% lower at 4.4 million tonnes. China continues to dominate the industry, producing more than 40% of the world's stainless steel and 31% of global ferrochrome in the first half of the year. The ongoing growth in Chinese ferrochrome production places it second in production volumes to South Africa, which produced 32% of the world's ferrochrome during the first six months of 2012.

South African ferrochrome production was severely constrained during the first half of the year as a result of forced electricity buybacks by Eskom, the South African power utility, to balance demand and supply and perform extended essential maintenance.

The average European benchmark price for ferrochrome during the first half of 2012 of 125¢ per pound was 5¢ per pound lower than during the first half of 2011. Ferrochrome producers settled the European benchmark price for the second quarter at 135¢ per pound, an increase on the 115¢ per pound received during the first quarter. The third quarter European benchmark price has been settled at 125¢ per pound.

Outlook

Despite the recent economic slowdown, stainless steel production is forecast to increase by 3% in 2012 to over 34.5 million tonnes, supporting continued growth in demand for ferrochrome globally. While Chinese ferrochrome production increased during the first half of the year, availability is expected to remain tight in the second half of the year due to South African producers limiting all but essential production in response to expensive winter electricity tariffs and a drawdown in stocks due to the idling of capacity in response to ongoing Eskom power buybacks. Ferrochrome produced in China is likely to be consumed domestically due to the Chinese government's 20% tax on ferrochrome exports.

Platinum Group Metals (PGM)

After a promising start to the year, average platinum and palladium prices for the first half of the year declined by 13% and 15% respectively, while rhodium prices were down 39% compared to the same period last year. Platinum traded at an average price of $1,555 per ounce during the first half of the year and palladium and rhodium traded at $656 per ounce and $1,395 per ounce respectively.

Supply constraints in South Africa, the largest primary production country, as a result of industrial action at a major producer and continued regulatory safety interventions and concerns about Eskom's ability to supply uninterrupted power led to relatively steep, largely sentiment-driven gains in PGM prices in the early part of the year. Platinum, palladium and rhodium prices peaked in February with strong economic data and vehicle sales from the US offsetting concerns over a slowing Chinese economy. However, sentiment turned negative when eurozone concerns resurfaced in March, growth forecasts were downgraded for China and the US in May and there were reports of oversupply in the platinum market. Platinum closed the period at $1,428 per ounce, marginally above its opening price at the start of the year. Palladium prices at the end of June were $578 per ounce, down $77 per ounce from the beginning of January.

During the first half of 2012, global autocatalyst demand continued to grow, albeit at a muted pace. The US continued to underpin demand, with light vehicle sales 15% higher than for the same period in 2011. In China, light vehicle sales were lower than expected, increasing by 6% on the same period last year. In Japan, vehicle sales showed significant recovery from the earthquake and tsunami of 2011, increasing by 53%. Improved demand for platinum, as a result of growing vehicle sales from these regions will be largely offset by lower demand from Western Europe. Vehicle sales in Western

Europe were 8% lower in the first half of 2012, negatively impacting the demand for platinum in autocatalysts.

Jewellery sales, using trading on the Shanghai Gold Exchange as a barometer, performed very well during the first half of the year with consumers buying effectively on the dips. Year to date platinum volumes traded on the Shanghai gold exchange are at a similar level to the same period in 2011.

Global ETF holdings of platinum increased by 123,000 ounces in the first two months of the year, but have since fallen back with holdings only up 3% at 1.34 million ounces. Palladium ETF holdings, supported by strong vehicle sales in the US, outperformed platinum and net holdings rose 18% to 1.88 million ounces for the first half of the year, although 490,000 ounces below the peak recorded in 2009.

Outlook

It is anticipated that South African supply will continue to be impacted through the remainder of 2012 by potential industrial action and the suspension or delay of platinum projects and mines due to lower prices. Despite lower expected primary production volumes, the market is not anticipated to move into significant deficit as European demand is expected to remain weak.

The medium to long-term outlook for platinum and palladium remains favourable. Demand is expected to continue to be underpinned by tightening emissions legislation in Europe and other regions ongoing demand growth from developing countries and from economic recovery in the OECD.

Xstrata Alloys

FINANCIAL AND OPERATING DATA $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Revenue	753	992	1,689
Operating EBITDA	113	182	294
Depreciation and amortisation	(61)	(67)	(141)
Operating profit	52	115	153
Share of Group Operating profit	2.1%	2.7%	1.8%
Capital employed	3,307	3,627	3,165
Return on capital employed*	3.1%	6.5%	4.9%
Capital expenditure	201	183	387
Sustaining	58	68	137
Expansionary	143	115	250

* ROCE % based on average exchange rates for the period

OPERATING PROFIT VARIANCES	$m
Operating profit 30.06.11	**115**
Sales price*	(58)
Volumes	(39)
Unit cost – real	13
Unit cost – CPI inflation	(29)
Unit cost – mining inflation	(20)
Unit cost – foreign exchange	68
Other income and expenses	5
Depreciation and amortisation (including impairments of PPE and excluding foreign exchange)	(3)
Operating profit 30.06.12	**52**

* Net of commodity price linked costs, treatment and refining charges

Operations

Xstrata Alloys recorded an operating profit of $52 million, compared to $115 million for the comparative period in 2011. Our operations were impacted by weak commodity demand, lower prices and double digit inflation in key industry inputs, including energy and raw materials.

Lower realised ferrochrome and average PGM prices reduced operating profit by $58 million. We reduced operating capacity to an average of 65% of total operating capacity to respond to power buybacks by Eskom and weak market conditions. Lower sales volumes further impacted operating profit by $39 million.

Despite significant inflationary pressures on key inputs which impacted the South African mining industry during the first half, measured against external indices, Xstrata Alloys achieved real unit cost savings of $13 million. Cost savings were realised at both our operations and from business-wide cost cutting initiatives.

The weakening of the rand against the US dollar during the period resulted in a positive impact of $68 million.

Ferrochrome

In the first half of 2012, ferrochrome volumes declined by 21% to 459,333 tonnes as our operations reduced capacity to meet electricity buyback arrangements put in place by Eskom, the South African power utility. Through an agreement with Eskom, operations at some of our less energy efficient furnaces were suspended until the end of May to allow Eskom to perform extended essential

maintenance. The compensation received by our operations for electricity not consumed was sufficient to cover the costs and lost profits incurred through reducing production volumes.

Cash production costs increased by 10% compared to the previous period mainly due to the impact of lower production volumes. Cost saving and efficiency initiatives along with the operation of more efficient furnaces partially offset the impact of significant costs arising from mining inflation.

Ferrovanadium production volumes were lower compared to the same period in 2011 due to increased demand for high quality vanadium pentoxide by the aerospace industry. This resulted in less vanadium pentoxide being available to be converted to ferrovanadium.

Platinum Group Metals (PGM)

During the first half of 2012, PGM volumes declined by 22% compared to the first half of 2011 to 65,742 ounces.

The Mototolo joint venture increased throughput by 73,441 tonnes compared to the first half of 2011, maintaining nameplate run of mine (ROM) production levels at around 200,000 tonnes per month. The operation achieved record production of 1,206,723 tonnes for the first half of the year.

ROM production at Eland decreased by 584,395 tonnes, predominantly due to the cessation of opencast mining activity during the second half of 2011. Production was also negatively impacted by a steel supply shortage experienced at the end of 2011 which delayed the installation of critical mine infrastructure by four months for the ongoing development of the underground operation.

In light of current and expected near term market conditions, Xstrata Alloys is undertaking a strategic review of the Eland project plan, with the aim of optimising the development of the mineral resource, whilst minimising near term funding requirements.

SUMMARY PRODUCTION DATA	**Six months to 30.06.12**	Six months to 30.06.11	Year ended 31.12.11
Ferrochrome (kt)*	**459**	581	1,021
Vanadium**			
Ferrovanadium (k kg)	**1,838**	1,977	3,953
V_2O_5 (k lbs)	**9,946**	10,093	21,039
Platinum Group Metals **			
Platinum (oz)	**37,866**	50,677	92,411
Palladium (oz)	**21,442**	25,237	49,968
Rhodium (oz)	**6,434**	8,178	15,049
Indicative average published prices (Metal Bulletin)			
Ferrochrome (¢/lb)	**125.0**	130.0	125.0
V_2O_5 ($/lb)	**5.7**	6.8	6.6
Ferrovanadium ($/kg)	**25.2**	30.3	28.7
Average (London Platinum and Palladium Market) prices ($/oz)			
Platinum (London Platinum and Palladium Market)	**1,555**	1,789	1,720
Palladium (London Platinum and Palladium Market)	**656**	776	733
Rhodium (Johnson Matthey) rhodium price	**1,395**	2,307	2,022

* Including Xstrata's 79.5% share of the Xstrata-Merafe Chrome Venture
** 100% consolidated

Xstrata Technology Services

FINANCIAL AND OPERATING DATA $m	Six months to 30.06.12	Six months to 30.06.11	Year ended 31.12.11
Revenue	179	95	222
Operating EBITDA	30	14	34
Depreciation and amortisation	(3)	(4)	(7)
Operating profit	27	10	27
Capital expenditure	6	2	6

Xstrata Technology Services provides expertise and technology to support the processes involved in mining and metallurgy. It comprises Xstrata Technology, based in Brisbane, a specialist technology solutions provider, and Xstrata Process Support, based in Sudbury, a separate division that provides highly specialised technological support both to Xstrata's operations and to third party customers.

Xstrata Technology

Xstrata Technology achieved a strong performance during the first half of 2012 as a result of increased demand for its products and services due to strong investment in mining projects. During the first half of 2012, operating profit more than doubled due to an increased number of project utilising all of Xstrata Technology's technologies, and the successful completion of major projects utilising IsaMill™ and IsaKidd™ technologies. These two technologies continue to be successful across a number of markets including Australia, Canada, China, the Democratic Republic of Congo, South Africa and South America.

Albion Process™

The Albion Process™ is a leaching technology that combines fine grinding in the IsaMill™ with leaching under atmospheric conditions to provide a robust method of treating refractory concentrates at low capital costs. The Albion Process business supplies specialist leaching equipment to enable the successful adoption of this technology, supported by the HyperSparge™ oxygen injection lance technology and the ZipaTank™ and ALR modular tank systems.

Xstrata Zinc is currently operating two Albion Process™ plants, at Nordenham in Germany and at San Juan de Nieva in Spain, to support improved zinc recovery from McArthur River Mine's concentrates. A plant to treat refractory gold concentrates in the Dominican Republic was commissioned in June 2012 and is currently ramping up to full production. Xstrata Technology is completing the design and supply of an Albion Process™ Plant to the GPM gold project in Armenia for commissioning in March 2013.

Interest in the Albion Process™ technology continues to be strong.

IsaMill™

IsaMill™ Technology was originally developed for ultra-fine grinding applications and is now being successfully used for mainstream tertiary and regrind applications. It is being widely adopted for its high efficiency and process gains from inert grinding media. The technology continued to develop during the year with strong sales around the world in grinding, regrinding, and fine grinding applications.

ISASMELT™

ISASMELT™ is a Top Submerged Lance (TSL) smelting technology that was developed and has been operating in Mount Isa for over 25 years. It is distinguished from alternative technologies by low capital cost, rapid start up, high plant availability and low operating cost. It is attractive for both modernising existing operations and for building efficient and clean new smelters. More than 20 ISASMELT™ plants have been designed over the past 20 years, with operations in many countries including Belgium, China, Germany, India, Malaysia, Peru, the US and Zambia.

During the first half of 2012, construction continued on a lead ISASMELT™ plant in Kazakhstan and a lead ISASMELT™ plant in China. Xstrata Technology also completed basic engineering for a new greenfield copper smelter for Kansanshi Mining plc in Zambia that will be able to treat 1.4 million tonnes per year of copper concentrate. Detailed engineering and procurement activities are now underway. A variety of studies were also delivered to clients planning to modernise existing smelters or build new green field plants using TSL technology.

Bottom Blown Oxygen Cupel (BBOC)

The Bottom Blown Oxygen Cupel (BBOC) is a silver refining technology developed and used at Xstrata's Britannia Refined Metals lead refinery in England. It is a high intensity, cost-effective technology for silver refining. Xstrata Technology commissioned one BBOC unit in early 2012. A number of studies are currently being undertaken for various applications of the technology.

Jameson Cell

Jameson Cell Flotation Technology, a high intensity flotation technology, has traditionally been very successful in fine coal flotation and is now transferring this success to base metals applications globally, often in combination with the IsaMill™ to enhance concentrate quality and metal recovery. This has led to strong demand in 2012 and a robust outlook.

Tankhouse Technology (ISA Process™ and KIDD Process™)

IsaKidd combines the Isa Process™ and Kidd Process™ copper refining technologies, developed at our operations in Townsville Australia and Kidd Creek Canada respectively. In 2006 the strengths of both technologies were combined to offer comprehensive technology packages in electro-refining and electro-winning, and more recently for full solvent-extraction/electro-winning plants.

IsaKidd revenue in the first half of 2012 increased by around 11% compared to prior year, supported by continued strong demand for Xstrata Technology's unique specification stainless steel cathode plates (both 316L and Duplex). The patented Xstrata Technology Duplex steel has demonstrated superior corrosion resistance and continues to gain market share.

Orders for IsaKidd™ technology continue to be strong from all of the major industry regions including China, Africa, India, South America, Asia and Europe.

Xstrata Process Support

Xstrata Process Support provides expert technical services to the minerals sector through five separate groups. Demand for Xstrata Process Support's services continues to grow and revenues from external customers for 2012 represented 59% of total revenue compared to 43% in the first half of 2011.

Process Mineralogy

Our Process Mineralogy group, the combined discipline of mineral processing and quantitative mineral measurement, has continued to experience strong demand for ore characterisation, laboratory scale mineral processing testwork, mini flotation piloting, plant optimisation and process design services. Xstrata Nickel's Raglan mine and Strathcona mill along with Xstrata Zinc's Matagami mine, Errington-Vermillion and Hackett River projects are all utilising the technology.

During the first half of the year, demand from third party customers has continued to grow. A strategy to deliver on capabilities in the sampling discipline and experience and acquisition of equipment to service gold and rare earth markets has contributed to the business' robustness.

Plant Support

The Plant Support group is the newest business unit within Xstrata Process Support. It provides a range of services focusing on in-plant, hands-on technical assistance, commissioning and process optimisation. The group consists of a team of experienced metallurgists and contract services.

Demand for the services delivered by the Plant Support group has been strong from both Xstrata Nickel and external clients in the first six months of 2012.

Extractive Metallurgy

Extractive Metallurgy continued to provide pyrometallurgy and hydrometallurgy services to smelters and refineries in the areas of fluid bed roasting, thermal analysis and process modelling. A product designed to audit and improve metal accounting systems has been implemented successfully for several external clients. Several projects involving pre-treatment of refractory gold using roasting and pressure oxidation have been carried out. The group is expanding its pyrometallurgical capabilities through the installation of a 300kW DC furnace for smelter pilot campaigns.

Process Control

Demand continues to be strong for Process Control, a group of highly experienced engineers based in Sudbury, Canada, and at various Xstrata operations. The focus of this professional group is delivering best practice process control solutions to their clients and helping them to achieve operational performance excellence. Within Xstrata the Process Control's services extended to improvements and developments at Xstrata Copper's Kidd concentrator and at Xstrata Nickel's Strathcona concentrator and Sudbury smelter in Canada. Developments continued at Xstrata's Sudbury and Timmins based mines in backfill processing, tracking systems for ventilation on demand and, in particular, for energy saving initiatives at Fraser mine.

Work for external clients continued to expand and included consultancy, instrumentation and process control feedback for one of Canada's largest coal processing plants.

Materials Technology

Our Materials Technology team provides asset integrity management services during the development and implementation stages of capital projects and on through the full equipment lifecycle. Plant inspections are specialised and are vital to minimise unexpected plant shutdowns. In the first half of 2012, Materials Technology continued to work in Canada with Xstrata Nickel's Raglan and Sudbury operations, at Xstrata Copper's Horne smelter and at Xstrata Zinc New Brunswick operations. Several smelter acid plant inspections were also completed for external clients during the year.

Materials Technology continues to experience strong demand for its services from external clients and expanded its workforce and services during the first six months of 2012.

Operations data

Name of Operation	Ownership	100% Production 2011	Accounting Status	Location
Xstrata Copper				
Argentina				
Alumbrera	50%	38.2mt ore 117kt Cu in conc 327koz Au in conc 28koz Au in dore	Subsidiary	Catamarca Province
Australia				
Mount Isa	100%	5.9mt ore 149kt Cu in conc 238kt Cu in anode	Subsidiary	North West Queensland
Ernest Henry	100%	10.4mt ore 100kt Cu in conc 129koz Au in conc	Subsidiary	North West Queensland
Townsville Refinery	100%	277kt Cu cathode	Subsidiary	North Queensland
Canada				
CCR	100%	264kt Cu cathode	Subsidiary	Quebec
Horne	100%	187kt Cu in anode	Subsidiary	Quebec
Kidd	100%	42kt Cu in conc 71kt Zn in conc	Subsidiary	Ontario
Chile				
Altonorte	100%	311kt Cu in anode	Subsidiary	Antofagasta Region
Collahuasi	44%	47.8mt ore 417kt Cu in conc 36kt Cu cathode	Joint venture	Tarapacá Region
Lomas Bayas	100%	14.5mt ore 74kt Cu cathode	Subsidiary	Antofagasta Region
Peru				
Antamina (joint with Xstrata Zinc)	33.75%	37.6mt ore 334kt Cu in conc	Joint venture	Ancash Region
Tintaya	100%	7.3mt ore 74kt Cu in conc 21kt Cu cathode	Subsidiary	Espinar Province

Name of Operation	Ownership	100% Production 2011	Accounting Status	Location
Xstrata Coal				
Americas				
Cerrejón	33.3%	32,255kt	Joint venture	Colombia
Australia				
Liddell	67.5%	4,603kt	Joint venture	Hunter Valley
Macquarie Coal JV				
– West Wallsend	80%	2,760kt	Joint venture	Newcastle
Mt Owen	100%	9,227kt	Subsidiary	Hunter Valley
Ravensworth operations	100%	3,980kt	Subsidiary	Hunter Valley
Ravensworth Underground	70.2%	1,696kt	Joint venture	Hunter Valley
Oakbridge Group				
– Baal Bone	74.1%	1,184kt	Subsidiary	Western Coal Fields
– Bulga Underground	68.3%	787kt	Joint venture	Hunter Valley
– Bulga Open Cut	68.3%	6,157kt	Joint venture	Hunter Valley
Tahmoor	100%	1,721kt	Subsidiary	Southern Coal Fields
Ulan				
– Ulan Underground	90%	3,940kt	Joint venture	Western Coal Fields
– Ulan West box Cut	90%	572kt	Joint venture	Western Coal Fields
Mangoola	100%	7,791kt	Subsidiary	Hunter Valley
Oaky Creek	55%	8,020kt	Joint venture	Bowen Basin
Newlands				
– Thermal	55%	5,068kt	Joint venture	Bowen Basin
– Coking	55%	1,418kt	Joint venture	Bowen Basin
Collinsville				
– Thermal	55%	2,747kt	Joint venture	Bowen Basin
– Coking	55%	1,210kt	Joint venture	Bowen Basin
Rolleston	75%	7,502kt	Joint venture	Bowen Basin
South Africa				
Impunzi Division	79.8%	4,601kt	Subsidiary	Witbank
Tweefontein				
- Opencast	79.8%	2,112kt	Subsidiary	Witbank
- Underground	79.8%	5,430kt	Subsidiary	Witbank
Goedgevonden	74%	5,293kt	Joint venture	Witbank

Name of Operation	Ownership	100% Production 2011	Accounting Status	Location
Xstrata Nickel				
Australia				
Cosmos	100%	437kt ore 11kt Ni in conc	Subsidiary	Mt Keith-Leinster, Western Australia
Sinclair	100%	341kt ore 6kt Ni in conc	Subsidiary	Mt Keith-Leinster, Western Australia
Canada				
Sudbury: Nickel Rim South mine and Smelter	100% 100%	1.3mt ore 18kt Ni in conc 39kt Cu in conc 1.9mt ore 122kt Ni-Cu matte	Subsidiary	Ontario, Canada
Raglan	100%	1.3mt ore 27kt Ni in conc	Subsidiary	Quebec, Canada
Dominican Republic				
Falcondo	85.3%	1.1mt ore 13.5kt Ni in FeNi	Subsidiary	Bonao, Dominican Republic
Norway				
Nikkelverk	100%	92kt Ni 36kt Cu 3kt Co	Subsidiary	Kristiansand, Norway

Name of Operation	Ownership	100% Production 2011	Accounting Status	Location
Xstrata Zinc				
Australia				
McArthur River	100%	2.3mt ore 194kt Zn in conc	Subsidiary	Northern Territory, Australia
Mount Isa	100%	9.2mt ore 357kt Zn in conc 139kt Pb in bullion 204t Ag in bullion	Subsidiary	North West Queensland, Australia
Canada				
Brunswick Mine	100%	3.1 mt ore 209kt Zn in conc 57kt Pb in conc 157t Ag in conc 9kt Cu in conc	Subsidiary	New Brunswick, Canada
Brunswick Smelting	100%	77kt refined Pb 418t Ag doré	Subsidiary	New Brunswick, Canada
CEZ Refinery	25%	290kt Zn	Associate	Quebec, Canada
Perseverance Mine	100%	1,087 Kt ore 135kt Zn in conc 10kt Cu in conc	Subsidiary	Quebec, Canada
General Smelting	100%	5kt Zn and Pb	Subsidiary	Quebec, Canada
Germany				
Nordenham	100%	154kt Zn 148kt saleable Zn	Subsidiary	Nordenham, Germany
Peru				
Antamina (joint with Xstrata Copper)	33.75%	37.6mt ore 235kt Zn in conc	Joint venture	Ancash, Peru
Spain				
San Juan de Nieva	100%	511kt Zn 489kt saleable Zn	Subsidiary	Asturias, Spain
Hinojedo	100%	39kt calcine 22kt SO_2	Subsidiary	Cantabria, Spain
Arnao	100%	16kt ZnO	Subsidiary	Asturias, Spain
UK				
Northfleet	100%	130kt primary Pb 167t refined Ag	Subsidiary	Northfleet, UK

Name of Operation		Ownership	100% Production 2011	Accounting Status	Location
Xstrata Alloys					
Boshoek plant		79.5%	141kt	Joint venture	Boshoek, South Africa
Lion plant		79.5%	302kt	Joint venture	Steelpoort, South Africa
Lydenburg plant		69.6%	291kt	Joint venture	Lydenburg, South Africa
Rustenburg plant		79.5%	183kt	Joint venture	Rustenburg, South Africa
Wonderkop plant		79.5%	368kt	Joint venture	Marikana, South Africa
Kroondal mine		79.5%	792kt	Joint venture	Rustenburg, South Africa
Thorncliffe mine		79.5%	801kt	Joint venture	Steelpoort, South Africa
Helena mine		79.5%	489kt	Joint venture	Steelpoort, South Africa
Waterval mine		79.5%	210kt	Joint venture	Rustenburg, South Africa
Rhovan	V2O5	74%	21,039k lbs	Joint venture	Brits, South Africa
	FeV	74%	3,953k kg		
Char Technologies		100%	27kt	Subsidiary	Witbank, South Africa
African Carbon Manufacturers		100%	38kt	Subsidiary	Witbank, South Africa
African Carbon Producers		100%	82kt	Subsidiary	Witbank, South Africa
African Fine Carbon		100%	33kt	Subsidiary	Middelburg, South Africa
African Carbon Union		74%	36kt	Subsidiary	Witbank, South Africa
Mototolo		37%	198k oz	Joint venture	Steelpoort, South Africa
Eland		73.99%	57k oz	Joint venture	Brits, South Africa

Statement of directors' responsibilities

The directors confirm to the best of their knowledge:

a) the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

b) the half-yearly report includes a fair review of the information required by DTR 4.2.7 (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the interim report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and

c) the half-yearly report includes a fair review of the information required by DTR 4.2.8 (being disclosure of related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the Group during the period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year).

By order of the board

T L Reid

Director

Chief Financial Officer

7 August 2012

Independent Review Report to Xstrata plc

Introduction

We have been engaged by Xstrata plc (the company) to review the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2012 which comprises the condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of financial position, condensed interim consolidated cash flow statement, condensed interim consolidated statement of changes in equity and related notes 1 to 16. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of consolidated financial statements in the half-yearly report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
7 August 2012

The maintenance and integrity of the Xstrata plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed Interim Consolidated Income Statement

For the six months ended 30 June 2012

US$m	Notes	(Unaudited) Before exceptional items	(Unaudited) Exceptional items†	(Unaudited) 6 months 30.06.12	(Unaudited) Before exceptional items	(Unaudited) Exceptional items†	(Unaudited) 6 months 30.06.11	(Audited) Before exceptional items	(Audited) Exceptional items†	(Audited) 12 months 31.12.11
Revenue		**15,550**	–	**15,550**	16,777	–	16,777	33,877	–	33,877
Operating costs*		**(11,543)**	–	**(11,543)**	(10,957)	–	(10,957)	(22,229)	–	(22,229)
Other exceptional items*	6	–	**(199)**	**(199)**	–	57	57	–	16	16
Operating profit before interest, taxation, depreciation and amortisation		**4,007**	**(199)**	**3,808**	5,820	57	5,877	11,648	16	11,664
Depreciation and amortisation		**(1,553)**	–	**(1,553)**	(1,574)	–	(1,574)	(3,217)	–	(3,217)
Impairment of assets	6	–	**(111)**	**(111)**	–	–	–	–	(469)	(469)
Reversal of assets previously impaired	6	–	–	–	–	–	–	–	463	463
Operating profit		**2,454**	**(310)**	**2,144**	4,246	57	4,303	8,431	10	8,441
Share of results from associates	6	**(15)**	**(516)**	**(531)**	8	–	8	29	12	41
Profit before interest and taxation		**2,439**	**(826)**	**1,613**	4,254	57	4,311	8,460	22	8,482
Finance income	12	**126**	–	**126**	61	–	61	137	–	137
Finance costs	6,12	**(199)**	**(6)**	**(205)**	(273)	–	(273)	(452)	(19)	(471)
Profit before taxation		**2,366**	**(832)**	**1,534**	4,042	57	4,099	8,145	3	8,148
Income tax (charge)/credit	6,13	**(98)**	**579**	**481**	(1,044)	(6)	(1,050)	(2,140)	(75)	(2,215)
Profit/(loss) for the period		**2,268**	**(253)**	**2,015**	2,998	51	3,049	6,005	(72)	5,933
Attributable to:										
Equity holders of the parent		**2,194**	**(253)**	**1,941**	2,865	51	2,916	5,785	(72)	5,713
Non-controlling interests		**74**	–	**74**	133	–	133	220	–	220
		2,268	**(253)**	**2,015**	2,998	51	3,049	6,005	(72)	5,933
Earnings per share (US$)										
- basic	15	**0.75**	**(0.09)**	**0.66**	0.98	0.02	1.00	1.97	(0.02)	1.95
- diluted	15	**0.74**	**(0.09)**	**0.65**	0.96	0.02	0.98	1.95	(0.02)	1.93

† Exceptional items are significant items of income and expense, presented separately due to their nature or the expected infrequency of the events giving rise to them.
* Before depreciation, amortisation and impairment charges.

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

US$m	**(Unaudited) 6 months 30.06.12**	(Unaudited) 6 months 30.06.11	(Audited) 12 months 31.12.11
Profit for the period	**2,015**	3,049	5,933
Income and expenses recognised directly in equity:			
Actuarial losses on defined benefit pension plans	**(114)**	(25)	(195)
Income tax credit	**30**	6	50
Losses on available-for-sale financial assets	**(5)**	(9)	(37)
Income tax credit/(expense)	**1**	(12)	(5)
Gains on cash flow hedges	**91**	26	29
Income tax expense	**(18)**	(7)	(9)
Foreign currency translation (losses)/gains	**(116)**	933	(1,309)
Income tax (expense)/credit	**(1)**	(18)	2
	(132)	894	(1,474)
Transfers to the income statement:			
Gains on cash flow hedges	**(34)**	(74)	(59)
Income tax expense	**7**	25	28
Gains on available-for-sale financial assets	**(5)**	(29)	(8)
Income tax expense	**1**	–	6
Other comprehensive (loss)/income	**(163)**	816	(1,507)
Total comprehensive income for the period	**1,852**	3,865	4,426
Attributable to:			
Equity holders of the parent	**1,776**	3,734	4,210
Non-controlling interests	**76**	131	216
	1,852	3,865	4,426

Condensed Interim Consolidated Statement of Financial Position

As at 30 June 2012

US$m	Notes	**(Unaudited) 30.06.12**	(Unaudited) 30.06.11	(Audited) 31.12.11
Assets				
Non-current assets				
Intangible assets	8	**7,813**	8,446	8,228
Property, plant and equipment	9	**55,166**	49,361	51,454
Biological assets		**23**	23	23
Inventories		**4**	4	7
Trade and other receivables		**345**	197	210
Investments in associates	6	**1,192**	1,926	1,769
Available-for-sale financial assets		**246**	311	258
Derivative financial assets		**632**	474	680
Other financial assets		**754**	625	743
Pension assets		**–**	2	–
Prepayments		**37**	14	41
Deferred tax assets		**840**	213	44
		67,052	61,596	63,457
Current assets				
Inventories		**5,664**	5,562	5,242
Trade and other receivables		**3,400**	4,135	3,742
Derivative financial assets		**92**	168	96
Prepayments		**247**	231	347
Cash and cash equivalents	11	**1,646**	1,354	1,948
Assets classified as held for sale		**33**	285	–
		11,082	11,735	11,375
Total assets		**78,134**	73,331	74,832

Condensed Interim Consolidated Statement of Financial Position (continued)

As at 30 June 2012

US$m	Notes	(Unaudited) 30.06.12	(Unaudited) 30.06.11	(Audited) 31.12.11
Equity and liabilities				
Capital and reserves - attributable to equity holders of Xstrata plc				
Issued capital	10	**1,501**	1,482	1,482
Share premium		**15,365**	15,458	15,458
Own shares		**(1,450)**	(1,143)	(1,140)
Other reserves		**6,862**	8,876	6,681
Retained earnings		**22,796**	18,824	21,183
		45,074	43,497	43,664
Non-controlling interests		**2,285**	2,036	2,037
Total equity		**47,359**	45,533	45,701
Non-current liabilities				
Trade and other payables		**72**	80	82
Interest-bearing loans and borrowings	11	**10,744**	7,515	8,804
Derivative financial liabilities		**435**	264	417
Other financial liabilities		**739**	689	708
Provisions		**3,758**	3,467	3,708
Pension deficit		**761**	626	692
Deferred tax liabilities		**6,142**	6,676	6,250
Other liabilities		**9**	9	8
		22,660	19,326	20,669
Current liabilities				
Trade and other payables		**4,490**	4,536	5,102
Interest-bearing loans and borrowings	11	**2,454**	2,280	1,566
Derivative financial liabilities		**16**	25	65
Provisions		**710**	736	778
Income taxes payable		**373**	592	896
Other liabilities		**53**	40	55
Liabilities classified as held for sale		**19**	263	–
		8,115	8,472	8,462
Total liabilities		**30,775**	27,798	29,131
Total equity and liabilities		**78,134**	73,331	74,832

Condensed Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2012

US$m	Notes	**(Unaudited) 6 months 30.06.12**	(Unaudited) 6 months 30.06.11	(Audited) 12 months 31.12.11
Profit before taxation		**1,534**	4,099	8,148
Adjustments for:				
Finance income	12	**(126)**	(61)	(137)
Finance cost	12	**205**	273	471
Share of results from associates	6	**531**	(8)	(41)
Net loss/(profit) on disposal of property, plant and equipment		**1**	(25)	(54)
Profit on sale of operations	5	**–**	(58)	(56)
Available-for-sale financial assets write-down	6	**16**	–	43
Depreciation and amortisation		**1,553**	1,574	3,217
Impairment of assets	6	**111**	–	469
Loss on establishment of a joint venture	6	**162**	–	–
Reversal of previous asset impairments	6	**–**	–	(463)
Share-based compensation plans		**81**	40	(4)
Decrease in trade and other receivables		**354**	370	637
Increase in other assets		**(113)**	(241)	(487)
Increase in inventories		**(428)**	(699)	(604)
(Decrease)/increase in trade and other payables		**(605)**	(333)	450
Decrease in provisions		**(66)**	(34)	(274)
Other non-cash movements		**(7)**	(6)	20
Cash generated from operations		**3,203**	4,891	11,335
Income tax paid		**(871)**	(881)	(1,664)
Interest paid		**(209)**	(172)	(379)
Interest received		**60**	49	64
Dividends received		**–**	–	2
Net cash flow from operating activities		**2,183**	3,887	9,358
Purchase of property, plant and equipment		**(4,570)**	(3,385)	(8,108)
Proceeds from sale of property, plant and equipment		**3**	30	33
Purchase of intangible assets		**(9)**	(16)	(31)
Purchase of available-for-sale financial assets		**–**	(29)	(29)
Proceeds from the sale of available-for-sale financial assets		**–**	51	51
Acquisition of assets	9	**(500)**	(216)	(327)
Acquisition of subsidiaries, net of cash acquired		**–**	(69)	(209)
Proceeds from partial disposal	5	**435**	–	–
Net cash flow used in investing activities		**(4,641)**	(3,634)	(8,620)
Purchase of own shares		**(22)**	(18)	(18)
Disposal of own shares		**82**	14	15
Proceeds from interest-bearing loans and borrowings		**3,843**	1,688	6,929
Repayment of interest-bearing loans and borrowings		**(931)**	(1,564)	(6,194)
Payment of finance lease liabilities		**(15)**	(42)	(46)
Dividends paid to equity holders of the parent	16	**(797)**	(586)	(967)
Dividends paid to non-controlling interests		**(1)**	(122)	(209)
Net cash flow from/(used in) financing activities		**2,159**	(630)	(490)
Net increase/(decrease) in cash and cash equivalents		**(299)**	(377)	248
Net foreign exchange difference		**(7)**	13	(15)
Cash and cash equivalents at 1 January		**1,943**	1,710	1,710
Cash and cash equivalents at period end	11	**1,637**	1,346	1,943

Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to equity holders of the parent							Non-controlling interests	Total equity
US$m	Issued capital	Share premium	Share premium distributable reserves	Own shares	Other reserves	Retained earnings	Total		
At 1 January 2011	1,482	15,458	–	(1,181)	8,039	16,478	40,276	1,762	42,038
Comprehensive income	–	–	–	–	837	2,897	3,734	131	3,865
Own share purchases	–	–	–	(18)	–	–	(18)	–	(18)
Own share disposals	–	–	–	56	–	(42)	14	–	14
Cost of IFRS 2 equity settled share-based compensation plans	–	–	–	–	–	77	77	–	77
Acquisition of subsidiaries	–	–	–	–	–	–	–	265	265
Dividends paid (refer to note 16)	–	–	–	–	–	(586)	(586)	(122)	(708)
At 30 June 2011 (unaudited)	1,482	15,458	–	(1,143)	8,876	18,824	43,497	2,036	45,533
Comprehensive income	–	–	–	–	(2,195)	2,671	476	85	561
Own share disposals	–	–	–	3	–	(2)	1	–	1
Cost of IFRS 2 equity settled share-based compensation plans	–	–	–	–	–	71	71	–	71
Acquisition of subsidiaries	–	–	–	–	–	–	–	(7)	(7)
Capital contributions	–	–	–	–	–	–	–	10	10
Dividends paid (refer to note 16)	–	–	–	–	–	(381)	(381)	(87)	(468)
At 31 December 2011 (audited)	1,482	15,458	–	(1,140)	6,681	21,183	43,664	2,037	45,701
Comprehensive income	–	–	–	–	(81)	1,857	1,776	76	1,852
Issue of share capital (refer to note 10)	19	704	–	(723)	–	–	–	–	–
Share premium reduction (refer note 10)	–	(7,978)	7,978	–	–	–	–	–	–
Own share purchases	–	–	–	(22)	–	–	(22)	–	(22)
Own share disposals	–	–	–	435	–	(353)	82	–	82
Cost of IFRS 2 equity settled share-based compensation plans	–	–	–	–	–	109	109	–	109
Partial disposal (refer to note 5)	–	–	–	–	262	–	262	173	435
Dividends paid (refer to note 16)	–	–	(797)	–	–	–	(797)	(1)	(798)
At 30 June 2012 (unaudited)	1,501	8,184	7,181	(1,450)	6,862	22,796	45,074	2,285	47,359

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

1. Corporate information

The ultimate parent entity of the Group, Xstrata plc, is a publicly traded limited company incorporated in England and Wales and domiciled in Switzerland. Its ordinary shares are traded on the London and Swiss stock exchanges.

The condensed interim consolidated financial statements do not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The condensed interim consolidated financial statements of the Group for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 7 August 2012.

The financial information for the full preceding financial year is based on statutory accounts for the financial year ended 31 December 2011. These statutory accounts upon which the auditors issued an unqualified opinion, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006, have been delivered to the registrar.

2. Basis of preparation

The condensed interim consolidated financial statements of Xstrata plc and its subsidiaries (the Group) for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. Accordingly, the condensed interim consolidated financial statements do not include all of the information or disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011. The condensed interim financial statements for the six months ended 30 June 2012 have been prepared on a going concern basis as the directors believe there are no material uncertainties that lead to significant doubt the entity can continue as a going concern in the foreseeable future.

The impact of seasonality or cyclicality on operations is not regarded as significant to the condensed interim consolidated financial statements.

The following exchange rates to the US dollar (US$) have been applied:

	As at 30 June 2012	Average 6 months to 30 June 2012	As at 30 June 2011	Average 6 months to 30 June 2011	As at 31 December 2011	Average 12 months to 31 December 2011
Argentine pesos (US$:ARS)	**4.5270**	**4.3933**	4.1085	4.0457	4.3063	4.1282
Australian dollars (AUD:US$)	**1.0238**	**1.0328**	1.0722	1.0346	1.0205	1.0331
Canadian dollars (US$:CAD)	**1.0166**	**1.0058**	0.9634	0.9766	1.0212	0.9892
Chilean pesos (US$:CLP)	**500.75**	**492.69**	469.00	475.49	519.50	483.83
Colombian pesos (US$:COP)	**1,783**	**1,793**	1,770	1,837	1,938	1,848
Euros (EUR:US$)	**1.2666**	**1.2975**	1.4501	1.4049	1.2960	1.3926
Great Britain pounds (GBP:US$)	**1.5706**	**1.5773**	1.6054	1.6173	1.5550	1.6041
Peruvian Nuevo sol (US$:PEN)	**2.6655**	**2.6738**	2.7480	2.7809	2.6904	2.7532
South African rand (US$:ZAR)	**8.1678**	**7.9398**	6.7627	6.8934	8.0796	7.2642
Swiss francs (US$:CHF)	**0.9484**	**0.9289**	0.8405	0.9049	0.9376	0.8866

3. Significant accounting policies

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the following new amendment to existing standards as of 1 January 2012:

- IFRS 7 Financial Instruments: Disclosures (Amendments)

The adoption of this amendment has no impact on Group earnings or equity in the current or prior periods. The annual financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with IFRSs as adopted by the European Union.

4. Acquisitions

Business combinations

There were no business combinations during the six month period ended 30 June 2012.

There were no fair value adjustments during the period to the identifiable assets and liabilities acquired through business combinations in 2011.

5. Disposals

2012

Western Canada Coalfields

In March 2012, the Group entered into an agreement between Xstrata Coal and JX Nippon Oil & Energy Corporation Group (JX) comprising contiguous metallurgical coal assets in the Peace River Coalfields in Western Canada. As consideration, JX paid US$435 million in cash to acquire a 25% non-controlling interest in the Peace River Coalfields in Western Canada. The excess over the carrying value of the non-controlling interest of US$262 million has been recorded within Other reserves.

Energía Austral Joint Venture

In April 2012, the Group entered into a joint venture agreement with Origin Energy Limited (Origin) whereby Origin acquired a 51% interest in the Group's Energía Austral hydroelectric development in Chile. Under the terms of the agreement, Origin will invest US$75 million for the completion of a detailed project feasibility study and will invest an additional US$75 million if the project is deemed feasible. The Group is entitled to cash consideration payments from Origin once the project is operational and if certain performance threshold targets are met. No intangible asset is able to be recognised for the technical expertise and industry experience that Origin is contributing to the project. The retained 49% interest and the deferred cash consideration have been measured at their estimated fair value, consequently a non-cash loss of US$162 million has been recognised upon entering into the joint venture agreement (refer to note 6).

2011

Bakwena Ba Magopa Community Trust

In February 2011, the Group finalised a black empowerment agreement in respect of the Rhovan vanadium operations (Rhovan) in South Africa. The Bakwena Ba Magopa Community Trust (Bakwena) acquired a 26% interest in the Rhovan business for US$56 million. The Group facilitated the transaction by providing vendor financing and the loan will be repayable from a portion of Bakwena's share of free cash flows. A profit of US$48 million was recognised on the finalisation of the transaction (refer to note 6) reflecting the change from control to joint control.

Mpumalanga

In December 2011, the Group received final government and regulatory approval for the sale of the Mpumalanga coal assets in South Africa. The total consideration was US$43 million, consisting of cash and the value attributed to a favourable off-take agreement. A gain on disposal of US$8 million was recognised in other revenue.

6. Exceptional items and impairment of assets

US$m	**6 months 30.06.12**	6 months 30.06.11	12 months 31.12.11
Other exceptional items:			
Acquisition costs	**(21)**	(1)	(4)
Available-for-sale financial assets write down	**(16)**	–	(43)
Loss on establishment of a joint venture	**(162)**	–	–
Profit on sale of operations	**–**	58	48
Restructuring and closure costs	**–**	–	15
Operating EBITDA exceptional items	**(199)**	57	16
Impairment of assets	**(111)**	–	(469)
Reversal of assets previously impaired	**–**	–	463
Operating profit/(loss) on exceptional items	**(310)**	57	10
Impairment of investment in associates	**(514)**	–	–
Share of results from associates	**(2)**	–	12
Exceptional items before interest and taxation	**(826)**	57	22
Loan issue costs written-off on finance facilities	**(6)**	–	(19)
Exceptional items before taxation	**(832)**	57	3
Income tax credit/(charge)	**579**	(6)	(75)
Exceptional items after taxation	**(253)**	51	(72)

Acquisition costs

During the first half of 2012 the Group incurred acquisition costs of US$21 million in relation to the recommended all-share merger of equals with Glencore International plc, as announced on 7 February 2012. During the first half of 2011 the Group incurred acquisition costs of US$1 million (31 December 2011 US$4 million) in relation to offers made to acquire companies.

Available-for-sale financial assets write-down

During the first half of 2012 the Group recorded US$16 million (31 December 2011 US$43 million) of unrealised losses associated with the decline in market value of listed investments.

Loss on establishment of a joint venture

During the first half of 2012, the Group recognised a US$162 million loss on the formation of a joint venture which resulted in the loss of control over a previously wholly owned hydroelectricity project in Chile (refer to note 5).

Profit on sale of operations

In 2011 the Group recognised a US$48 million profit on the disposal of an interest in its Rhovan vanadium operations upon the finalisation of a black empowerment agreement in South Africa (refer to note 5).

Restructuring and closure costs

During 2011, US$15 million of restructuring and closure costs provided for the Kidd metallurgical plants were reversed to the income statement upon the finalisation of the closure.

Impairment of assets and reversal of assets previously impaired

2012

In March 2012, the Group announced that the Brunswick zinc mine is approaching the end of its mine life and will close by March 2013. During the first half of 2012, the Group recorded a US$111 million impairment of goodwill that was initially recognised from the Falconbridge Limited acquisition in 2006, as a result of the requirement to recognise a deferred tax liability on the fair value adjustments.

2011

As a consequence of ongoing optimisation across the business, the estimated recoverable amount of the Integrated Nickel Operations (INO) has increased, resulting in an impairment reversal of US$463 million (US$324 million after tax) in 2011.

The Prospero nickel mine in Australia was permanently closed during 2011 resulting in an impairment of US$469 million (US$328 million after tax) in 2011 against the carrying value of its assets and surrounding prospective mines.

Impairment of investment in associates

During the first half of 2012, an impairment charge of US$514 million was recorded in respect of the Group's investment in Lonmin following the release of their 2012 interim results and the challenging outlook for the industry, resulting in revisions to forecast capital expenditure, commodity prices, foreign exchange rates, operating costs and production.

Share of results from associates

During the first half of 2012, a charge of US$2 million (2011 US$12 million gain) was recognised in relation to the Group's share of exceptional items recognised by Lonmin.

Loan issue costs written off on finance facilities

During the first half of 2012, the Group incurred US$6 million in relation to unutilised financing facilities. In 2011 the Group refinanced its bank facilities and wrote off related issue costs of US$19 million.

Income tax credit/(charge)

During the first half of 2012, the Group recognised an exceptional tax credit of US$579 million resulting from the enactment of the minerals resources rent tax (MRRT) in Australia, effective from 1 July 2012. Deferred tax has been recognised on the difference between the tax effect of the upstream coal mining operations carrying values and their tax bases, to the extent it is expected to be utilised.

During 2011, the Group recognised an exceptional tax charge of US$75 million, primarily as a result of the introduction of a number of new taxes levied on the mining industry in Peru, the impairment of assets, profit on sale of operations, refinancing and the reversal of restructuring and closure costs.

7. Segmental analysis

Operating segments

Xstrata's business is organised into five global commodity businesses, each of which operates with a high degree of autonomy. In addition to the five global segments, the Xstrata Technology Services and the Xstrata Iron Ore businesses, which are not significant parts of the business, are also included below for disclosure purposes.

Management monitors the operating results of each business as a standalone entity. Segment performance is evaluated based on a number of measures including return on capital employed and operating profit. Finance income and costs, and income tax, are managed on a Group basis.

Transfer prices between business segments are set on an arm's-length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information and certain asset information regarding the Group's operating segments.

For the period ended

US$m	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.12	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.11	(Audited) Before exceptional items	(Audited) Exceptional items	(Audited) 12 months 31.12.11
Revenue									
External parties:									
Coal - Thermal	**4,310**	–	**4,310**	3,476	–	3,476	8,057	–	8,057
Coal - Coking	**911**	–	**911**	905	–	905	1,924	–	1,924
Coal	**5,221**	–	**5,221**	4,381	–	4,381	9,981	–	9,981
Alloys	**753**	–	**753**	992	–	992	1,689	–	1,689
Copper	**6,255**	–	**6,255**	7,705	–	7,705	15,037	–	15,037
Nickel	**1,361**	–	**1,361**	1,667	–	1,667	3,192	–	3,192
Zinc Lead	**1,781**	–	**1,781**	1,937	–	1,937	3,756	–	3,756
Technology	**179**	–	**179**	95	–	95	222	–	222
Revenue	**15,550**	–	**15,550**	16,777	–	16,777	33,877	–	33,877

7. Segmental analysis (continued)

US$m	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.12	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.11	(Audited) Before exceptional items	(Audited) Exceptional items	(Audited) 12 months 31.12.11
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)									
Coal - Thermal	**1,360**	**–**	**1,360**	1,144	–	1,144	2,834	–	2,834
Coal - Coking	**287**	**–**	**287**	440	–	440	1,019	(3)	1,016
Coal	**1,647**	**–**	**1,647**	1,584	–	1,584	3,853	(3)	3,850
Alloys	**113**	**–**	**113**	182	58	240	294	48	342
Copper	**1,498**	**(178)**	**1,320**	2,550	–	2,550	4,915	(28)	4,887
Nickel	**358**	**–**	**358**	743	–	743	1,234	–	1,234
Zinc Lead	**465**	**–**	**465**	750	–	750	1,223	–	1,223
Iron Ore	**(8)**	**–**	**(8)**	(4)	(1)	(5)	(11)	(1)	(12)
Technology	**30**	**–**	**30**	14	–	14	34	–	34
Segment EBITDA	**4,103**	**(178)**	**3,925**	5,819	57	5,876	11,542	16	11,558
Unallocated	**(96)**	**(21)**	**(117)**	1	–	1	106	–	106
Operating EBITDA	**4,007**	**(199)**	**3,808**	5,820	57	5,877	11,648	16	11,664
Share of results from associates (net of tax):									
Coal	**2**	**–**	**2**	1	–	1	4	–	4
Alloys	**(17)**	**(516)**	**(533)**	7	–	7	25	12	37
Total	**3,992**	**(715)**	**3,277**	5,828	57	5,885	11,677	28	11,705
Depreciation and amortisation									
Coal	**(537)**	**–**	**(537)**	(494)	–	(494)	(1,043)	–	(1,043)
Alloys	**(61)**	**–**	**(61)**	(67)	–	(67)	(141)	–	(141)
Copper	**(432)**	**–**	**(432)**	(485)	–	(485)	(991)	–	(991)
Nickel	**(293)**	**–**	**(293)**	(310)	–	(310)	(623)	–	(623)
Zinc Lead	**(225)**	**–**	**(225)**	(213)	–	(213)	(409)	–	(409)
Technology	**(3)**	**–**	**(3)**	(4)	–	(4)	(7)	–	(7)
Depreciation and amortisation	**(1,551)**	**–**	**(1,551)**	(1,573)	–	(1,573)	(3,214)	–	(3,214)
Unallocated	**(2)**	**–**	**(2)**	(1)	–	(1)	(3)	–	(3)
Total	**(1,553)**	**–**	**(1,553)**	(1,574)	–	(1,574)	(3,217)	–	(3,217)
Impairment of assets									
Nickel	**–**	**–**	**–**	–	–	–	–	(469)	(469)
Zinc Lead	**–**	**(111)**	**(111)**	–	–	–	–	–	–
Reversal of assets previously impaired									
Nickel	**–**	**–**	**–**	–	–	–	–	463	463
Total	**–**	**(111)**	**(111)**	–	–	–	–	(6)	(6)

7. Segmental analysis (continued)

US$m	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.12	(Unaudited) Before exceptional items	(Unaudited) Exceptional items	(Unaudited) 6 months 30.06.11	(Audited) Before exceptional items	(Audited) Exceptional items	(Audited) 12 months 31.12.11
Profit before interest and taxation (EBIT)									
Coal - Thermal	**893**	**–**	**893**	708	–	708	1,921	–	1,921
Coal - Coking	**217**	**–**	**217**	382	–	382	889	(3)	886
Coal	**1,110**	**–**	**1,110**	1,090	–	1,090	2,810	(3)	2,807
Alloys	**52**	**–**	**52**	115	58	173	153	48	201
Copper	**1,066**	**(178)**	**888**	2,065	–	2,065	3,924	(28)	3,896
Nickel	**65**	**–**	**65**	433	–	433	611	(6)	605
Zinc Lead	**240**	**(111)**	**129**	537	–	537	814	–	814
Iron Ore	**(8)**	**–**	**(8)**	(4)	(1)	(5)	(11)	(1)	(12)
Technology	**27**	**–**	**27**	10	–	10	27	–	27
Segment EBIT	**2,552**	**(289)**	**2,263**	4,246	57	4,303	8,328	10	8,338
Unallocated	**(98)**	**(21)**	**(119)**	–	–	–	103	–	103
Operating profit	**2,454**	**(310)**	**2,144**	4,246	57	4,303	8,431	10	8,441
Share of results from associates (net of tax):									
Coal	**2**	**–**	**2**	1	–	1	4	–	4
Alloys	**(17)**	**(516)**	**(533)**	7	–	7	25	12	37
EBIT	**2,439**	**(826)**	**1,613**	4,254	57	4,311	8,460	22	8,482
Finance income	**126**	**–**	**126**	61	–	61	137	–	137
Finance expense	**(199)**	**(6)**	**(205)**	(273)	–	(273)	(452)	(19)	(471)
Profit before taxation	**2,366**	**(832)**	**1,534**	4,042	57	4,099	8,145	3	8,148
Income tax (charge)/credit	**(98)**	**579**	**481**	(1,044)	(6)	(1,050)	(2,140)	(75)	(2,215)
Profit/(loss) for the period	**2,268**	**(253)**	**2,015**	2,998	51	3,049	6,005	(72)	5,933

7. Segmental analysis (continued)

US$m	6 months 30.06.12	6 months 30.06.11	12 months 31.12.11
Capital expenditure			
Sustaining:			
Coal	**481**	320	801
Alloys	**58**	68	137
Copper	**285**	207	654
Iron Ore	**–**	–	1
Nickel	**135**	135	287
Zinc Lead	**247**	172	504
Technology	**2**	2	3
Total	**1,208**	904	2,387
Unallocated	**9**	1	5
Total sustaining	**1,217**	905	2,392
Expansionary:			
Coal	**921**	517	1,193
Alloys	**143**	115	250
Copper	**1,165**	1,083	2,424
Iron Ore	**89**	78	171
Nickel	**786**	621	1,351
Zinc Lead	**284**	104	381
Technology	**4**	–	3
Total expansionary	**3,392**	2,518	5,773
Total capital expenditure:			
Coal	**1,402**	837	1,994
Alloys	**201**	183	387
Copper	**1,450**	1,290	3,078
Iron Ore	**89**	78	172
Nickel	**921**	756	1,638
Zinc Lead	**531**	276	885
Technology	**6**	2	6
Total	**4,600**	3,422	8,160
Unallocated	**9**	1	5
Total capital expenditure	**4,609**	3,423	8,165

8. Goodwill

The value of goodwill at 30 June 2012 was US$6,339 million (30 June 2011 US$6,593 million, 31 December 2011 US$6,495 million). The decrease in the carrying value during the period ended 30 June 2012 was a result of derecognising goodwill on entering into a joint venture (refer to note 5 and 6), impairment (refer to note 6) and foreign currency translation adjustments.

Refer to note 6 for impairment considerations at 30 June 2012.

9. Property, plant and equipment

During the period ended 30 June 2012, the Group acquired assets with a cost of US$4,599 million (30 June 2011 US$3,407 million, 31 December 2011 US$8,134 million), not including property, plant and equipment acquired through business combinations, asset additions and additions to deferred stripping costs. Capital expenditure (refer to note 7) comprises additions to intangible assets and property, plant and equipment excluding deferred stripping costs capitalised during the year.

During the period ended 30 June 2012, the Group acquired the Sukunka hard coking coal deposit in British Columbia, Canada for US$500 million. This was treated as an asset purchase rather than a business combination as no associated activities or workforce were acquired.

During the period ended 30 June 2011, the Group acquired copper tenements in Queensland, Australia for US$186 million and the remaining 25% interest in the Lady Loretta project in Queensland, Australia for US$30 million. This was treated as an asset purchase rather than a business combination as no associated activities or workforce were acquired.

During the second half of 2011, the Group acquired the Hackett River and Wishbone zinc exploration properties, located in the Western Kitikmeot region of Nunavut, Canada, from Sabina Gold and Silver Corp for a cash consideration of US$48 million, the remaining 23.6% interest in the Pallas Green property in the Republic of Ireland from the current joint venture partner in the project, Minco plc for US$19 million and the Lossan metallurgical coal deposit from Cline Mining Corporation for US$44 million.

The Group has made commitments to acquire property, plant and equipment totalling US$1,680 million at 30 June 2012 (30 June 2011 US$1,582 million, 31 December 2011 US$1,854 million). A portion of these commitments has been entered into with other venturers.

Refer to note 6 for impairment considerations at 30 June 2012.

10. Capital and reserves

38,000,000 ordinary shares were issued on 5 March 2012 to the Employee Share Ownership Plan (ESOP).

In May 2012, the US$7,978 million reduction of the share premium account was confirmed following the passing of a resolution at the Company's Annual General Meeting and finalisation of regulatory approvals. This reduction enabled the creation of a distributable share premium reserve.

11. Interest-bearing loans and borrowings

US$m	at 30.06.12	at 30.06.11	at 31.12.11
Current:			
At amortised cost:			
Bank overdrafts	**9**	8	5
Bank loans - other unsecured	**139**	20	139
Capital market notes	**2,276**	2,133	1,382
Non controlling interests loan	**–**	81	–
Other loans	**1**	–	2
Obligations under finance leases and hire purchase contracts	**29**	38	38
	2,454	2,280	1,566
Non-current:			
At amortised cost:			
Syndicated bank loans - unsecured	**2,000**	1,300	–
Bank loans - other unsecured	**34**	172	34
Capital market notes	**8,320**	5,654	8,394
Non-controlling interests loans	**224**	192	204
Obligations under finance leases and hire purchase contracts	**160**	182	166
Other loans	**6**	15	6
	10,744	7,515	8,804
Total	**13,198**	9,795	10,370
Less cash and cash equivalents	**(1,646)**	(1,354)	(1,948)
Net debt excluding hedges*	**11,552**	8,441	8,422
Hedges**	**(191)**	(310)	(273)
Net debt including hedges*	**11,361**	8,131	8,149
For the purpose of the Condensed Consolidated Cash Flow Statement, cash and cash equivalents comprise the following:			
Cash and cash equivalents	**1,646**	1,354	1,948
Bank overdrafts	**(9)**	(8)	(5)
	1,637	1,346	1,943

* Net debt is defined as loans and borrowings net of cash and cash equivalents.

** Derivative financial instruments that have been used to provide an economic hedge of capital market notes have been included above to reflect a more accurate net debt position of the Group at period end.

Cash and cash equivalents

During the 6 months ended 30 June 2012, the Group entered into new finance leases and hire purchase contracts to purchase various items of plant and equipment for US$1 million (six months ended 30 June 2011 US$2 million, year ended 31 December 2011 US$5 million) which did not require the use of cash and cash equivalents. As such, these items are not included in the net cash flow used in investing and financing activities in the Condensed Consolidated Cash Flow Statement.

12. Finance Income and Costs

US$m	6 months 30.06.12	6 months 30.06.11	12 months 31.12.11
Finance income:			
Bank and interest received from third parties	**84**	61	121
Dividends	**–**	–	2
Foreign currency gains on other loans*	**39**	–	14
Hedge ineffectiveness	**3**	–	–
Total finance income	**126**	61	137
Finance costs:			
Amortisation of loan issue costs	**10**	4	9
Discount unwinding	**66**	65	145
Finance charges payable under finance leases and hire purchase contracts	**10**	7	18
Foreign currency losses on other loans*	**–**	53	–
Interest on bank loans and overdrafts	**10**	15	23
Interest on capital market notes	**85**	86	173
Interest on non-controlling interests loans	**1**	3	5
Interest on other financial liabilities	**11**	12	20
Hedge ineffectiveness	**–**	21	31
Other	**6**	7	28
Finance cost before exceptional items	**199**	273	452
Loan issue costs written off on financing facilities (refer to note 6)	**6**	–	19
Total finance cost	**205**	273	471

* These amounts mainly relate to foreign currency gains and losses on US and Canadian dollar inter-company loans in Australian entities.

13. Income taxes

Significant components of income tax expense for the periods ended:

US$m	6 months 30.06.12	6 months 30.06.11	12 months 31.12.11
Consolidated income statement			
Current tax:			
Based on taxable income for the current period	**637**	869	2,023
Prior year adjustment	**(423)**	(20)	7
Total current taxation charge	**214**	849	2,030
Deferred taxation:			
Origination and reversal of temporary differences	**(699)**	249	160
Change in tax rates	**(3)**	(8)	70
Deferred tax (credit)/charge arising from write-down, or reversal of previous write-down, of a deferred tax asset	**–**	(43)	(86)
Prior year adjustment	**7**	3	41
Total deferred taxation (credit)/charge	**(695)**	201	185
Total taxation (credit)/charge	**(481)**	1,050	2,215

Prior year adjustments include true up balancing following lodgement of income tax returns, receipt of income tax assessments and revisions to tax payable estimates.

The deferred tax amounts above include the tax charge attributable to exceptional items (refer to note 6).

14. Related parties

The list of principal subsidiaries, joint ventures and associates as at 30 June 2012 is consistent with those disclosed in the Group's annual financial statements for the year ended 31 December 2011 as outlined on pages 172 to 174.

The Group entered into the following transactions, in the ordinary course of business, with Glencore International plc (Glencore):

US$m	6 months 30.06.12	6 months 30.06.11	12 months 31.12.11
Glencore*:			
Sales**	**3,773**	4,614	9,475
Purchases	**590**	613	1,098
Treatment and refining charges	**39**	108	241
Treatment and refining revenue	**14**	–	17
Agency and other charges	**41**	45	83
Interest and other revenue	**–**	–	1
Amounts payable	**94**	149	134
Amounts receivable	**421**	613	560

* Includes share of joint ventures

** No provision for doubtful debts has been raised in respect of transactions with Glencore

Included in the transactions with Glencore are US$680 million (30 June 2011 US$146 million, 31 December 2011 US$1,227 million) of back to back sales whereby the title to the goods has passed to Glencore but the goods are then on-sold to customers at the same sales price that the Group received.

There were no significant changes in the terms of the long-term contracts with Glencore as outlined on pages 175 to 177 of the Group's annual financial statements for the year ended 31 December 2011.

15. Earnings per share

US$m	6 months 30.06.12	6 months 30.06.11	12 months 31.12.11
Continuing operations:			
Profit before exceptional items attributable to ordinary equity holders of the parent	**2,194**	2,865	5,785
Exceptional items	**(253)**	51	(72)
Profit attributable to ordinary equity holders of the parent	**1,941**	2,916	5,713
Profit attributable to ordinary equity holders of the parent for diluted earnings per share	**1,941**	2,916	5,713
Weighted average number of shares (000s) excluding own shares:			
For basic earnings per share	**2,944,445**	2,930,862	2,931,448
Effect of dilution:			
- Share based payments	**20,387**	39,790	37,315
For diluted earnings per share	**2,964,832**	2,970,652	2,968,763

16. Dividends per share

US$m	6 months 30.06.12	6 months 30.06.11	12 months 31.12.11
Declared and paid*	**797**	586	967
Proposed	**414**	381	792
	1,211	967	1,759

*This only includes amounts paid to the parent equity holders and not non-controlling interest holders.

The Group has proposed an interim 2012 dividend of 14.0 cents per ordinary share (2011: 13.0 cents per ordinary share) to be paid on 13 September 2012. The 2011 final dividend of 27.0 cents per ordinary share was paid on 23 May 2012.

Further information

Defined terms used in this announcement, unless defined herein, have the same meanings as in the circular in relation to the recommended all-share merger of equals between Xstrata and Glencore International plc (the "Merger"), sent to shareholders on 31 May 2012 (the "Scheme Circular").

This announcement is for information purposes only. It is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Merger or otherwise nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. The Merger is being made solely by means of the Scheme Circular, which, together with the Forms of Proxy (and any supplementary Scheme Circular and any additional form of proxy), contains the full terms and conditions of the Merger including details of how to vote in respect of the Merger. Xstrata urges Xstrata Shareholders to read the Scheme Circular and any supplementary Scheme Circular in full because they contain/will contain important information in relation to the Merger. Any vote in respect of the Scheme or other response in relation to the Merger should be made only on the basis on the information contained in the Scheme Circular and any supplementary Scheme Circular.

This announcement does not constitute a prospectus or prospectus equivalent document.

Notice to US holders of Xstrata Shares

The Merger involves an exchange of the securities of a UK company for the securities of a Jersey company and is subject to Jersey and UK disclosure requirements, which are different from those of the United States. The financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Merger is proposed to be made by means of a scheme of arrangement under the Companies Act and otherwise in accordance with the requirements of the Code. The scheme of arrangement will relate to the shares of a UK company that is a 'foreign private issuer' as defined under Rule 3b-4 under the US Exchange Act.

Accordingly, the proposed combination is subject to disclosure and other procedural requirements applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy and tender offer rules under the US Exchange Act.

Any securities to be issued under the Merger have not been and will not be registered under the US Securities Act, or under the securities laws of any state, district or of any other jurisdiction of the United States, or of any jurisdiction other than the United Kingdom. Accordingly, the New Glencore Shares may not be offered, sold, reoffered, resold, pledged, delivered or otherwise transferred, in or into any jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction. It is expected that the New Glencore Shares will be issued in reliance upon the exemption from such registration provided by Section 3(a)(10) of the US Securities Act. Under applicable US securities laws, persons (whether or not US persons) who are or will be "affiliates" (within the meaning of the US Securities Act) of Xstrata or Glencore prior to, or of Glencore after, the Effective Date will be subject to certain transfer restrictions relating to the Glencore Shares received in connection with the Scheme. It may be difficult for US holders of Xstrata Shares to enforce their rights and any claim arising out of the US federal securities laws, since each of Glencore and Xstrata are located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of Xstrata Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

If Glencore exercises its right, subject to the consent of the Panel (where necessary) and with Xstrata's prior written consent, to implement the Merger by way of a Merger Offer, the Merger will be made in compliance with applicable US laws and regulations, including applicable provisions of the tender offer rules under the US Exchange Act, to the extent applicable.

Overseas jurisdictions

The ability of Xstrata Shareholders who are not resident in the United Kingdom to participate in the Scheme may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions.

New Glencore Shares have neither been marketed to, nor are available for purchase or exchange, in whole or in part, by, the public in the United Kingdom or elsewhere in connection with the Merger. This announcement is not a prospectus and does not constitute an invitation or offer to sell or the solicitation of an invitation or offer to buy any security. None of the securities referred to in this announcement shall be sold, issued, subscribed for, purchased, exchanged or transferred in any jurisdiction in contravention of applicable law.

The release, publication or distribution of this announcement in or into jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Merger disclaim any responsibility or liability for the violation of such restrictions by any person. This announcement has been prepared for the purposes of complying with English law, the Listing Rules, the rules of the London Stock Exchange and the Code 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 of jurisdictions outside of England.

Forward-looking statements

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", “targets”, “aims”, “projects” or words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Glencore’s or Xstrata’s operations and potential synergies resulting from the Merger; and (iii) the effects of global economic conditions on Glencore’s or Xstrata’s business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of Glencore or Xstrata to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Glencore or Xstrata to differ materially from the expectations of Glencore or Xstrata, as applicable, include, among other things, general business and economic conditions globally, commodity price volatility, industry trends, competition, 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, disruptions in business operations due to reorganisation activities (whether or not Glencore combines with Xstrata), interest rate and currency fluctuations, the failure to satisfy any conditions for the Merger on a timely basis or at all, the failure to satisfy the conditions of the Merger when implemented (including approvals or clearances from regulatory and other agencies and bodies) on a timely basis or at all, the failure of Glencore to combine with Xstrata on a timely basis or at all, the inability of the Combined Group to realise successfully any anticipated synergy benefits when the Merger is implemented, the inability of the Combined Group to integrate successfully Glencore’s and Xstrata's operations and programmes when the Merger is implemented, the Combined Group incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the Merger when the Merger is implemented. Such forward-looking statements should therefore be construed in light of such factors.

Neither Xstrata nor Glencore, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules of the FSA), neither Xstrata nor Glencore is under any obligation and Xstrata and Glencore each expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

No profit forecasts

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